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JUL 1 1993

TV or Not TV: Home Banking Idea Rescreened

By BARTON CROCKETT

In a case of technological deja vu, bankers are once again being drawn to the TV set as the way to offer home banking services.

The catalyst for the change – a throwback to the first flurry of interest in home banking in the early 1980s – is the technology revolution gripping the cable TV industry.

Leaders like Time Warner Inc. are planning to spend billions of dollars over the next few years to build new, interactive entertainment and information systems, that among other services, offer home banking.

These plans are thrilling some bankers, including Barnett Banks Inc., which hopes to be a leader in making home banking available through these systems.

"I think financial institutions have a tremendous opportunity to work with the cable companies in bringing interactive media to the home," said Thomas P. Johnson, Barnett's chief retail banking executive.

NEWS ANALYSIS

Michael Laffman, a Time Warner spokesman, said it plans to spend $5 billion over the next five years building interactive cable TV systems, called Full Service Networks, across the country. Time Warner's cable empire now serves 7.1 million people in 36 states.

Jockeying for Position

Telecommunications companies are also jockeying for positions in the nascent market. US West joined the fray last month by agreeing to buy a 25%-stake in Time Warner's entertainment unit for $2.5 billion. $1 billion of which will go to build interactive TV networks.

The first Full Service Network is scheduled to be launched next April in Orlando.

It is expected to offer movies and games on demand, home shopping, classified ads, electronic encyclopedias, and home banking services to 4,000 cable subscribers in the Florida city.

Barnett Interested

Time Warner is asking leading Orlando banks to cooperate by offering home banking through the network.

One institution that plans to do so is Jacksonville-based Barnett.

"We've made initial contacts and plan to offer Desktop Banking on their network," said Catherine Corby, Barnett's di-

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INSIDE NEWS

FINANCE



Peggy Tabacco/American Banker

MARK T. LYNCH of Lehman Brothers gave Boatmen's Bancshares a ringing endorsement. Taking. *Back page*

PRUDENTIAL Home Mortgage obtained a $1.1 billion revolving credit from a group of 20 domestic and foreign banks. *Back page*

REGIONAL BANKING

FIRST UNION's Harald R. Hansen took seven years to build the superregional into a major power in Georgia. With retirement less than four years away, he has no intention of giving up any ground. *Page 6*

COMMUNITY BANKING

TRUST COMPANIES could be jointly formed by small banks under a proposal being formulated in Ohio. *Page 8*

CREDIT CARDS

AFTER RAISING $16 million in a recent stock offering, a small Arkansas bank may put its improbable credit card juggernaut back into gear. *Page 13*

INVESTMENT PRODUCTS

FUND SUPPLIERS are employing a range of investment strategies to meet the requirements of banks and their cautious customers. *Page 14*

WASHINGTON

HOUSING and Urban Development officials are attempting to restructure fair-housing programs to focus more on loan discrimination, a HUD assistant secretary said. *Page 2*

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Midwest Rain Hits Hard at Farms, Banks

By ROBERT B. COX

Losses are likely to mount for farmers and their bankers in the wake of heavy rains in the upper Midwest.

The rains and subsequent floods could damage up to 35% of the $31 billion corn and soybean crop this year, by one estimate, with potentially serious repercussions for lenders.

"We're expecting some losses," said Robert Fishback, president of First National Bank in Brookings, S.D. "This is going to be very hard for the farmers and for the farm banks."

The wet weather has kept farmers from planting crops and has drowned major portions of planted fields in parts of Minnesota, Wisconsin, Iowa, and South Dakota.

Double Whammy

Though grain producers on the whole enjoyed bumper crops last year, the region lagged behind other parts of the country in last year's harvest because of inclement weather in the spring.

"In certain regions, things were already bad last year, and those are precisely the areas that got hit again now," said Edward Lotterman, agricultural economist at the Federal Reserve Bank of Minneapolis, who made the corn and soybean damage estimate.

"Farmers and bankers in some areas have a great deal to worry about," said Larry Wipf, regional economist at Norwest

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Rate Drop Re-Ignites Boom in Refinancings

By CHRISTOPHER NOBLE

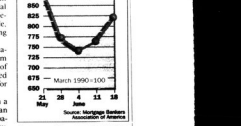
The recent drop in long-term interest rates has given a new lease on life to the mortgage refinancing boom.

"Refinance mania is in full gear," said Steve Norman of Cal Coast Mortgage Corp., San Diego. "It had started to subside, but now applications are picking up."

As the yield on 30-year Treasury bonds fell in June from 6.92% to an all-time low of 6.66%, mortgage rates matched the decline almost point for point.

The average interest rate on a 30-year, fixed-rate home loan has fallen to 7.37%, down 23 basis points from the end of May, according to HSH Associates, Butler, N.J.

The drop, in turn, has added fuel to a refinancing boom that already is stretching well into its



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Chemical Hit with ATM Complaints In Midst of 'Expect More' Campaign

By KAREN GULLO

In the middle of a major ad campaign urging customers to "expect more" from it, Chemical Banking Corp. is experiencing service problems with its automated teller machines.

An internal report obtained by the *American Banker* found that customer complaints about ATM service at the company's 900 machines surged 70% from March to April.

Most of the problems related to the machines' failure to dispense cash, said the report, distributed in June by the bank's service management group.

"Chemical Bank is losing credibility with providing 24-hour banking through the ATM network," the report said.

Moreover, it warned that the bank's "systems and operations areas are scheduling significant amount of downtime for maintenance in the next few months" and have "no forms of action in place to produce less impact to customers.

The problems are occurring as

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Chicago Is ABN Amro's Kind of Town

By JAMES R. KRAUS

The Second City has become a second home to Amsterdam's ABN Amro Holdings PLC.

Since 1988, the company has gone on a buying spree in Chicago, culminating with its acquisition last year of Talman Home Federal Savings and Loan Association.

ABN Amro now operates nine retail units in the metropolitan area, with a total of $16 billion in assets. And it has no intention of stopping. "Chicago is such a fragmented market, we have plenty of ways of strengthening our base right here," said Harrison F. Tempest, chief executive of LaSalle National Corp., ABN Amro's lead bank.

Presence in New York, Too

That's not to say the giant Dutch bank lacks a broader reach in the United States. Via its 10 U.S. branches, ABN Amro is a major force in American corporate banking. And it is a player in the New York City market through its ownership of European American Bank, with $5.6 billion in assets and 88 branches.

But since 1979, when ABN Amro entered retail banking in the United States by acquiring LaSalle, its biggest effort has gone into building a network of super community banks in Illinois.

In 1988, ABN Amro acquired W.N. Lane Inter-

See **DUTCH** *page* **15**



Roark Johnson

BLOOMING BUSINESS: Harrison F. Tempest's LaSalle National has been profitable for ABN Amro.

NEWS *briefs*

B of A Completes Sale of Distressed Realty

SAN FRANCISCO — BankAmerica Corp. said Wednesday that, as expected, it had completed the sale of distressed real estate loans and assets acquired in its merger last year with Security Pacific Corp.

Kearny Street Real Estate Co., a collecting entity owned by Morgan Stanley Real Estate Fund, purchased distressed assets with balances totaling $1.6 billion as of July 1.

BankAmerica said it received approximately $700 million, or 43% of the book value, and will get $300 million in tax benefits.

Making up the purchase price was $200 million in collections on assets pending disposition and $500 million from the proceeds of Kearny Street debt and equity financings.

Morgan-Led Unit to Reinsure for Lloyd's

NEW YORK — J.P. Morgan & Co. has formed a joint venture with a unit of Marsh & McLennan Companies Inc. to provide reinsurance to syndicates managed by the Merrett Group, a major underwriting agency of Lloyd's of London.

The Bermuda-based venture, Underwriters Capital (Merrett) Ltd., will exclusively provide whole account quota share reinsurance to the nine Merrett syndicates for a five-year term. It is the first such effort since Lloyd's amended its bylaws to permit the use of corporate capital to increase the capacity of Lloyd's syndicates through quota share reinsurance.

Morgan and Marsh & McLennan Risk Capital Holdings Ltd. are each providing 10% of the venture's $70 million in capital, which was raised by Morgan from 30 other investors.

Big-Bank Trade Groups Complete Merger

WASHINGTON — The Association of Reserve City Bankers and the Association of Bank Holding Companies said their merger became official on Wednesday, as scheduled.

The merged group, under the Reserve City name, will represent large-bank interests. Membership consists of the highest-ranking executives from 125 major institutions. Anthony T. Cluff is executive director.

Fortune's Conversion Approved by OTS

CLEARWATER, Fla. — Fortune Bank said it has received approval from the Office of Thrift Supervision to convert to a state-chartered commercial bank with membership in the Federal Reserve System.

The conversion from a savings and loan charter also requires approval from the Fed and Florida regulators.

The thrift, with $2.7 billion of assets and 46 branches, is owned by Fortune Bancorp.

First Bank Acquires Republic Acceptance

MINNEAPOLIS — First Bank, the lead subsidiary of First Bank System Inc., said it has completed the previously announced acquisition of Republic Acceptance Corp. from Churchill Financial Services Co.

Republic, a Minneapolis-based commercial finance company, has $35 million of assets. It makes working-capital loans of $100,000 to $1 million, secured by accounts receivable and other assets, to companies with annual revenues of $1 million to $20 million.

The briefs were compiled from staff and wire reports.

Correction

Because of an editing error, an article on June 28 about Chemical Banking Corp.'s sale of a foreclosed Alabama shopping mall overstated the discount at which the property was sold. The price equaled 80% of the original loan amount, not 80% of book value.

HUD Plans an Overhaul To Focus on Loan Bias

By CLAUDIA CUMMINS

WASHINGTON — The Department of Housing and Urban Development is "working feverishly" to restructure its fair-housing programs to focus more on loan discrimination, HUD Assistant Secretary Roberta Achtenberg said Wednesday.

She said Housing and Urban Development Secretary Henry Cisneros is examining the department's budget, searching for ways to reallocate staff and resources.

The agency is hoping for a 60% increase in funding for its Fair Housing Initiatives Program next year, said Ms. Achtenberg, who is the HUD official responsible for fair housing and equal opportunity. One function of the fair-housing program will be to send testers into banks to search for lending discrimination.

Attitude Adjustment

"Clearly there's a problem, and the secretary and I intend to address it," Ms. Achtenberg said before to speaking at the annual conference of the National Fair Housing Alliance, a network of housing advocates. "It's one problem that has been put aside for too long."

The secretary has made it clear that lackadaisical attitudes in the agency will change "or else heads are going to roll," she said.

An initiative in Ms. Achtenberg's office to accelerate testing of lenders and enforcement of fair housing laws already has run into an obstacle: finding qualified staff. "We don't have people with sufficient expertise in this area," she said.

Ms. Achtenberg also said the industry can anticipate changes in the Federal Housing Administration. "The secretary has put the agency on notice that a whole host of fair-lending practices may be required of FHA lenders," she said.

The secretary plans to reallocate staff and resources.

HUD hopes to work cooperatively with the bank regulators to end lending discrimination, Ms. Achtenberg added. As a first step, HUD has formed a joint working group with the Office of the Comptroller of the Currency. A report on the group's progress should be ready by the end of the month.

'Vigorous Enforcement'

In her speech, Ms. Achtenberg outlined her plan for a more high-profile and responsive fair-housing office committed to "vigorous enforcement of the laws" as well as "workable and imaginative solutions."

She praised President Clinton's commitment to HUD's fair-housing initiatives. "The president has assured us he will stand with us and behind us as we do this work." □

Fed Warns Banks On Passing Along FDIC Premiums

By BARBARA A. REHM

SAN DIEGO — Banks passing deposit-insurance premiums on to retail customers risk a congressional backlash that could result in another layer of regulation, a Federal Reserve official said.

Leonard N. Chanin, managing counsel, warned of a repeat of the Truth-in-Savings Act of 1991, which cracked down on an increasingly widespread pricing practice. Congress prohibited banks from basing interest calculations on "investable balances," which excluded funds that had to be set aside as reserves.

Cases Seen as Similar

The FDIC fee "is very close to the investable balance, in terms of consumer perception," Mr. Chanin told bankers at the American Bankers Association's national regulatory compliance conference. "You're taking a percentage of the balance and you're deducting a fee based on something you have to pay to a government entity."

Mr. Chanin would not name any banks charging a retail FDIC fee, but did say that some in the South are doing so – and consumer groups are complaining.

He advised the bankers to pressure competitors to end the practice before the whole industry pays a price.

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Picture Getting Brighter for TV As the Vehicle for Home Banking

Continued from *page 1*

rector of alternative delivery systems.

Desktop Banking is a home banking system Bartnett launched in May that supports banking through personal computers hooked into the Prodigy computer network, and prototype notebook computers from Apple Computer Inc. that double as speaker phones.

Time Warner isn't alone. Virtually all of the leading cable TV systems and telecommunications companies are planning or experimenting with new interactive systems that include home banking as one of several services. And software powerhouse Microsoft Corp. is reportedly in talks with various players.

NEWS ANALYSIS

These moves represent a remarkable turnabout for television as a vehicle for home banking.

Chemical Banking Corp., an early home banking pioneer, tested, then abandoned, a service called Pronto that initially



Thomas P. Johnson
"Tremendous opportunity"

enabled consumers to use the joysticks on their Atari Corp. video games to do basic banking transactions on their TV sets.

After that, banks focused, with mixed success, on developing home banking services for personal computers and touch-tone telephones. More recently, interest has risen in home banking from computerized phones with screen displays.

The entrance of the cable TV companies into the home banking market has reignited a debate over which of the many interactive-media technologies now under development will be the first to gain mass appeal.

"I think its going to come sooner on TVs than on screen phones," said Dave Lockton, president and chief executive officer of Interactive Network Inc., Mountain View, Calif., a start-up interactive TV company with major investors including Tele-communications Inc., National Broadcasting Co., and A.C. Nielsen Co.

He said his reasoning is that interactive video systems will be subsidized by deep-pocketed cable and telephone companies looking to sell more services. Screen phones will have less financial backing, he said.

Screen phone advocates, understandably, disagreed.

"I find it difficult to believe that people will use the TV for transaction services," said William M. Randle, the senior vice president leading Huntington Bancshares Inc.'s efforts to market screen phones and processing services.

Mr. Randle and other screen phone experts said consumers are unlikely to to give up watching MTV or Monday Night Football to electronically pay a credit card bill or check an account balance.

Ultimately, however, the interest of cable TV companies in home banking could help financial institutions.

"This is just one more way of reaching the consumer in the home," said Glenn Santmire, a senior vice president of remote banking for MasterCard International, in New York. □



Catherine Corby
Planning to hook in



William M. Randle
Has his doubts

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JUL 1 1993

Opinion

Comment

By Stephen H. Axilrod

Fed Should Just Sit Tight Until Trend Becomes Apparent

At its meeting this week, the Federal Open Market Committee will review its monetary targets and economic outlook for this year and will assess the prospects for 1994. Committee members should find conditions more problematic than they had thought.

At the beginning of this year, the committee took the view that the nation's output would probably grow by a little more than 3% and consumer price inflation by less than that.

On those assumptions, output growth would accelerate and inflation would decelerate from the year before.

Growth May Remain Sluggish

The outcome for a year is always uncertain this far in advance (only first-quarter figures for gross domestic product have been published to date), but at the moment it looks as if inflation will be more rapid and growth slower than the Fed originally anticipated.

While the differences are not likely to be large, it is quite possible that inflation could accelerate and output growth could decelerate, instead of vice versa.

The Fed is in the position of having to recognize that the balance of inflationary and deflationary forces may have tilted in an unexpected and uncomfortable way. Policymakers will have to determine where the greatest risk to the nation's well-being lies.

Little Evidence of Danger

With regard to inflation, from what I can see at present there is little or no market evidence that it is in danger of getting out of hand. Longer-term interest rates have been declining.

Measures of commodity price pressures have, on balance, been quiescent recently. The overall consumer and producer price indexes for May were reassuring, after four months when they gave unexpectedly strong inflationary signals.

In brief, though inflation is likely to creep up a bit this year, the economy is not threatened by cumulative upward price pressures that would result from widespread inflationary expectations embedded in the business cost structure.

Deflationary Forces

Clearly, the Fed's primary job over the longer run is to forestall such cumulative pressures. But at present the Fed also has to take account of the deflationary forces that are at large in the industrial world.

There are two primary sources of deflationary pressures. One is the budgetary package being negotiated in Washington. The second involves the extended slumps in Europe and Japan, which are partly the result of a prolonged battle against price and asset inflation.

For long-term economic health, the United States clearly needs a substantially deflationary budget package. The administration's original proposal was a step in that direction, but it begins to look as if we may get a fiscal program that has a somewhat greater deflationary impact than expected because fewer of the proposed expansionary offsets may be adopted.

Curbs on Spending

The small near-term stimulus package was earlier defeated. And the proposed new intermediate-term spending initiatives and tax incentives are very likely to be cut back severely.

I don't want to overdo the potentially restrictive effect of the current budgetary process. After all, recent history suggests that all budgetary restraint programs adopted by the Congress promise more than they in fact deliver.

Nonetheless, there is a risk to the United States and world economies that two potentially deflationary forces – a prolonged slump abroad and a larger-than-anticipated budgetary restraint package here – may coincide in time.

A Double Threat

The best scenario had always been that a deflationary budget package in the United States would be offset by a return to growth abroad. If that growth is delayed significantly further, we would have the unwelcome prospect that the deflationary impact of the U.S. budget program would be intensified, not offset, by external influences.

Such a double threat to growth may not actually occur, but the more the European and Japanese recoveries are delayed, the greater the risk. In that context, President Clinton has a strong case at the Tokyo summit for seeking a greater commitment to economic growth from the other industrial countries than they have thus far shown.

Federal Reserve policy probably should remain on hold for now in all these circumstances. The budget package is going to conference in the Congress, and it will be several weeks before we know the timing, not to mention the full dimensions, of tax increases and spending cuts that will emerge.

And it will also be a while before we can get a better fix on how committed the other industrial countries are to growth.

Patience has proved to be the Fed's strong suit over the past couple of years, and a little more is probably required. □

THE FED IS IN

the position of having to recognize that the balance of inflationary and deflationary forces may have tilted in an unexpected and uncomfortable way.

Mr. Axilrod is vice chairman of Nikko Securities Co., New York.

Comment

By Edgar M. Morsman Jr.

CEOs Must Take a Hands-On Approach To Their Banks' Credit Cultures

What is the chief executive officer's role in helping an institution achieve profitability? Part of the answer is obvious: Have the right people in place and support a strong, independent loan review function.

Unfortunately, it takes more than that. The right people can go wrong in a destructive credit culture.

CEOs must insert themselves in the process to ensure that the appropriate culture is developing. Their involvement in the commercial loan process is a function of their organization's size, their priorities, and the demands on their time. Nevertheless, there are seven key areas that CEOs ignore only at great peril:

How We Do Business'

• Credit culture. The CEO is responsible for the vision and values of an organization, and these ultimately drive the credit culture. The credit culture is a product of styles, styles, experience, and philosophy, or "how we do business around here." It is the glue that holds together the commercial loan process.

To influence the culture, CEOs should have a broad vision of the portfolio and agree with the portfolio philosophy developed by commercial loan management. CEOs should focus on target markets, diversification, profit and credit models, and the types of desired relationships.

Developing a broad vision and agreeing with the portfolio philosophy is not time consuming for CEOs. The issue is whether they really mean it.

Diversification

• Concentrations. A small unit with high concentrations may seem innocuous when one looks at the overall organization. Yet, it can produce extremely unpleasant surprises. High concentrations often signal laziness, for they are the quickest and easiest means of producing volume.

Concentration limits are usually the most controversial element of a portfolio philosophy, and they need the CEO's total support. The best strategy for producing earnings consistency in a commercial loan portfolio is to diversify, diversify, and, when in doubt, diversify some more.

• Watch list. Today's nonperforming assets and chargeoffs were predictable from the watch list of prior years. Therefore, CEOs should attend watch list meetings, occasionally if the portfolio is in good shape and frequently if it is not.

The meetings provide a good feel for reserve adequacy, the potential for surprise, and the general state of loan administration. They are also an excellent pulpit from which CEOs can ex-

See **CREDIT** *next page*

Mr. Morsman is an executive vice president at Norwest Bank Minnesota. This article is based on a chapter in his book, "Commercial Loan Portfolio Management," published by Robert Morris Associates.

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Comment

By Edgar M. Morsman Jr.

Credit Cultures Need Strong Chief Execs

Continued from *page 4*

pand on their vision and enhance the credit culture.

An Eye on Credit

• Approval process. CEOs should not participate in every or any loan approval processes, but they must agree with the system.

At a minimum, they should ensure that responsibility for every credit is clearly fixed on a designated individual who is clearly recommending approval; that every credit is analyzed consistently; and, when possible, that objective standards such as interest or debt service coverage ratios are used as initial screens or to help confirm risk-ratings.

CEOs should not make loans themselves. If they insist on running their own loan portfolios, they should not commit without discussions with their lending staffs.

The line refers to these as "corner office loans" and waits for the CEO to stumble. CEOs are rarely the beneficiaries of frank discussion and the market intelligence that is part of the line lending process.

Rewards System

• Recognition. Recognition is a greatly underused tool for reinforcing positive behavior. It costs little or nothing but works wonders in building a credit culture. Insiders require little effort to search out people doing things right and then recognize them.

Promotions should be considered carefully, for they are powerful signals to the rest of the line on how to get ahead. Put simply, people who enhance the credit culture should be promoted, and those who don't shouldn't. Promotions are tangible proof of whether CEOs mean what they say. They are watched very closely.

Incentives are also powerful tools in building or destroying a credit culture. They should be totally consistent with the portfolio philosophy, or they should be scrapped.

All incentive models should contain a credit model heavily weighted to watch-list control. CEOs should approve any incentive plan before it is initiated.

The Communications Business

• Signals. Despite the isolation into which some CEOs have retreated, they are constantly emitting signals that are interpreted by their organizations.

These signals may be more important than the CEO's carefully worded written and oral communications, for they let people know if the CEO really means what he – or she – is saying.

A good barometer of how well a CEO communicates is how well he receives bad news. A CEO well versed in "open door" communications policy, but then shoot the messenger who announces a surprise. The CEO may even say the right things, but his body language suggests an execution in preparation.

Receiving bad news in a time for CEOs to listen. If CEOs may propriately handle what other individuals are saying, they will shut off critical information and guarantee worse surprises in the future. CEOs should ask people to communicate with them.

For example, they should have commercial loan managers

CHIEF EXECUTIVES *should have a broad vision of the portfolio.*

discuss with them the state of the portfolio and the people who run it.

CEOs should give managers an opportunity to prepare so that they hear what managers think and not what managers think CEOs want to hear.

• Growth. Historically, rapid growth has been an excellent predictor of credit problems. Many failed bankers believed that they were smarter than the competition or that the competition was stupid. In an overbanked environment, it is difficult to be significantly smarter than everyone else.

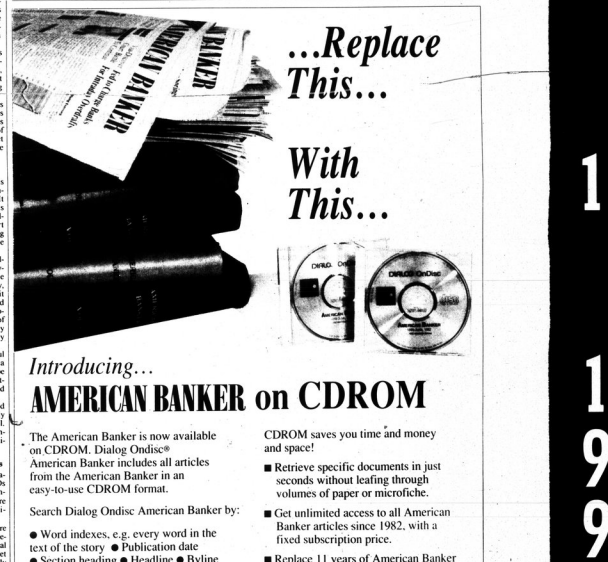
There are ways to increase income other than through volume; these include reduced provision and noninterest expense, and noninterest income. Watch the volume numbers in the budget, particularly in a recession.

Also watch the signals sent at budget time. Lenders can always produce volume, regardless of market conditions, but CEOs may regret it later. Growth cannot compound itself at a constant rate in perpetuity. Economic cycles are great equalizers.

Leading the Way

In summary, the leadership of CEOs must manifest a high level of energy. CEOs must change attitudes and create commitment. They must take people to where they have never been and create for them an environment in which they can reach their potential.

People will excel and sacrifice for such a vision. Leadership will make all the difference in fulfilling that vision. □



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1st Union's Georgia Boss Keeping the Pressure On

People in the News

By KENNETH CLINE

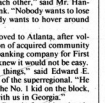
IT TOOK Harald R. Hansen seven years to build First Union National Bank of Georgia into a major power across the state. With retirement less than four years away, the veteran banker has no intention of giving up any ground.

First Union and its competitors "are going to fight like hell against each other," said Mr. Hansen, chairman of the bank. "Nobody wants to lose anything, and everybody wants to hover around whatever opportunities there are."

It was 1986 when Mr. Hansen moved to Atlanta, after volunteering to weld a motley collection of acquired community banks into a centralized statewide banking company for First Union Corp. of Charlotte, N.C. He knew it would not be easy.

"He volunteers for the toughest things," said Edward E. Crutchfield Jr., chairman and CEO of the superregional. "He goes into situations where he's not the No. 1 kid on the block, which has certainly been the case with us in Georgia."

First Union began assembling a Georgia franchise shortly before Mr. Hansen moved there, with the purchase of First Railroad and Banking Co., Augusta. The deal brought a decentralized assortment of banks across the Peach State with $4 billion assets but less than $3 billion in the core city of Atlanta.


Harald R. Hansen

Mr. Hansen helped make up that deficiency by aiding in the acquisition last year of two Atlanta-area thrifts with $7.2 billion of assets. That deal moved First Union from fourth place in deposit share to second place in the state capital.

Now Mr. Hansen must try to integrate the thrifts without cutting too deeply into profitability.

He acknowledges that the task is daunting. The thrifts hold many CDs offering above-market rates, but their assets are skewed toward low-margin residential mortgages.

Mr. Hansen said he will steer investors to mutual funds or other savings instruments when the CDs mature, while trying to boost commercial loans as a percentage of the portfolio.

Residential mortgageholders, he contends, also represent a great cross-selling opportunity. "The mortgage product is about the last relationship product in banking," he said. "It's where you focus first for service."

Mr. Hansen, 61, never intended to be a banker. After earning a political science degree from Duke University, the Durham, N.C., native served in the Marine Corps from 1956 to 1959. He retired from the reserves as a full colonel in 1986.

He was 38 when he joined First Union in 1969, after a business career spent mostly in factoring. But his leadership and management skills paved the way for a succession of top jobs: division head of credit cards, head of the trust department, city executive for Charlotte, regional executive for that city, and executive vice president of the international department.

"He is a leader first and a technician second," Mr. Crutchfield said. "He picks up what he needs to know along the way."

"First Union gave me more than I was capable of doing at the time," Mr. Hansen said. "At each step of the way, there was opportunity to immerse yourself in something that makes you grow."

First Commerce to Buy Acadiana, Enhancing Louisiana Dominance

By KENNETH CLINE

Buttressing its position as Louisiana's largest bank, First Commerce Corp. said Wednesday that it would acquire First Acadiana National Bancshares.

First Commerce, based in New Orleans, signed a letter of intent to buy the Opelousas-based bank for $32.7 million, or 1.8 times book value. First Acadiana operates 11 branches in south-central Louisiana and has $216 million in assets.

Buyer's Shares Decline

"It kind of cements First Commerce's position as the largest Louisiana bank in market share," said Peter W. Tuz, a bank analyst with Morgan Keegan Inc., Memphis.

First Commerce shares were changing hands at $37, down 62.5 cents, in afternoon trading.

With $6 billion in assets, First Commerce controls 13.3% of Louisiana bank and thrift deposits. Hibernia Corp., also based in New Orleans, is runner-up, with $4.7 billion in assets and a 10.5% market share.

Analysts said the deal indicates merger-and-acquisition activity in Louisiana may be heating up after several years of quiescence. Consolidation was halted by severe loan problems at all the major banks in the state except for First Commerce.

Attention is currently focused on New Orleans-based Oak Tree Savings Bank, a $1.7 billion-asset thrift that the government plans to auction later this year.

Privately held Alerion Bank, with $348 million of assets, is also reportedly on the block and engaged in discussions with Premier Bancorp in Baton Rouge.

"We have talked to them and we're open to further discussions," said R. Neil Williams, Premier's chief financial officer. "But there's nothing of a definitive nature imminent on that. As far as I know [Alerion] is pursuing other alternatives as well."

A spokesman for New Orleans-based Alerion could not be reached for comment.

Completion of the First Acadiana purchase is expected to take place by yearend, after approval from regulators and Acadiana shareholders, First Commerce said.

It plans to merge the bank into its Lafayette-based subsidiary, First National Bank of Lafayette, which has $436 million of assets. □

Chemical Hit with Complaints About ATMs

Continued from page 1

the nation's third-largest bank company is trying to prevent defections related to the recent conversion of the former Manufacturers Hanover Trust Co. branches to Chemical branches. The two companies merged at the end of 1992 and began the branch conversion in March.

Chemical officials linked the ATM problems to installation of touch-screen machines from NCR Corp., a process requiring some service interruptions.

The report also found numerous unscheduled outages and delays in transmitting account balance information as a result of attempts to integrate the two banks' systems.

"We're trying to schedule the downtime during the hours of 2 a.m. to 6 a.m. to minimize disruption to the customer," said John Stefans, a bank spokesman.

He argued that existence of the report reflected Chemical's attention to customer service.

Quick Turnaround Cited

"There's a great effort to quantify the problems and get them fixed," he said, noting that 99.6% of complaints were "addressed" within 24 hours.

The report focused on customer satisfaction results in April, the first month in which data were available for service at both Chemical and Manufacturers Hanover machines. The overall satisfaction result was 94.5% versus an industry standard – and "a Chemical goal" – of 98.3%, the report found.

Complaints surged 70% from March to April.

The report implied that the problems may be worse than indicated, since the service management group receives only those complaints that cannot be handled at the branch level. Branch employees "have been unable to help because the downtime has been sporadic and [they] are not always informed of when the network will be available," it said.

It also found that customers are waiting longer on lines in front of functional ATMs. "Customers have commented that Chemical Bank should develop a program giving $5 for seven minutes of wait time," it said, referring to an offer made to customers who wait on teller lines.

Mr. Stefans said the bank is considering extending the offer to ATM lines.

Although the number of complaints surged by 70%, Mr. Stefans said the ratio of complaints to transaction volume is small. Chemical processed 4.7 million requests for ATM cash in April – when volume is traditionally high because of tax season – and received 1,424 shortage complaints.

Funds transfer consultants said the service problems could have far-reaching implications.

"The value to customers of ATMs supersedes most other things that banks package in their checking account products," said David Dove, president of Dove & Associates, a Boston market research firm.

Mr. Stefans said Chemical has no indication that it has lost customers because of the ATM problems. □

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How to Rekindle Interest in Your Stock After a Crisis

By LARRY PARNELL

Mr. Parnell, a vice president of corporate relations at People's Bank of Connecticut for six years, recently joined Ogilvy Adams & Rinehart, a public relations firm in New York, as a managing director specializing in financial institutions.

Over the past few years, investor relations practitioners in the financial industry have seen their carefully structured programs buffeted by a prolonged recession and the collapse of the real estate market.

Like victims of a natural disaster, these managers face the challenge of rebuilding their investor communications program after a storm has torn it apart.

Comment

In the banking field, this problem is especially severe. In Connecticut, 21 banks and thrifts closed in 1992.

As one might expect, the stock prices of banks and thrifts have been on a roller coaster in recent years. Between the failures, real or rumored, and a steady release of national studies and reports by unofficial rating agencies predicting more trouble for the industry, investors have stayed with their investment dollars in favor of other, presumably safer, investments.

Improving profit reports in recent quarters have ameliorated the problem. Nevertheless, the situation remains fragile and investor confidence can be shaken quickly by another failure or the latest rumor.

Stigma on Banks

These marketplace factors, plus the generally poor economic conditions all businesses are now facing, make it especially challenging to drum up investor interest in an industry that is viewed as declining rather than growing.

In such a situation, investor relations officers must position themselves with rebuilding the shareholder base, attracting new interest to the company, and timing a return to an active investor relations program. Considering the alternatives, such as inactivity and further declines in your stock price and market following, the choice is obvious.

Investor relations officers must remain active and make an effort to keep Wall Street informed of how the institution is bearing up, even during a crisis. Techniques include continuing to monitor investor mix, noting changes as they occur, and being aware of who sells off and why.

Since contacts and relationships are a cornerstone of our business, try to keep them current as well.

Target Market

Also, some time spent identifying "turnaround" investors can pay off when you are ready to resume an active program. As many financial institutions emerge from their crises, investor relations professionals must be prepared to rebuild investor confidence. Following are the steps that are essential to the process.

As in any disaster, the first order of business is to determine the nature and extent of the damage. This will allow you to develop a prioritized plan of action later.

First, general market research should be undertaken to determine the state of your industry and to assess current investor interest and outlook. Questions to be asked include:


Larry Parnell
Says situation is "fragile"

- How does your company measure up to key profit benchmarks?
- What are the experts – analysts, regulators, and industry leaders – saying about the future of the business lines your institution is involved with?
- How does your institution stack up against those perceived to be leaders?

What's the Mix?

Second, one should undertake company-specific market research to identify changes in the investor mix. For example, has the percentage of institutions versus retail holders shifted significantly? Of the institutions lost, which are likely to return and/or lead others back?

Third, along with the survey output, management's commitment is required to go forward with an active investor relations program.

This entails an honest assessment of all the internal and external factors that will support or hinder your progress. Before embarking on a program you need to determine that senior management will place a priority on this effort.

The composition of a company's shareholder base, as well as the community of sell-side and buy-side analysts following your industry, is likely to have changed materially during the long period of tough weather.

While major institutional investors (such as Fidelity) are readily identifiable and will obviously be interested in your sector, do not overlook smaller money managers who may be inclined to move quickly in response to a positive turn in the market. □

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Midwest Rain Hits Hard At Farms and Farm Banks

Continued from page 1

Corp. in Minneapolis. "After two years of bad crops and low yields, this could be the final blow for some highly leveraged farmers."



Edward Lotterman
Sees high rate of crop damage

Federal Aid Sought

Though it is too early to assess the actual damage to this year's crops, the outlook is grim for farmers in southern Minnesota, northern Iowa, and eastern South Dakota.

Bankers are hoping for some relief from the federal government. In response to a letter from the agricultural commissioners of those states and Wisconsin, Secretary of Agriculture Mike Espy plans to visit the region this week.

A spokeswoman at the Minnesota Department of Agriculture said the state's farmers were asking for emergency federal grants as well as loans from the Farmers Home Administration.

But federal assistance will do little to stem banks' losses, according to industry analysts.

Low Prices Also Hurt

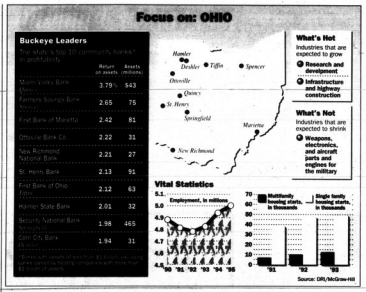
"It's still going to be trying," said Mr. Fishback, whose agricultural portfolio accounts for 60% of his $250 million-asset bank's loans.

Compounding the poor crop conditions has been relatively low prices for grain crops.

"Unless we get some strength in the marketplace, we'll break even at best," said Paul Pietz, agricultural loan officer at First American Bank Southwest, Marshall, Minn.

Though prices of grain futures contracts have risen recently at the Chicago Mercantile Exchange because of last year's record harvest, plenty of grain has been stockpiled, keeping prices low.

"That's the worst situation to be in – a poor crop while prices still are not good," said Mr. Lotterman at the Minneapolis Fed. □



Ohio Plans to Let Small Banks Jointly Form Trust Companies

By BILL ATKINSON

Ohio's tough bank regulator plans to draft legislation this summer that would permit community banks to form and run joint trust companies.

State law currently prohibits the formation of independent trust companies. The proposal would allow a group of community banks to capitalize an independent trust company to serve their customers. It would also permit nonbanks to form trust companies.

A 'Revenue Idea'

Many community banks don't offer trust services because they don't have the expertise or enough business to justify the overhead.

"I see it as something very positive," said Alison M. Meeks, Ohio's superintendent of banking. "It is another revenue idea that could make sense for the bankers."

Pamela Grandon, an attorney and examiner with the banking division, said a number of questions still have to be resolved. For example, is the investment allowable if banks don't control the trust company? Or, if banks are the owners, how many can hold a stake in the unit?

"What we don't want to have is a situation where the trust company is pulled by someone or some of the investors to favor their interest," she said.

Ms. Meeks said two community banks already have contacted the department about opening a trust unit, and she expects many more to follow if the legislation is adopted.

Jack Wither, senior trust officer with the $100 million-asset Orrville Savings Bank, said its management is not waiting. It filed an application with the state on Friday for trust powers.

"It would have been nice to have gone in with two or three other banks," Mr. Wither said.

Jeffrey Quayle, general counsel of the Ohio Bankers Association, said he has had conversations with a handful of community bankers who also are mulling the idea.

Mr. Quayle said the association has yet to endorse the plan, but it may take a position supporting it this summer.

"The association needs to make sure it has the support of the full industry," he said. "We haven't run it up the flagpole. It is premature to take the position."

'Safe Haven for Customers'

John L. Hoffer, a trust consultant and a founder of Chicago-based Association for Independent Trust Companies, said if community banks can fund the start-up of an affiliated trust company, they could retain customers who normally would take their trust business to larger institutions.

"It is a safe haven for their customers," he said. "It is never going to steal that customer for loans." □

West Coast's Suitor Targets Board

NEWPORT, Ore. — West Coast Bancorp said it will convene a shareholders meeting Aug. 11 to consider a shareholder resolution calling for removal of six of its seven directors.

The directors are being challenged for opposing a takeover bid by Western Bank of Coos Bay, Ore. Shareholders of record on July 2 will be eligible to vote.

West Coast said the resolution was submitted by Georges C. St. Laurent Jr., the would-be acquirer's controlling shareholder. He wants to remove all of the directors except James Reinmuth, who in April was the only dissenter from the view that Western Bank's offer was "significantly inadequate."

Fighting Letter

West Coast, parent of Bank of Newport, said that after Western withdrew its offer, Mr. St. Laurent wrote to the target company's shareholders saying he would call for a meeting.

According to West Coast, Mr. St. Laurent said that if the resolution is approved, "directors representing the shareholders' interests would be appointed by Mr. Reinmuth."

West Coast's chairman, J.F. Ouderkirk, said: "We urge all our shareholders to vote against this self-serving resolution."

— Dow Jones

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Let Employees Know of Their Stake in Earning Profits

Thank you, Weekly Adviser readers: The letters keep coming in. I hope some of the suggestions printed in this space have helped community bankers in their constant battle to keep their customers, their employees, and their regulators happy.

Typical is the letter I received from Bill Watson, CEO of Cross Keys Bank, St. Joseph, La.

Mr. Watson writes:

"We want all our employees, not just officers, to think bottom line."

He then attached a note that has been displayed in the bank coffee shop:

"To all employees: 1993 Results of Profit-Sharing Plan Through April 30, 1993. Annualized rate of return: 11.46%.

"You might be interested in knowing that each of you own a piece of the following companies: American Brands, Schering Plough, Delta Air Line, Coca Cola, Coca Cola 'E', Pinacle Electric, Baxter International, Cross Keys Bank, Upjohn, Philip Morris, and Wrnmn. You may want to start looking at the financial pages to see how they are doing.

"Keep your fingers crossed and hope 1993 will be a good year for all of us.

"Incidentally, our bank expenses are running a little over budget through April, so let's all try to cut expenses every chance we get."

Personalize Profits

The conclusion that Mr. Watson has obviously reached: If you are going to have generous benefits for your employees under a profit-sharing program and you want these benefits to motivate their efforts, you at least have to tell your people what they are getting and what it means to them.

I received a letter from an old friend, Dick Doolittle, president of the graduate school of banking at Madison, Wis. He complemented the *American Banker* for starting the community banking page and this column.

I got in touch with Dick to see if there were ways in which his banking school, with its mid-America constituency and sponsorship by the Central States Conference of Bankers Associations, gives special attention to community banking.

With its heritage of unit bank-

Mr. Nadler is a contributing editor of *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

Potential benefits should be used to motivate employees.

dents to our school, and in very small numbers continue to do so. But it is often because they want their people to see the business through the community bank lens.

"Our challenge is to keep our course offerings and teaching methods one-half-step ahead of the swiftly evolving needs of community bank managers. We don't need to concern ourselves with being all things to all people. Our niche is the community bank."

Offer to Leave Teaching

Finally, I received a letter sent to a list of teachers offering the opportunity to leave teaching and become a marketer with a financial service company.

The letter talked about the frustrations of teaching and the opportunities in financial marketing and then offered the recipient a chance to sit down and talk with the writer.

While I have absolutely no interest in giving up teaching, I thought the letter was attractive and would garner a number of responses. That is, until I saw how it was signed:

Sincerely yours,
Marilee H. Talley,
Management assistant

In my opinion, it would have been better had the letter not listed a title. I wondered how important the potential employees could be to the company if a management assistant is their first contact? If I'm reporting to an assistant, what does that say about my position?

The letter, and the way it was signed, justified in my mind the banking industry's practice of giving out titles freely.

If my business is handled by a vice president, it makes me feel a lot more important than if it is handled by an assistant. □

Weekly Adviser



By PAUL NADLER

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Refinancing Revived by Drop in Rates

Continued from page 1

second year.

"There definitely has been a resurgence in refinances," said Richard Malloy, chief administration officer at Norwest Corp.'s mortgage unit.

An index of weekly refinancing applications rose about 10% from late May through mid-June, the latest reading.

The index, maintained by the Mortgage Bankers Association of America, stood at 819.3, having passed the 800 mark for the fourth time since early 1992.

The index, however, was still well below the 1993 peak of 1465.6 reached in mid-March. A reading of 100 correlates with application levels of March 1990.

The recent bounce in loan demand is eliciting outright glee from some lenders.

'It's Gravy'

"We really love it when it's like this," said Mr. Norman of Cal Coast. "It's gravy."

Ah with other lenders, the company's refinancing is up after a lull in early June, he said. Calls to Cal Coast's offices from consumers seeking refinancing are running 20% higher than in late May, Mr. Norman said.

> **"Refinance mania is in full gear."**
>
> **Steve Norman**
> *Cal Coast Mortgage Corp.*

Mr. Norman said his business is still booming, with total originations up 42% from this time last year.

Other lenders report similar results.

Bank of Mississippi in Tupelo "saw a lull" around June 1, said William G. Hardin, first vice president of the mortgage loan department. But since then, refinancing has "definitely picked up," he said.

"People are convinced that if they're going to do something, they'd better go ahead and do it now," Mr. Hardin added.

But mortgage lenders concede that the endless refinance boom has its downside, too. The industry is rife with stories of 20-hour workdays, weekend work, and backlogged county clerk's offices. One bank even went to the extreme length of turning away business.

"We've had to restrict refi activity to people we've funded before in order to keep our sanity," said Terry Snyder, senior vice president for residential lending at Centennial Bank in Olympia, Wash.

Added Mr. Hardin of Bank of Mississippi: "We're tired because we haven't been up in 24 months, but in this business you have to get it when it's there."

Cautious Confidence

David Lereah, chief economist at the Mortgage Bankers, takes a cautious approach to the shift. "I'm confident that things will pick up, but I'm not looking for us to take off to the races," he said.

Indeed, some lenders think a drop of at least 25 to 50 basis points in mortgage rates would be needed before refinances could spike up to the stratospheric levels of late 1992.

In the meantime, mortgage lenders around the country continue to be swamped with loan applications, and have little time to notice small changes in volume.

"When you're in a car going 100 miles per hour, it's hard to notice an increase in speed," said Jerold K. Hoerner, president of Metmor Financial Inc. in Overland Park, Kan. □

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033267JK4	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
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Peoples Heritage Hires 2 from Citi

PORTLAND, Maine — Peoples Heritage Bank has hired two executives from Citibank Maine to direct a major expansion in mortgage sales and servicing.

Glenn H. McAllister, a former president and chief executive of the Maine subsidiary of New York-based Citicorp, has been hired as an executive vice president. He will be president of a mortgage services company the bank intends to develop.

James A. Sellick, a former mortgage sales director for Citibank Maine, has been named a vice president and mortgage sales manager.

Aspirations for Growth

William J. Ryan, president and chief executive officer of Peoples Heritage, said: "We want to build on our position as Maine's leading provider of one- to four-family mortgages."

Mr. Ryan said that Peoples Heritage wrote $322 million of such mortgages in Maine in 1992, more than any other bank, and is on a strong pace again this year.

The new mortgage services company will operate outside Maine as well as in-state.

Peoples Heritage Financial Group Inc., the bank holding company that owns Peoples Heritage, also owns First Coastal Banks Inc., the parent company of the First National Bank of Portsmouth.

An Industry David Reloading Its Slingshot

By STEPHEN KLEEGE

After raising $16 million in a recent stock offering, an Arkansas bank may soon put its improbable credit card juggernaut back into gear.

Simmons First National Bank of Pine Bluff, which made a national name for itself by offering low-rate cards, stopped accepting out-of-state applicants a year ago because the demand had outstripped its capacity.

But president J. Thomas May said the bank is in good position to acquire an as-yet-unidentified Arkansas institution that would bring in the deposits Simmons needs to fund more card loans.

The bank, a subsidiary of the $700 million-asset Simmons First National Corp., has thrived despite a usury law likely to send most card issuers in search of a friendlier regulatory climate. It has succeeded by accepting the most creditworthy of those applicants calling in unsolicited and charging them a healthy $35 to $50 annual fee and a $10 penalty if they exceed their credit limits.

> **Simmons has thrived despite Arkansas' low interest rate cap.**

Simmons' acceptance rate is just 31%, about half the industry average.

The calls come in because Simmons perennially tops the low-interest-rate lists published by various consumer newsletters. Arkansas law caps the rate at five points over federal funds, currently 8%.

Because Simmons has a relatively small and selective portfolio, with $160 million in receivables, its loss rates are quarter the industry average.

The fall in the federal funds rate two years ago generated up to 9,000 incoming telephone calls an hour – although Simmons couldn't handle that many because its 23 phone lines were jammed.

Frank Anderson, a bank stock analyst with Stephens Inc., estimates the bank earns a healthy 15% on credit card assets, including the fee income.

Ranks 72d in Outstandings

Simmons ranks 72d in the nation in card outstandings and 170th in total bank assets, said Peter W. Tuz, banking analyst for Morgan Keegan & Co.

Knowing how most bankers deplore interest-rate regulation, Mr. May was almost apologetic about his bank's success.

"We believe the Arkansas usury law is counterproductive in that it tends to export capital," he said.

"The fact is, the usury law is a part of our everyday life and we have chosen to make the most of it."

In the mid-1980s, the bank decided to expand beyond its sleepy hometown base, emphasizing mortgage banking and deploying its student lending. But it is the credit card business that bank executives now refer to as "the franchise," Mr. May said.

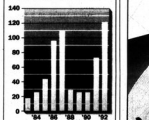
Mr. May emphasized that he competes only for a narrow segment of the business because the state law leaves it no choice.

"With the usury ceiling we have in Arkansas, we could not have a profitable credit card portfolio if we had a delinquency rate of 5%," he said, citing Visa U.S.A.'s estimate of the average loss rate on bank credit cards.

"In 1992, our past-due ratio was 0.42% compared to industry average of 4.2%. Our loss ratio was 1.28% compared to an industry average 5.03%." □

Low-Rate Appeal

Annual credit card applications to Simmons First National Bank, in thousands



Source: Simmons First National Corp.

Union Planters Offers Card with 5.9% Rate

Union Planters National Bank of Memphis has set an interest rate of 10 basis points below prime for the credit card it is offering to the 400,000 subscribers of *Louis Rukeyser's Wall Street* newsletter. The effective rate of 5.9% is the lowest in the nation, according to MasterCard International, which announced the terms this week.

After six months, the rate on the no-fee gold card will adjust to 2.9 percentage points over the prime.

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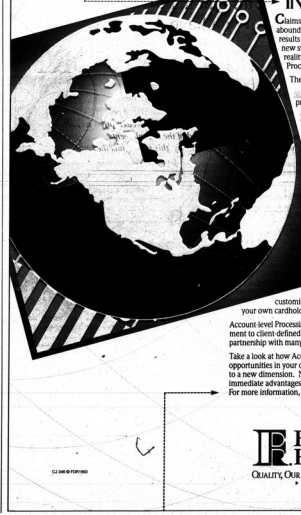

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What's Selling in the Mutual Funds Marketplace

By DEIDRE SULLIVAN
Special to the American Banker

As bank customers swarm to mutual funds, they are consistently picking the most conservative, risk-averse types.

That often means fixed-income funds – but not always. As the following sample shows, fund suppliers are employing a broad range of investment strategies to meet the requirements of banks and their cautious customers.

Oppenheimer

New York-based Oppenheimer Fund Management Inc. has attracted conservative bank customers with a mutual fund that is based heavily on the concept of diversification.

The New York-based company's No. 1 seller through banks is the Strategic Income Fund. Fund manager Arthur Steinmetz pursues a three-pronged investment strategy, buying foreign fixed-income securities, U.S. Treasury bonds and mortgage-backed securities, and high-yield corporate bonds.

Company executives say the approach takes advantage of fluctuations in three distinct markets to maximize yield.

Hedging Strategy

"Even an unsophisticated buyer understands that diversification lowers risk," said Maryann Bruce, senior vice president for financial institution sales. "Our goal is to invest so that good performance in one sector offsets weak performance in another."

Last year the Strategic Income Fund posted a total return of more than 9%.

Since its inception in October 1989 the fund has grown to $2.7 billion. Last year, sales of the fund through banks hit $128 million, accounting for 44% of the fund's total sales.

Nuveen

Last year, bank customers plowed more than $100 million into the Nuveen Municipal Bond Fund – the flagship fund at John Nuveen & Co., which specializes in selling fixed-income, tax-exempt investments.

The fund, with $2.6 billion in assets, has become Nuveen's most popular with bank customers precisely because it is safe and conservative, according to Jerome Contro, a senior vice president at the company.

The portfolio boasts low volatility and strong credit quality. The securities in the fund carry an average investment rating of double-A.

Low-Yield Blues

Nuveen, which manages $62 billion in assets, has promoted the municipal bond fund as a good choice for customers who are unhappy with the low yields on bank certificates of deposit, Mr. Contro said.

"Making the transition from owning a CD, which in essence is a bond, to buying a mutual fund made up of bonds is a relatively simple psychological leap," he said.

Kemper

Plain vanilla is what sells at Kemper Financial Services Inc.

The Chicago-based company's best-sellers through banks are a municipal bond fund and a government securities fund, with total assets of $3.6 billion and $7 billion.

Banks accounted for about a third of each of the two funds' sales, according to Whitfield C. Wannamaker, senior vice president for financial institution sales at Kemper. The company manages $71 billion in mutual fund assets.

The government securities fund posted a 4.61% return in 1992 and a 17.25% return in 1991. The municipal bond fund had an 8.71% in 1992 and 12.78% in 1991.

Equity Funds More Popular

Though bank customers have been chiefly interested in fixed-income funds, Mr. Wannamaker said he sees growing interest in equity funds and in balanced portfolios, those that hold a mixture of stocks and bonds.

For example, he said, demand is growing for Kemper's Retirement Fund, which is invested half in equities and half in U.S. government zero-coupon bonds.

"It's a perfect stepping stone to a greater commitment to equities," Mr. Wannamaker said.

"Even an unsophisticated buyer understands that diversification lowers risk."
Maryann Bruce
Oppenheimer Fund Management

"Making the transition from owning a CD ... to buying a mutual fund made up of bonds is a relatively simple psychological leap."
Jerome Contro
John Nuveen & Co.

Kemper's Retirement Fund is "a perfect stepping stone to a greater commitment to equities."
Whitfield C. Wannamaker
Kemper Financial Services

"Bank customers demand predictability, and we found that a balanced fund meets their needs."
Jeremiah Potts
Massachusetts Financial Services

"I think the message of diversification is getting across."
Nishan Vartabedian
Fidelity Investments

Massachusetts Financial

Balance is the watchword at Boston-based Massachusetts Financial Services Co., which has had big success with the MFS Total Return Fund.

The fund, which emphasizes capital preservation while producing a steady income stream, invests in stocks, bonds, and money market funds. Bank customers account for 30% of the sales of the fund, which has $1.3 billion in assets.

"Bank customers demand predictability, and we found that a balanced fund meets their needs," said Jeremiah Potts, senior vice president at MFS.

20% to 60% in Stocks

Fund manager Richard Dahlberg invests between 20% and 60% of the fund's assets in equities, depending on how the market is performing.

He favors "value stocks," which he defines as securities that are priced low relative to book value and that pay steady dividends.

Last year the MFS Total Return Fund produced more than a 10% return. It has returned 13.3% annually on average over the past five years.

Fidelity

One of Fidelity Investments' top-selling funds through banks is a portfolio that isn't even targeted to bank customers: the Fidelity Contra Fund.

The fund seeks companies that are undergoing changes and are poised for a turnaround.

Customers seem to be asking for the Contra Fund in part because it has received favorable notices in financial publications, Fidelity executives said. In May, Lipper Analytical Services rated it No. 19 out of 313 growth funds on the market.

Boston-based Fidelity, the titan of the mutual fund industry with more than $200 billion in assets, also has several moneysellers in its Advisor lineup of funds. The Advisor funds are sold exclusively through financial intermediaries, such as banks and financial planners.

Companies with Potential

The Advisor Income and Growth Opportunities Fund is the leader. Typically, about 65% of the securities in the portfolio are invested in companies with long-term growth potential. Last year, the fund returned 15.15%, and it has averaged 15.96% over the past five years.

"Bank customers are interested in buying equity funds," said Nishan Vartabedian, executive vice president of Fidelity's Bank Services Division. "I think the message of diversification is getting across."

Ms. Sullivan is a freelance writer based in New York.

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Economic Growth Seen Spurring Loan Demand

By DEAN M. NIELSEN
Special to the American Banker

WASHINGTON — Higher inflation will push up interest rates, but a growing economy will fuel loan demand nonetheless, a panel of bank economists said on Wednesday.

"With inflation edging higher and economic growth close to 3%, short-term interest rates are expected to begin rising by the end of the year," said Stuart G. Hoffman, chairman of the American Bankers Association Economic Advisory Committee.

"Bond yields and mortgage rates will also edge higher, but to a somewhat lesser extent than short-term interest rates," he added.

Loan Demand Can Be Met

The committee said the industry's return to health will enable it to meet demand for credit that is expected as the economy continues to grow moderately.

Committee members pointed to the industry's improved earnings, large increases in bank capital, and the begin ning to outperforming loans as encouraging signs, but said heavy regulation hurts lending activity.

"Banks are ready, willing, and able to meet a higher credit demand," said Mr. Hoffman, who is senior vice president and chief economist of PNC Bank Corp. in Pittsburgh.

"Yet banks continue to face a high cost of regulation," he added. "A positive approach by the regulators and Congress could help alleviate unnecessary barriers to the lending process."

Inflation Prediction

The higher inflation rates will be brough on by higher taxes, costs to business, and limited price flexibility. However, Mr. Hoffman predicted that inflation will stay at or below 3.5% through 1994.

"The committee was impressed that there weren't any looming, dark clouds on the inflationary horizon," he said.

The panel said the economy is on track to post moderate economic growth through the end of 1994, projecting increases in real gross domestic product of 2.4% this year and 2.9% next year. That contrasts with an economy that was barely moving at all in the first quarter of this year.

ABA economists say the industry is in good shape to meet borrowers' needs.

"Three serious vulnerabilities are standing in the way of more robust economic growth," said Mr. Hoffman. "Higher taxes brought on by the budget bill, uncertainties associated with the cost to business of health care reform, and the risk that the poor economic performance of our trading partners will [hurt] U.S. exports."

On deficit cuts, the committee said that meaningful reductions are necessary to reassure the financial markets.

"We are concerned that a budget program that makes most of its spending cuts in the later years may fail to achieve the desired amount of deficit reduction," said Mr. Hoffman.

Mr. Nielsen is an intern at the Institute on Political Journalism.

Chase Manhattan Asks Poland For Permission to Open Bank

By JAMES R. KRAUS

Chase Manhattan Corp. has applied to Polish banking authorities for permission to open a bank in Warsaw, Chase officials disclosed Monday. The Polish bank is the second that Chase is attempting to set up in Eastern Europe. Last week, Chase and Citicorp confirmed that they have filed applications to open banks in Moscow.

Chase has had a representative office in Moscow since 1974 but has no branches in Warsaw. It also maintains a representative office in Prague.

"The primary focus of the [Warsaw] operation would be to serve Chase clients from the U.S. and Western Europe," said Charles Mierzejewski, London-based head of Chase's Eastern European operations.

Operations in Poland and Russia would include account services, money transfers, trade finance, and foreign exchange for large companies investing in those countries.

To Shy Away from Lending

The bank does not to be a major local lender. "I don't think there's an appetite among banks outside Russia for Russian risk," said Richard Lord, a London-based senior vice president for corporate finance in southern Europe at Chase.

The Chase officials noted that the company has room to develop full-service operations in Russia and Poland because both countries lack sophisticated banking systems. This contrasts with Western Europe, where Chase has gotten out of retail commercial banking.

The bank is also interested in underwriting securities issues for Polish companies on the United States and international markets, but only after Poland reaches an agreement on its debt to foreign commercial banks.

Dutch Giant ABN Amro Finds Chicago Is Its Kind of Town

Continued from page 1

financial Inc., a $1.6 billion-asset bank holding company. The following year, it acquired the $3 billion-asset Exchange Bankcorp. Then came the deal for Talman, with $5.8 billion in assets.

With $35 billion in U.S. assets at yearend – including syndicated corporate loans made out of Chicago – ABN Amro ranked as the nation's 20th-largest banking group, just after SunTrust Banks Inc., Atlanta, and just ahead of Republic New York Corp.

The bank's target for U.S. assets is $40 billion, though it has not set a deadline for getting that big.

Window of Opportunity

ABN Amro, which has $242 billion of assets worldwide, began its U.S. foray in the 1970s when its management realized that expansion opportunities in Europe were limited.

"The bank concluded there was a big market here and decided to make the U.S. its second home country," said Peter Cassey, executive vice president for ABN Amro North America Inc., the bank's U.S. and Canadian holding company.

Since its expansion was concentrated in Chicago, ABN Amro avoided the real estate and commercial lending losses suffered by banks in the Northeast and California.

"By concentrating on banking operations in the Midwest, they avoided the worst asset-quality problems, especially with the property market," noted Alan Broughton, a banking analyst with Morgan Stanley & Co. in London.

"LaSalle is essentially a community bank that never really got into cross-state business or large corporate business," added Robert Law, a banking analyst with Lehman Brothers in London.

"As a result, credit quality remained reasonably robust and profitability remained healthy."


Frank Johnson

BIG SHOULDERS: Harrison F. Tempest says ABN Amro has "plenty of ways" to strengthen its base in Chicago's fragmented market.

'An Independent Business'

Mr. Tempest said another reason ABN Amro avoided problems was that it let local managements run their own shows while imposing back-office operations to reduce costs – the two hallmarks of the super community bank structure.

"We manage each entity as an independent business," Mr. Tempest said. "Experience has taught me a person acts very differently when you call him a bank president than when you call him a regional manager."

A native of Illinois, the 56-year-old Mr. Tempest knows his market well and gives top priority to retaining good banking officers and customers.

"One thing companies hate is having to explain themselves all over again to new calling officers," Mr. Tempest said.

A Shifting Market

And that's especially important in Chicago, where companies can be quick to shift business to another institution if they think they can get better service elsewhere.

"A purist would say you need to merge everything to get economies of scale," Mr. Tempest said. "You might get economies of scale, but you won't have any customers and I'd rather have the customers."

"They're a very aggressive player in the Chicago market," said Rick Jacobus, an analyst with the Chicago Corp. "They've maintained strong local relationships and strong local image."

The Dutch bank's target for U.S. assets is $40 billion.

Strategy Questioned

Louis Gorbena, a partner and chief executive officer of Brooklyn Bagel Boys, a bagel supplier in the Chicago suburb of Franklin Park, noted: "We had three or four different banks come after our business, but none of the others were as creative, aggressive, and accommodating as LaSalle."

Matthew Czepliewicz, a London-based bank analyst with First Boston Corp., questioned the Dutch bank's super community banking strategy, however.

"What they are doing diversifies earnings, it's economically justifiable, but it doesn't seem to support any sort of coherent strategy," he said.

ABN Amro officials, however, see no lack of logic in their strategy.

They said ABN Amro's U.S. operations are prudently balanced, with roughly 40% of total U.S. assets in the retail and middle-market sectors and the rest in the large-corporate area.

"We're looking for both an indigenous presence and global relationships with U.S. corporations," said Mr. Casey.

Last year, U.S. profits totaled $253 million, or 32% of ABN Amro's worldwide net profits.

LaSalle National earned $92.6 million last year. Its return on equity of 15.81% ranked it eighth among U.S. banking companies having $10 billion to $20 billion in assets. Its 0.96% return on assets ranked 12th, according to data compiled by *American Banker*.

Intercontinental Hikes Its Dividend by 60%

MIAMI — The board of Intercontinental Bank has approved a quarterly dividend increase of 3 cents, or 60%, to 8 cents per common share, payable Sept. 30 to shareholders of record on Sept. 3.

William H. Allen Jr., chairman of the $876 million-asset Intercontinental, said the decision was based on continued improvement in financial results as well as expectations for future earnings growth.

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AUCTION NOTICES

Garagesman's Lien Sale L. Stoll DCA LIC # 848519 and/or S. Sperber DCA LIC # 769437 Sale. 7/13/93 9:00AM 2375 MC-DONALD AVE BKLYN 1980 CADILLAC Sale dvld #6F336A913459 By: Ramirez,Jose 1:30PM 1990 TOYOTA 4 LAND AVE BKLYN 1990 TOYOTA Camry #4T1SV21E0LU227869 Re: Stoll, Ariel; 10:00AM 1477 MCDONALD AVE BKLYN 1988 LINCOLN Mark VII #1LNBM93EKJ3623683 Re: Palencia, Marco; 10:15AM 1552-54 MCDONALD AVE BKLYN 1968 CHEVROLET Impala #138179812960 Re: Rolon, Ulises; 10:45AM 1143 CORNELIA ST BKLYN 1988 FORD LTD #2FABP72F7JX187244 Re: Jerome, Mary; 11:00AM 1 MIDWOOD TILDEN AVE BKLYN 1982 PONTIAC 6000 #1G2AG19R0C1232839 Re: Sought-son, Bryan;1984 OLDSMOBILE Cls Ciera #1G3AL47R4EG333371 Re: Francois, Fritz; 1977 CHEVROLET Cmbo Ch CCL3378333P Re: Sought-son, Bryan Acc; 1983 TOYOTA Corolla #JT2AE72S3D3047249 Re: Hernandez, Jose; 11:15AM 11 WOODS PL BKLYN 1984 VOLKS-WAGON #WVWAA0191EW440111 Re: 80258 Re: Owner, Fikret; 12:00PM 670 PARKSIDE AVE BKLYN 1993 MAZDA Sentra #JN1EB31P7NU124699 Re: Holden,Angel; 12:30PM 1302 60TH ST BKLYN 1988 SUBARU GL #JF2AN-53B9JF452733 Re: Treacy, James; 1:00PM 201 62ND ST BKLYN 1985 DODGE 350 BILE Cth Spare #3GCBK07A4FZ324943 Re: Holmes, Dallas; 1:30PM 1 HOWARD STATE ST BKLYN 1985 BUICK Electra #1G4CW69A9F4178874 Re: Sought-son, Jr; 2:00PM 980 ATLANTIC AVE BKLYN 1985 TOYOTA 2DR 2.2GTS #JT2MR22E2F0015240 Re: Barton,Earl; 2:15PM 1402 ATLANTIC AVE BKLYN 1988 FORD MOBILE Cutlas #1G3GR11Y7JP326076 Re: Almonte,Rafael; 3:00PM 1427 ATLANTIC AVE BKLYN 1986 FORD F150 #2FTDF15Y2GCB06939 Re: Carr, Robert; 3:15PM 120-15 FLATLANDS AVE BKLYN 1988 TOYOTA Camry #JT2SV21E8J3-9298313 1936 Re: Ford, Osneol; 3:45PM 2329 127TH ST BKLYN 1991 CHEVROLET CHEROKEE #1JCMR7843MT078645 Re: Giessing, Mark/Virginia; Sale. 7/15/93 9:30AM 1 MAIN ST BKLYN 1988 CHEVROLET Cmbo #1985 Re: Gonzalez, Jose/Johnson, Mary; 11:15AM 1572 ATLANTIC AVE BKLYN BAISLEY BLVD QNS 1985 MERCEDES BENZ 300SD #WDBAA25D3FA026855 Re: State Farm Ins Co; 9:30AM 204-02 JAMAICA AVE QNS 1986 JET SKI #Unknown Gasket #A3B-8441,441W1004562. Re: Jackson Estate; 10:15AM 1 MAIN ST BKLYN NORTHERN BLVD QNS 1980 SAAB #9000CL0BB0A007 Re: Santos, Angelo; 10:30AM 31-38 LINDEN PL QNS 1989 CHEVROLET Cavalier #1G1JC1449K7-233374 Re: Jang, Sang Ahn; 1983 JAG-UAR Sale #SAJAV1340DC361901 Re: Chand, Vinod; 11:00AM 30-59 41ST ST QNS 1991 TOYOTA Camry #JT2SV21E-8A21G4MM029223 Re: Rosenstein, Chris-tion; 11:30AM 36-20 GRAND AVE QNS 1985 MERCEDES BENZ #WDBA-BCA37DF/A137295 Re: Owen Asso Lease Rental; 12:00PM 1980 PONTIAC FIREBIRD TRANS AM #1G1AW11H4BR115276 Re: Saavedra,Anne;1983 DODGE Ram 50 #2B7KB33USDK398569 Re: Mc Cohn Electric Co;1990 OLDSMOBILE Cls Cruis-HLA216LGU101089 Re:Lindsey, Michael 1987 HYUNDAI Excel #KMHLF31JPHU221603 Re: Crewsoner, Stanley 3:45PM 1890 RICHMOND TERR SI 1992 TOYOTA Corolla #JT1AE94A-2NC146717 Re:Wu, Philip, Jr.

Garagesman's Lien Sale R.Sperber DCA LIC # 794803 and/or S. Sperber DCA LIC # 769437 Sale.7/21/93 8:30AM ST JAMES ST MARGINAL ST NYC 1979 TOYOTA LIC # 769437 Sale. 7/21/93 Cressida St Remington 1:00PM Re: Thomas, Bonnie; 8:00 AM 441 WEST 37TH ST NYC 1984 BUICK Century #1G4AH15R9E6410169 Re: Rutherford,TE; 9:30AM WEST 23RD ST & 12TH AVE NYC 1991 FX FLYMOUTH Sale dvld #1P3BA24K4LG107289. Re: Sought-Robert; 10:00AM 427 WEST 42ND ST NYC 1987 CHEVROLET Cmbo #1GCDC-3530965 Re: Tristan, Mike; 10:30AM 644-658 8TH AVE NYC 1989 TOYOTA 4 DR #JW1LB31004E057 Re: Delossantos, Jose; 11:00AM 1 MAIN ST BKLYN NYC 1980 BMW 320I #7161329 Re: Corley,Derek; 11:15AM 422 WEST 57TH ST NYC 1983 MAZDA RX7 #JM1-FB331070720 Re: Richardson, Ora; 11:30AM 1 MAIN ST BKLYN 1990 TOYOTA Camry #JT2SV21E-3L3-9313737 Re: Dupuis, Joel; 11:30AM 1 WEST END AVE NYC 1985 CHEVROLET Cmbo #1GCDC-3530965 Re: Swanson, James; 12:15PM 635-639 WEST 133ST ST NYC 1981 Dodge #4WWWC-G033XBE900930 Re: Payne, Bernice; 12:45PM 600 WEST 126TH ST NYC 1991 HONDA Accord #1HGCB726-2MA027272 Re: Mc Cullough, Hulle; Hubert; 1:15PM 703-7 WEST 133TH ST NYC 1991 FLYMOUTH Sale dvld #1P3BP26D5GF169190 Re: Wuthen-Re:News, Nelson; 1:15AM 1188 Rent Re: WB31P6BK2Z75903 Re: NYS Interagency Auto Mgmt Corp; Quander, Maxine; 1:30PM 1987 OLDSMOBILE Delta 88 #1G3BP-51E2HD317994 Re: Sought-son, Bryan; 1981 PLYMOUTH Horizon #1P3BL24B-XBN256107 Re: Sought-son, Bryan; 2:15PM 673-89 ST NICHOLAS AVE NYC 1990 NISSAN Sentra #JN1EB31P7LU-7H7CL175139 Re: McGraw, Christopher; 2:30PM 2123 AMSTERDAM AVE NYC 1984 PONTIAC Bonneville #1G2-BN69CXEW230199 Re: Ortiz, Miguel; 2:30PM 46 JUMEL PL NYC 1979 CHEVROLET Cmbo #1GCDC-3E239P698886 Re: Perez, Jose; SELLS 7/22/93 9:00AM ST #1C3BF6G9PFX516 Re: Gonzalez, Jose; LAC Cpe dvld #6D476A619445 52 Re: Pope, Annette; 9:45AM 1330 10TH AVE NYC 1990 NISSAN CN230 #JN1CHP02N-K006784 Re: Parks, Barry; 10:15 AM 280 WEST 152ND ST NYC 1991 CHEVROLET Lumina #2G1WL54T2M9181824 Re: Rodriguez, Rudy; 10:30AM 1 WEST END AVE NYC 1982 OLDSMOBILE 98 #1G3-CX69Y4CH400-Re: Cumbie, Mary; 11:00AM 409-415 WEST 218TH ST NYC 1991 CHEVROLET Cth Cmbo #1G3AJ11H8KG335210 Re: Harrigan, Eg-12309798 3623 KINGS BRIDGE Ave BX 1977 CHEVROLET Corvette #1Z37K7S-400001 Re: Ortiz, Miguel; 12:45PM 2686 JEROME AVE BX 1983 CHEVROLET Cmbo #1GCDC-3530965 Re: Jorge, Hilario; 1:15PM 2102 JEROME AVE BX 1990 Dodge #3B7HB13Y5LG-K1EB176494 Re: Delcross, Marlyn; 1:45PM 1185 RIVER AVE BX 1987 CHEVROLET Cmbo #1GCDC-3530965 Re: Pawtucket Mutual Insurance; 1980 FORD Mustang #9F02A150341 Re: Thompson,Melody; 2:00PM 1 MAIN ST BKLYN 1987 1983 CHEVROLET Citation #1G1AH11R4D7113276 Re: Sauvolins,Anne;1983 DODGE Ram 50 #2B7KB33USDK398569 Re: Mc Cohn Electric Co;1990 OLDSMOBILE Cls Cruis-HLA216LGU101089 Re:Lindsey, Michael 1987 HYUNDAI Excel #KMHLF31JPHU221603 Re: Crewsoner, Stanley 3:45PM 1890 RICHMOND TERR SI 1992 TOYOTA Corolla #JT1AE94A-2NC146717 Re:Wu, Philip, Jr.

Garagesman's Lien Sale B. Sperber DCA LIC # 794803 and/or S. Sperber DCA LIC # 769437 Sale. 7/12/93 10:00AM 1-15 West 3rd Ave NYC 1979 Cadillac Sale dvld #6D6959917606M Re: Benjamon, Mark; 10:45AM 160 West 134th St NYC 1987 Yamaha YZR1000 #3TA2LP00-4H1400374 Re:Joyner, William, Jr; 11:15AM 250 Bradhurst Ave NYC 1983 Toyota Corolla #JT2AE72J2D3000000 Re: Dickerson, Radhonnie; 11:20AM 2123 Amsterdam Ave NYC 1982 Datsun 280Z #JN1HS38P2CX248777 Re: Vargas, Antonio; 12:00PM 242 Dyckman St NYC 1983 Lincoln Mark VII #1MERB9EG2D-Y688061 Re: Gonzalez, Jose/Johnson, Mary; 12:15PM 1572 Atlantic Ave Bklyn Toyota 4X2SR5 #JT4RN56S3G-0210506 Re: Paulino, Juan; 1:00PM 3896 10th Ave NYC 1988 Chevrolet Caprice #1G1BN51B8DA124037 Re: Green, Jesse; 1983 Toyota Celica #JT2RA64L4D0162-498 Re: Wilkinson, Jeffrey; 1:45PM 179 McLean Ave Yonkers 1992 Mazda Protege #JM1BG2325N0510158 Re: Garcia, Elena/Arena, Jose; Sells 7/13/93 9:30AM 2689 Jerome Ave Bx 1983 Chevrolet Cmbo #1G1AK0C2DY130407 Re: Castillo, Margaret; 11:15AM 1572 Atlantic Ave Bklyn 1987 Nissan Maxima #JN1HA-01A4HT178TC307607 Re: McNeilly, June; 11:30AM 1310 Atlantic Ave Bklyn 1982 BMW 320I #WBAAG4309C3069548 Re: Morris, Rita; 12:00PM 15 Ocean Ave Bklyn 1988 Mercury Sable #1MEBM54E3JG646383 Re: Simms, Patricia; 12:30PM 611 Union St Bklyn 1984 Oldsmobile Cls Ciera #1G3AM18R4EG333410 Re: Garcia, Elena/Arena, Jose; Sells 7/13/93 9:30AM 2689 Jerome Ave Bx 1983 Chevrolet

FINANCE

THE MARKETS

Buyers Await Friday's Jobs Report

Buyers disappeared from the government securities market on Wednesday ahead of Friday's employment report.

In late trading in New York, the yield on the 30-year Treasury bond was unchanged at 6.67%. It had risen above 6.70% during the day. Ten-year notes yielded 5.78%, up from 5.76%, while two-year notes surged to 4.03%, up from 3.99%.

Short-term rates moved higher. The bond-equivalent yield on three-month Treasury bills rose to 3.09% from 3.08%.

Funds Rate at 3.5%

Federal funds were quoted at 3.50%, despite a reserve-adding operation by the Federal Reserve. The Fed's target for the funds rate is 3%.

Douglas Schindewolf, money market economist at Smith Barney, Harris Upham & Co., attributed the high funds rate to quarter-end balance-sheet maneuvering and to the fact that two-year and five-year Treasury notes sold last week were settled on Wednesday.

"The notes had to be paid for, and that set off a scramble for financing," he said.

John Canavan, market analyst for Stone & McCarthy Research Associates, Princeton, N.J., said trading was extremely thin.

"The lack of buyers caused the market to trend lower this close to the employment report on Friday," he said.

Economists think employment growth tailed off in June.

Mr. Canavan said the market was also depressed by a *Washington Post* report that Democrats wanting on deficit-reduction legislation are considering replacing the proposed new energy tax with higher corporate income taxes.

Rising commodity prices also put pressure on bonds. The Commodity Research Bureau index - measuring futures prices on 21 commodities – rose 1.98 points, or 1%, to 207.22.

Stocks declined on a government report that factory orders fell 1.4% in May. The Dow Jones industrial average lost 2.77 points to 3,516.08.

The dollar finished at 1.705 German marks and 106.9 yen, both up on the day.

– Bart Fraust

The Banks' Association of Connecticut

and the

Connecticut Bankers Association

have merged.

The name of the resulting association is the

Connecticut Bankers Association

The undersigned acted as advisor to both associations in this transaction.

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Notice of Application for Authority of DELTEC VALUE EQUITY PARTNERS, L.P. a foreign limited partnership (Limited Apgt. for Auth. Filed with Secy. of State of State of New York (SSNY) on 5/21/1993. LP organized under the laws of Delaware on 4/8/1993. NY office: Syracuse, NY County. SSNY is designated agent of the LP upon process against may be served. SSNY shall mail a copy of any process against the LP served upon him/her to c/o Depasa Corporation, 535 Madison Ave., 31st FL, NY 10022. Attn: President. Office address of LP in jurisdiction of its organization: c/o The Prentice-Hall Corporation System, Inc., 32 Loockerman Sq., Suite L-100, Dover, DE 19901. Name and address of each general partner available from SSNY. Copy of Cert. of LP is on file with the Secy. of State. SSNY shall mail to: Dover, DE. Purpose/character of LP: to invest primarily in equity securities of undervalued domestic companies.

WESTOW, L.P. has been formed as a domestic limited partnership (LP). Certificate filed with Secretary of State of New York (SSNY) on 5/13/1993. NY office location: New York County. SSNY is designated as agent upon whom process against the LP may be served. SSNY shall mail a copy of any process against the LP served upon him/her to 107 E 37th Street Company, L.P., 107 East 37th Street, New York, NY 10016. Name and address of each general partner is available from the SSNY. Term: until 12/31/2092. Purpose/character of LP: Acquire, own, hold, rehabilitate, improve, manage and operate the real property known as 107 East 37th Street, located in New York, NY, and related activities.

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CO-OP APT COLLATERAL

BY VIRTUE OF A DEFAULT, under a Proprietary Lease and other documents, executed by and between 119 MADISON OWNERS CORP. (Lessor), a N.Y.S. Co-op Corp., and 119 MADISON AVENUE ASSOCIATES. (former- Lessee) and its Proprietary Lessee having been terminated whereby the leasehold estate reverted back to the Lessor. The undersigned Auctioneer will auction down-stairs Auct'r Room, with reserve, 13,568 shares of stock of 119 MADISON OWNERS CORP. and all right title and interest in and to a Proprietary Lease allocated to apartment unit(s) listed below in building 159 Madison Ave., New York, NY, on July 9, 1993, at 1:30 p.m. in law offices of Smith, Buss, & Jacobs, 9th Floor, 1370 Avenue of the Americas, New York, NY, 10019. Apartment Units 2A, 2D, 2E, 3H, 3I, 5J, 6D, 7D, 7F, 8J, 9D, 10B, 11F, 12E, & 12J. 10% in bank certified funds at knock down and Auct'r fees. Bal. in 30 days. Jack O'Sullivan, Professional Auctioneer (License #0725811) Phone: (718) 252-5167 Fax (718) 951-0340

FOUNDATION NOTICES

NOTICE

The Annual Return of the MAX FACTOR FAMILY KESSLER CHARITABLE FOUNDATION for the calendar year ended December 31, 1992 is available at the office of Fanny Factor, 2 Nordica Drive, Livingston, New Jersey, 07512, for inspection during regular business hours by any citizen who requests it within 180 days hereof. Principal trustee of the Foundation is Fanny Factor, 2 Nordica Drive, Cranbury, New Jersey 08512.

NOTICE

The Annual Return of the VIRGIL THOMSON FOUNDATION for the calendar year ended December 31, 1992 is available at the office of Richard Fineder, President, 9 West 57th Street, New York, New York 10019, for inspection during regular business hours by any citizen who requests it within 180 days hereof. Principal Manager of the Foundation is Richard Fineder, 9 West 57th Street, New York, New York, 10019.

NOTICE

The annual report of THE WISE FUND FOR THE ARTS for the fiscal year ended November 30, 1992 is available at its principal office located at the Committee's Office, Amherst College, Amherst, MA 01002, (413) 542-2101 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Fund is Sharon G. Siegel.

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BANK AND THRIFT STOCKS

Highlights for Wednesday, June 30

TOP 10 GAINERS %

First United Bank Group	7.5
First Amarillo Bancorporation	6.6
Pacific Western Bancshares	5.8
Cathay Bancorp	5.3
Bank of Granite Corp.	4.6
Baltimer Bancorp	4.4
NBSC Corporation	4.1
Commonwealth Bancshares	4.1
MBNA Corporation	4.0
Community First Bankshares	3.9

TOP 10 LOSERS %

National Penn Bancshares, Inc.	-7.1
Shoreline Financial Corp.	-5.4
Tompkins County Trust Company	-3.5
Whitney Holding Corp.	-3.3
Victoria Bankshares, Inc.	-3.3
UST Corp.	-3.2
Hancock Holding Company	-3.1
One Valley Bancorp of WV, Inc.	-3.1
Commerce Bancorp, Inc.	-3.1
First National Bancorp	-3.0

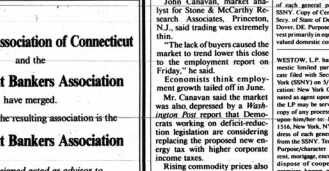
MOST SHARES TRADED

Citicorp	1821700
Marshall & Ilsley Corporation	1002300
BankAmerica Corporation	880800
Chemical Banking Corp.	706300
Chase Manhattan Corporation	699900

VOLUME AS % OF AVERAGE

United Missouri Bancshares Inc	1043.4
Marshall & Ilsley Corporation	955.4
GBC Bancorp	799.9
Bremen Bancorp, Inc.	686.0
Colonial BancGroup, Inc.	628.1

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.08	1.42	-1.02	0.63	3.70	4.05	1.16	3.23	1.66

Top 225 Banks

52 Wk. Hi	52 Wk. Lo	Name	PE	Mkt. to bk	Chg.	Chg.
39¾	24¾	WorldBancorp-A	14.8	233.0	0	½
64¼	43½	WorldBancorp-NM	NM	112.8	58¼	--
24¾	19	WSFS Corp.	12.7	118.6	18¼	--
22¾	18	Wolfen Inc. CM	11.1	157.5	21	--
35¾	26¾	WoodwardBnkCp	13.3	180.4	35¼	¼
25¾	20¾	WoodlandBncp	12.6	184.4	25	¼
27¾	13	WolfBank-NM	27.1	147.0	27¾	¼
27¾	27¾	WilmBancorp-wi	13.9	172.2	32¾	¾
21¼	17¾	NBSC Corp-SC	13.8	136.0	19	¼
17¾	12¾	NBTBancorp-NY	14.4	135.6	16¾	¼
56¼	41¾	NationalCityCp-OH	11.8	188.7	50¾	¼
35	19	NationalPenn-PA	15.8	280.2	32¾	-2¼
57¾	41¾	NationsBank-NC	9.7	153.7	49¾	¼
12¾	10¾	NationsBnkCpVA-AM	12.0	144.3	50	--
19	13¾	NatCityBancorp-MN	11.3	86.8	12¾	¼
27¾	27¾	NatCityBancshs-MS	17.2	134.7	26	--
32¾	23¾	NatCommerce-TN	13.8	234.1	29¾	--
12¾	10¾	NatCommerce-AR	13.8	234.1	12¾	--
12¾	8¾	NorthSideBk-AR	11.6	111.0	11¾	¼
12¾	11¾	NorthSideBk-TN	11.6	111.0	11¾	¼
18¾	13¾	NorthStarBk-MI	18.0	273.9	18¾	¼
31¼	18	OhioBancorp-OH	NM	152.2	26¼	--
27¾	27	OldNatnlCorp-AR	11.7	186.6	27¾	--
35	28¾	OldNatlBancorp-IN	16.2	215.1	34¼	--
25¾	21¾	OmniBankAmer-WV	11.5	154.7	27¾	¼
36¾	24	PAC BncCorp-IN	13.2	199.5	32¾	¾
8¾	3¾	PacificWstrnBc-CA	2.8	95.1	6¾	--
86	61	ParkNatlCorp-OH	15.2	277.9	77	--
25¾	19¾	PeoplesFirstCp-KY	12.6	142.4	22¾	--
34¾	23	PikevilleNatl-KY	12.5	180.2	33	--
28¾	21	PremierBancCp-LA	6.8	129.6	28¾	--
16¾	9¾	PremierServCp-LA	4.5	147.6	15¾	¼
12¾	9¾	PremierServCp-MS	4.9	139.3	12¾	¼
38¼	19¾	ProvidentBkHld-MD	11.5	184.3	38	--
19¾	15¾	ProvidentBkHld-MD	11.5	184.3	19¾	--
15¾	11¾	ProvidentBkHld-MD	8.0	156.5	11¾	¼
53¾	36¾	RepublicNYCorp-NY	11.4	151.1	50¾	--
15¾	11¾	RepublicSec-FL	NM	99.0	15¾	--
45¾	33¾	RiverFrstCp-IL	11.9	225.6	37¼	¼
28¾	24¾	SABancorp-CA	11.7	189.2	31¾	--
23¾	13¾	SeacoastBnkingFL	12.3	185.4	20	¾
14¾	10¾	SecurityCapital-SC	14.5	187.9	13¾	¼
24¾	13¾	ShawmutNatCorp-MA	36.2	185.2	23¾	¼
24¾	19¾	SignetBanking-VA	10.2	176.2	20¼	-1¼
60¾	34¾	SignetBanking-VA	13.5	197.3	60¾	1¼
12¾	8¾	SoBancCorp-GA	NM	104.7	8¾	-1¼
36¾	26¾	SocietyCorp-OH	11.9	219.3	35¼	¼
11¾	10¾	SouthTrustCp-GA	11.3	203.2	10¾	¼
23¾	15¼	SouthwestBcp-OK	11.9	178.7	21¾	--
19¾	14¾	StateFinancial-TX	10.3	150.0	19¾	¼
19¾	14¾	StateBancCorp-OK	13.0	174.3	18	--
49	29¾	StateStBnkCorp-VA	15.4	251.3	33¾	--
27¾	21¾	SuburbanBancorp-IL	14.3	180.2	24¾	--
20¾	11	SummitBancCp-CA	7.6	80.7	20¾	--
31¾	22¾	SunBancorp-NJ	13.6	159.1	29¾	¼
49¾	37¾	SunTrustBanks-GA	14.5	213.2	47	--
24¾	14¾	SunwestFinSvcs-CA	12.4	138.8	30¾	--
20¾	14¾	SymonyFinCorp-GA	10.9	286.2	18¾	¼
13¾	11¾	SyncomCreditCp-NY	11.0	201.4	13¾	--
23¾	13¾	TransFinancial-KY	14.2	202.8	19¾	¼
21¾	18¾	TrustCompCorp-NY	14.8	232.4	20¾	¼
18¼	11	TrustcompanyNJ	17.1	196.6	15¾	--
14¾	10¾	TrustmarkCorp-MS	12.0	187.3	12¾	¼
29¾	23¾	U.S.BancorpOR	11.8	182.9	25	--
41¾	29¾	UnionPlanters-TN	11.7	192.3	41¾	¼
17¾	12¾	UnitedBnkshrsWV	13.1	198.7	22	--
23¾	18	UnitedCarolina-NC	10.6	137.5	22¾	¼
89	72	UnitedCounties-NJ	8.1	125.2	88	--
41¾	30¼	UnitedMissouri-MD	13.8	190.2	38¾	--
24¾	19¾	UnitedNJBncp-NJ	9.7	171.3	23¾	--
33¾	23¾	WachoviaCorp-GA	9.7	207.8	33¾	--
37¼	18¾	WashingtonFed-VA	12.7	312.5	31¾	¾
40¾	28	WashtonCapCp-DC	13.3	187.1	34¾	¼
120	81¾	WellsFargo-CA	27.0	187.8	110¾	¼
17¾	12¾	WFSBancorp-NY	11.5	164.0	16¾	--
54¼	35¾	WestOneBancorp-ID	12.1	157.1	49¾	¾
24¾	20¾	WestAmericaBk-CA	12.1	147.2	24¾	--
29¾	20¾	WesternBancOR	12.0	184.9	29¾	--
35¼	21¾	WesternBancorp-AZ	8.7	110.5	29¾	--
21¾	14¾	WilmingtonTrust-DE	12.6	261.3	27¼	--
27¾	20¾	WinstonHotels-NC	7.5	147.2	24	--
49	26¾	ZionsBancorp-UT	11.1	187.3	40	½

Top 25 Thrifts

52 Wk. Hi	52 Wk. Lo	Name	PE	Mkt. to bk	Chg.	Chg.
23¾	16	ALBANYnewYorkNY	10.1	168.7	23	--
31¼	13¾	AmericanCo-CA	13.7	78.9	17¾	--
14½	10¾	AmericanActive-MY	13.1	107.7	13	--
23½	6¾	CalFedSemiFSB-CA	NM	40.5	15¾	--
24¾	22	CharterOneFin-OH	7.3	134.9	23¾	--
18¾	6¾	CoastSavingsFin-CA	14.1	76.3	15¾	--
35¾	15¾	CollectedAccpt-NJ	9.3	182.7	30	--
37	10¼	CommercialFedCp-NE	11.7	125.8	20¾	--
27¾	13¾	CrossLandFed-FL	8.7	110.5	26¾	--
53¾	7¾	DowneySavings-CA	5.0	78.5	18¼	--
19¾	9¾	FedFinancial-MI	9.9	83.3	18¾	--
34¾	17¾	FirstFedMichCp-MI	10.1	65.7	28½	--
15¾	10¾	FirstFedMichCp-MI	10.1	65.7	15¾	--
19¾	13	GreatNorthernNW-WI	76.5	111.2	19¾	--
53¾	36¾	KBFinancial-KY	9.4	93.3	36¾	--
14¾	9¾	MAF Bancorp-IL	NM	99.0	14¾	--
31¼	18¾	NBB Bancorp-MA	10.6	110.7	29¾	--
20¾	13¾	NorthEastCmty-NY	8.6	113.8	20	--
9¼	4¼	People'sBankMid-CT	6.8	69.7	7¾	--
11¾	10¾	PeoplesHeritage-ME	11.2	156.7	11¾	--
38¼	18¾	SIFbncBancorp-IL	8.2	100.8	24¾	--
21¾	17¾	StatewideFin-CA	7.6	115.7	21¾	--
14¾	8¾	TCFFinancial-MN	8.4	154.8	13¾	--
25¾	24	WashMutualFSB-WA	11.0	154.8	24¾	--
29	22¾	WashingtonFed-MI	10.9	206.8	26	--

Bank Stock Table Explained: The table lists in alphabetical order the 225 largest publicly traded banks as measured by the market value of their outstanding stock as of June 30, 1993. It also lists the 25 largest publicly traded thrifts as measured by the market value of their outstanding stock as of June 30, 1993. Thus, a bank with a market value of $278.36 mil. and for thrifts $238.59 mil.) **52 Wk Hi** and **52 Wk Lo** are the highest and lowest closing prices for the stock. **PE** the price-earnings ratio. It is the current price of the stock divided by the bank's earnings per share for the past year, adjusted to take into account recent changes. The ratio is popular for companies with less than four quarters of data. **Mkt. to bk** is the ratio of the market value of the bank to the bank's book value, expressed as a percentage. **Bank value** is adjusted for recent changes in capitalization. **Chg.** and **Chg.** show the change in the bid price from the last trading day and from the last week, respectively. If no trades for the day, the latest bid. **All Bank Stocks Highlights** show largest percent gainers/loss in price and two volume leaders. Volume leaders are traded and today's volume as a percentage of average shares traded daily over the past year.

Data source: SNL Securities, Charlottesville, Va. 804/977-1600, produced the tables. Financial News Network, Vienna, Va. provides SNL with the daily prices.

Libor Swap Yield Curve

Wednesday, June 30, 1993



Data source: Chemical Bank, New York

Description of tables: For lenders and borrowers in the interest rate swap market, the London interbank offered rate (Libor) yield curve is the benchmark rate by which investors determine the exchange of fixed- and floating-rate cash flow streams of different maturities. For example, a fixed-rate investor holding a one-year fixed rate loan and wishing to swap into floating would pay the one-year rate at the end of a year in exchange for a floating-rate payment stream, usually three-month Libor, paid and reset quarterly.

Key Rates•

(June 30, 1993)

	6/30	6/29	6/23	6/30/92
Federal Funds domestic rate:	3¾–3¾	2⁷⁄₁₆–3¾	3¾–3¾	3¾–3¾
Prime Rate - Top 25 Banks:	6.00	6.00	6.00	6.50
Broker Loan Rate	5.00	5.00	5.00	5.75
Discount Rate - FRBNY	3.00	3.00	3.00	3.50
Certificates of Deposit¹				
3 Month Posted	2.75	2.75	2.85	3.40
6 Month Posted	3.00	3.00	3.00	3.50
1 Year Posted	3.20	3.20	3.35	3.75
Eurodollar deposits²				
3 Month	3⅛–3¼	3⅛	3⅛	3¹⁵⁄₁₆–4
6 Month	3⅛–3¼	3⅛	3⅛	3¹⁵⁄₁₆–4
1 Year	3⅛	3¹⁄₁₆	3⅛	4³⁄₁₆
Dealer Commercial Paper³				
1 Month	3.20	3.19	3.17	3.90
3 Month	3.25	3.24	3.23	3.89
6 Month	3.45	3.44	3.36	3.95

(•)— Late afternoon quotes, New York market. (¹)— Highest offering rates at selected NYC money center banks. (²)— Late London bid. (³)— AA rating or the equivalent.

STOCKS

Boatmen's Gets Rave From Lehman Brothers

By GORDON MATTHEWS

Banking analyst Mark T. Lynch of Lehman Brothers initiated coverage of Boatmen's Bancshares Inc. on Wednesday with an "outperform" rating.

He called Wall Street's 1993 earnings estimates for the St. Louis superregional "way too low."

Mr. Lynch expects Boatmen's to earn $6.15 a share this year. In contrast, the Wall Street consensus estimate is $5.77 a share, according to First Call Corp.

Solid Growth
Earnings per share at Boatmen's Bancshares



In late trading, Boatmen's shares were up 50 cents to $60.375. Mr. Lynch believes they can reach $73 within 12 months, an upside potential of 20%.

Loss Provision Dropping

The analyst thinks falling quarterly loan-loss provisions will be the major short-term factor behind higher results at the St. Louis bank.

He noted that Boatmen's has a "huge" reserve of $308.4 million against losses. The reserve equaled 2.38% of loans on March 30. This compares with a 1.88% average ratio among large midwestern regional banks followed by Keefe, Bruyette & Woods Inc.

Chargeoffs in the first quarter were a minuscule 0.23% of loans. That was third best among the nation's 50 largest banks, according to Keefe Bruyette.

Positive Attributes

Nonperforming assets remain relatively high, at 2.49% of loans and foreclosed real estate, but the loan-loss reserve comfortably covered 170% of nonperforming assets.

Mr. Lynch also cited, loan growth, a stable net interest margin, and dominant market positions in Missouri and New Mexico as important factors in the bank's earnings outlook.

He also cited the bank's recent mergers as opportunistic deals that can add momentum to earnings.

Last year, Boatmen's acquired $3.3 billion-asset SunWest Financial Services, Albuquerque; $1.2 billion-asset First Interstate Banks (Iowa), Des Moines; and $320 million-asset Founders Bancorp., Oklahoma City.

The SunWest acquisition initially diluted earnings per share, but Boatmen's noted that the New Mexico bank earned over 1% on assets during the first quarter.

Second Quarter Looks Good

Mr. Lynch expects the fresh momentum to show up in the second-quarter results. He forecast earnings of $1.53 a share versus the consensus view of $1.46.

For 1994, he anticipates earnings of $6.65 a share, versus $6.27 expected by others on the Street.

Boatmen's also got a vote of confidence recently from analysts at Keefe Bruyette. On June 22, they raised their own 1993 earnings estimate for the bank significantly to $5.70 from $5.40 a share.

WEDNESDAY'S MARKET

Shares of Crestar Financial Corp. rose 50 cents to $41.625 after coverage of the Richmond bank was initiated with a "buy" rating by analyst Michael A. Plodwick of C.J. Lawrence Inc.

Other bank stocks also turned in strong performances in late trading on Wednesday, led by MBNA Corp.'s gain of $1.125 to $29.25.

Meridian Bancorp was up 87.5 cents to $32.375, Bank-America Corp. moved up 62.5 cents to $45.125, First Fidelity Bancorp. rose 62.5 cents to $49.125, and Marshall & Ilsley Corp. gained 75 cents to $25.

Also posting advances were PNC Bank Corp., up 75 cents to $32.625; Wells Fargo & Co., up 75 cents to $110.50; and Shawmut National Corp., up 50 cents to $23.875.

On the other side of the ledger, Mellon Bank Corp. slipped 50 cents to $56.50, First Chicago Corp. edged down 25 cents to $41.50, and Keycorp was off 37.5 cents to $41.75. □

Summit Offers $50 Million of Subordinated Debt

A $50 million issue of subordinated notes from Summit Bank, Charleston, N.J., was offered through Merrill Lynch & Co. The notes bear an interest rate of 6.75% and mature in June 2003. Summit Bank is a wholly owned subsidiary Summit Bancorp.

DEALS

Prudential Mortgage Unit Gets $1.1 Billion Unsecured Revolver

By WILLIAM GOODWIN

Prudential Home Mortgage said it obtained its first bank credit line – a $1.1 billion revolver from a group of 20 domestic and foreign banks.

The 364-day credit will be used to fund the origination of residential mortgages.

Fleet Mortgage Group recently renewed a $1.75 billion credit line.

Mega-size credit lines, like the ones obtained by Prudential and Fleet, are likely to become increasingly common as a result of consolidation within the mortgage industry and the dramatic increase in origination volume.

Twice as Much Activity

Driven by refinancings, volume has more than doubled in the past few years to some $900 billion in 1992.

Virtually all of Prudential's mortgages are securitized for sale in the secondary market. As the loans are sold, proceeds will replenish the credit line.

Last year, Prudential originated $28.5 billion of mortgages, second only to Countrywide Credit Industries.

Parent Had Provided Funding

Until now, Prudential's short-term funding has come from its parent company, Prudential Insurance Company of America, and through repurchase agreements with Wall Street firms.

Unlike the repos, Prudential's new bank line was provided on an unsecured basis.

That sends an "important statement to the marketplace of our financial strength," said Larry Swedroe, head of treasury operations and risk management at Residential Services Corp. of America, the holding company for Prudential Home Mortgage.

Apart from diversifying Prudential's source of funds, the credit will also help the company make its case for a top-tier commercial paper rating, Mr. Swedroe said.

Ratings Are in the Works

Prudential has already begun talks to obtain a credit rating from the major rating agencies and hopes to enter the commercial paper market within a year.

Credit rating agencies require borrowers to have bank lines in place as a backstop for their commercial paper programs.

Prudential's bank line carries maximum pricing of 70 basis points over the London interbank offered rate and a commitment fee of 12.5 basis points.

The credit will be used to fund the origination of residential mortgages.

Members of Syndicate

Leading the credit were ABN Amro Bank, Bankers Trust Co., Barclays Bank, Chemical Bank, Credit Lyonnais, NationsBank, and Union Bank of Switzerland.

The loan was syndicated to 13 other foreign and domestic lenders.

While the credit line lessens the mortgage company's dependence on its parent for funds, it is not a prelude to a spinoff, Mr. Swedroe said.

"As far as I know, there are absolutely no plans for a spinnoff" in the foreseeable future, he said. □

IT'S GOOD TO BE FAST, BUT IT'S MORE IMPORTANT TO BE ACCURATE.



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AMERICAN BANKER
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Second Quarter Looks Like A Big Winner

By STEVE KLINKERMAN

U.S. banks are poised to deliver another round of stellar quarterly results in coming weeks, fueled by a familiar blend of wide net interest margins, credit quality improvements, and gains in fee income and efficiency.

The reports of second-quarter performance should soothe investor concerns that net interest margins are in for a precipitous decline, experts said.

"Episodes of shrinkage notwithstanding, margins will remain close to historical peaks, which makes running a bank like playing golf with the wind at your back," said Joseph Sieven, an analyst with Stifel, Nicolaus & Co. in St. Louis.

But while that sentiment may hearten short-term investors, many observers have longer-term vexations about bank profitability.

Some analysts expect to see a faint contraction of net interest margins in the second quarter. Absent meaningful loan demand, they said, banks appear destined to lose progressively more yield on their assets as securities investments mature and borrowers pay off loans.

"Without a resurgence of loan demand, the industry will find it increasingly difficult to offset falling margins," said Thomas Maier, an analyst at Kemper Securities in Chicago.

Years of Struggle Seen

While in no way portending another climate of doom, as in the early 1990s, the trend signifies that progress for the banking industry will remain an inch-by-inch struggle for years to come.

Most of the nation's banks are expected to report second-quarter results from July 12 to July 22. Here's a rundown of expectations from some of the larger banks, broken down by region.

Recovering banks in New England and the Mid-Atlantic area again show vast improvements over weak year-earlier results, according to Anthony Davis, an analyst with Dean Witter, Discover & Co. in New York.

Improvement in New England

Bank of Boston Corp. is expected to report a 40% year-over-year gain to 95 cents a share, he said, while Rhode Island-based Fleet Financial Group should soar 60% to 73 cents a share.

Shawmut National Corp., completing the trio of big New England banks, also is expected

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INSIDE NEWS

COMMUNITY BANKING

AFTER COMPLAINING that the Federal Reserve's limit on insider loans would devastate its members, the Independent Bankers Association of America has found that fewer than 1% of smaller banks are bumping up against the limit. *Page 9*

INVESTMENT PRODUCTS

SHAWMUT National Corp. found out the hard way that marketing mutual funds to ordinary depositors can be a touchy business. *Page 12*

CREDIT CARDS

TWO INSTITUTIONS with ties to the African American community announced secured-card initiatives. *Page 12*

MORTGAGES



Peter Chen

CENTERBANK's Thomas C. Brown and Robert J. Narkis are behind a resurgence driven by the company's mortgage unit. *Page 10*

FINANCE

BALTIMORE BANCORP. capping its recovery from financial difficulties, received a 3-year rating on its stock from a Mabon Securities Corp. analyst. *Back page*

WASHINGTON

THE FDIC's acting chairman told New England lawmakers that he plans to place ombudsmen in each of the agency's liquidation offices to handle complaints. *Page 2*

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To Our Readers

The American Banker will not publish on Monday, July 5, the Independence Day holiday.

Bankers Trust, First Fidelity Form Check-Processing Unit

By JEANNE IIDA

NEW YORK — Bankers Trust New York Corp. and First Fidelity Bancorp. on Thursday announced an unprecedented joint venture to process checks.

The partners hope to generate significant fee income by handling checks for other institutions. They also expect to slash their own processing costs by pooling computer resources.

The agreement is the latest wrinkle in an industry trend toward consolidation of back-office operations. And it could be a prelude to other such alliances.

Other Ventures Possible

A number of other giant banks – including BankAmerica Corp., Bank of New York Co., Chase Manhattan Corp., Chemical Banking Corp., and NationsBank Corp. – have discussed mergers of check operations over the past few years, according to Wall Street analysts and industry consultants.

The joint venture announced Thursday, to be called Global Processing Alliance Inc., will be equally owned by New York-based Bankers Trust 'and First Fidelity, of Lawrenceville, N.J. The partners declined to disclose their equity investments.

The unit will process retail and wholesale checks and provide 'other check-related services.

The two banks expect to process one billion checks annually after a full year of operation, which would make them the 10th-largest processor, according to estimates by Littlewood Shain & Co. They declined to reveal their current total volume. The largest player now, BankAmerica, processes 8 billion items a year, Littlewood says.

The Joint Venture At a Glance

The partners:	Bankers Trust First Fidelity
The venture:	Global Processing Alliance Inc.
Lines of business:	Check processing and other check services
CEO:	James G. Hamrick
Projected revenue:	More than $100 million in first year
Timetable:	Full conversion by early next year

Can Offer Low Fees

By joining forces, officials said, the partners will be able to make bigger investments in technology than either could do independently – allowing them to offer low processing fees and attract customers.

The unit plans to make use of image processing and other new

See **OCC** *page* **18**

OCC Readies Consumer Protection Squadron

By BARBARA A. REHM

WASHINGTON — The Office of the Comptroller of the Currency is creating a class of examiners to enforce consumer protection laws.

The new examiners, numbering 100 to 150, will allow for more frequent compliance exams at national banks, according to Stephen M. Cross, deputy comptroller for compliance.

Most affected will be banks with less than $1 billion in assets. Once training is completed – it is expected to take about three years – these institutions will be examined every two years instead of every six years.

Banks with more than $1 billion in assets already get compliance exams every two years.

Fees Won't Rise

A spokeswoman for the Comptroller's office said banks' assessment fees will not increase.

Mr. Cross, speaking to a group of compliance officers in San Diego this month, also announced that it will be next year before the Comptroller's office deploys testers to root out lending bias at national banks.

Comptroller Eugene A. Lud-

See **OCC** *page* **18**

U.S. Bank Loans To Latin America Up 9% Last Year

By JAMES R. KRAUS

U.S. bank loans to Latin America rose more than 9% last year, for the first increase in eight years, according to Federal Reserve Board data.

Total outstanding loans in the public and private sectors increased by $3.2 billion to $38.8 billion.

Bankers said the increase does not represent a return to the practices that led to the Third World debt crisis of the 1980s.

A Third of Former Level

For one thing, the total outstandings are much lower now – about one-third the level at the height of the debt crisis.

Several Latin American countries have lowered their debt loads through Brady plan restructurings, which should enhance their ability to repay the loans.

In addition, bankers said much of the increase consists of

See **U.S. BANKS** *back page*

Wells Revamps Branch Strategy, Reducing Power of Local Managers

By SAM ZUCKERMAN

Wells Fargo & Co. is rewriting the rules of branch banking.

After more than a year of study and sharp internal debate, the San Francisco-based company is jettisoning the traditional model in which a branch manager rules over a domain of tellers and platform officers.

Instead, the nation's 10th biggest bank company is reassigning the sales staff in its branches to outside product managers. At the same time it is relieving the sales force of customer service responsibilities.

The sales staff is being divided into four product areas, said William F. Aldinger, a vice chairman who heads retail banking. The areas are small business, mortgages, investment products, and upscale consumer banking.

'A Major Shift'

Salespeople will be moved among branches depending on the dictates of their product bosses.

Branch managers will see their authority radically diminished, supervising only tellers and a small staff of in-branch customer service specialists.

"We're reengineering the company," said Mr. Aldinger. "This is a major shift in the way we're doing business."

To be sure, putting product specialists in branches is not

See **WELLS** *page* **6**

A New Approach
Wells has decided to:

- **Put most platform officers under 'outside' product managers**
- **Make branch managers responsible mainly for tellers and customer service**
- **Cut the nontellier branch work force by 6%**
- **Separate the sales and customer service staffs at the company's 626 branches**

NEWS *briefs*

Bank Failures Down in First Six Months

WASHINGTON — Bank failures in the first half fell to 23 from 66 in the first six months of 1992, according to a Federal Deposit Insurance Corp. tally.

The 1993 failures to date had $2.7 billion of assets. During all of last year, 122 banks with $46.2 billion of assets failed.

California had the largest number of failures this year with 10, followed by Texas with five and Kansas with two. Connecticut, Iowa, New York, North Carolina, Vermont, and the District of Columbia had one each.

The FDIC last week revised its failure forecast, dropping the total amount of assets expected in failed banks this year to $10 billion from $25 billion. The number of failures is estimated at 40 to 50.

Synovus Unit to Promote Visa Check Cards

SAN FRANCISCO — Visa U.S.A. said it entered into a "marketing partnership" with Total System Services Inc. to promote Visa check cards, formerly called Visa Debit.

The effort is similar to one previously announced with First Data Corp., parent of the leading independent processor of bank cards.

Total System, the No. 2 processor, is 81% owned by Synovus Financial Corp. of Columbus, Ga. Its customers will have access to systems and programs designed to speed card issuance and usage.

Visa and Total System are planning workshops and seminars for Visa check card issuers. Such marketing pushes "have boosted Visa check-card activation and usage rates anywhere from 10% to 30%," said Rosalind Fisher, executive vice president, Visa U.S.A.

Continental Names O'Neill Finance Chief

CHICAGO — Continental Bank Corp. said Michael E. O'Neill will succeed Hollis W. Rademacher as chief financial officer.

Mr. Rademacher is retiring in October after 36 years at the bank.

Mr. O'Neill joined Continental in 1974, spent some time with First Interstate Capital Markets in the 1980s, and has been a managing director since 1989. Most recently, he supervised risk management and proprietary trading businesses and engineered the outsourcing of Continental's audit, information technology, and legal functions.

Amsouth to Buy FloridaBank for Stock

BIRMINGHAM, Ala. — Amsouth Bancorp. said it signed a definitive agreement to acquire FloridaBank, a thrift based in Jacksonville, Fla., for stock with an indicated value of $27.1 million.

Amsouth said it will exchange 0.4902 share of common stock for each share of FloridaBank, which has $272 million of assets and seven branches.

The briefs were compiled from staff and wire reports.

Corrections

A chart accompanying an article Wednesday about Shawmut National Corp. overstated its problem assets. The figures, on nonperforming commercial real estate loans, were mislabeled as percentages of the company's loans and foreclosed real estate. In fact, they were percentages of Shawmut's commercial real estate loans.

* * *

Two of the photographs that ran Thursday with a roundup of mutual fund executives' views were transposed. A photo of Jeremiah Potts, Massachusetts Financial Services, was identified as Whitfield C. Wannamaker, Kemper Financial Services, and vice versa.

FDIC Will Use Ombudsmen to Field Complaints at Liquidation Offices

By ROBERT M. GARSON

WASHINGTON — The acting chairman of the Federal Deposit Insurance Corp. told New England lawmakers on Thursday that he plans to place ombudsmen in each of the agency's liquidation offices to handle complaints from the public.

The first would be installed in New England, probably in Boston, Andrew C. Hove Jr. said.

In time, each of the agency's 18 offices will have an official charged with facilitating action on complaints and questions from borrowers, lenders, Congress members, and other public officials, added John Bovenzi, director of liquidations.

Where the Action Is

The effort will start in New England, "because that's where all the action is," Mr. Bovenzi said.

New England officials have long accused the bank regulatory agencies of worsening their region's recession by cracking down on bank lending.

In addition, the FDIC has come under sharp criticism for the way it has handled failed banks.

Mr. Bovenzi said the ombudsmen would have no authority on their own to make changes or to force action on any issue. But the ombudsman in each office would be "a senior-level person," who would "have direct access to the person in charge."



Andrew C. Hove Jr.
Taking pressure off lawmakers

Legislators attending the meeting seemed particularly pleased to have a designated official in charge of complaints.

Legacy of Keating Five

Several lawmakers said their colleagues had shied away from regualtory contacts in recent years because of the Keating Five episode, in which five Senators were accused of improperly intervening with regulators on behalf of thrift owner Charles Keating.

"There's absolutely no question it made it more difficult for legislators to deal with the credit crunch problem," said Rep. Nancy Johnson, R-Conn.

"Before that, everybody expected you to help your constituents," she added. Afterward, "a lot of people wouldn't think of intervening."

Ethical Risk Eliminated

Rep. Joseph P. Kennedy 2d, D-Mass., who chaired Thursday's meeting of the New England caucus, also hailed the new program.

"Of course it was Keating," he said of his colleagues' reluctance to confront regulators.

Mr. Bovenzi said the ombudsman would offer lawmakers a forum in which to voice their constituents' concerns without worrying about whether they were violating ethical standards.

A Far Cry from Lobbying

"There are certain kinds of communication that are perfectly acceptable," he said. "If you have a constituent with a concern, passing it along to someone is very different from lobbying for it."

Rep. Kennedy, who has played a key role in focusing attention on the New England credit contraction, said Thursday's meeting was useful in that it gave lawmakers a forum to vent "the tremendous pent-up frustration that every member feels."

That frustration, he said, has been fueled by the "sheer number of complaints that come into all our offices" about the bank regulatory agencies. □

COMPANY *index*

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BT, First Fidelity Joining in Check Processor

Continued from *page 1*

technologies that speed the handling of checks, such as electronic check presentment, in which payment data are sent between banks electronically.

The unit plans to set up a transportation network to send checks directly to client banks, bypassing the Federal Reserve System and its fees.

Facilities to Be Combined

The banks also plan to combine check facilities, producing significant cost savings that would be invested in technology, a spokesman for Bankers Trust said.

First Fidelity has check processing sites in Newark, N.J., and Chester, Pa., and Bankers Trust has sites in New York City and in Delaware. The banks did not say which sites would be retained.

Plans call for operations to be shifted to the new venture starting later this year and be up and running early in 1994.

In its first year of operation the joint venture expects to earn pre-tax revenues of more than $100 million and profits of at least $15 million to $25 million, according to consultants close to the project.

The banks expect to cut their combined check-processing expenses by at least $10 million, or 30%, in the first year and more than $20 million annually after two years.

The venture could have a market value of $150 million within several years, the sources said.

B.J. Kingdon, a managing director of global assets at Bankers Trust, said the agreement reflects pressures for consolidation in check processing and payments services.

He predicted that other alliances will be formed. "This will set a trend in the market that will be unstoppable," he said.

Talks among other banks have reportedly bogged down over competitive issues, but consultants said the announcement could renew interest.

Over the past several years, a number of banks have reduced operating expenses by hiring outside contractors to handle data processing operations, a practice known as outsourcing.

The shared approach by Bankers Trust and First Fidelity will allow them not only to reduce costs but also to generate revenues by acting as outsourcers themselves.

Bankers Trust officials said their check venture differed from others that have been discussed in that Bankers Trust and First Fidelity process different types of checks and do not compete in the same markets.

First Fidelity processes a large number of relatively small-dollar-value consumer checks, while Bankers Trust processes a relatively low volume of high-dollar-value wholesale checks.

"In bringing the two together, you end up with a very attractive operation with high-volume scale in terms of both items and dollar volume," said Lawrence A. Willis, a consultant with First Manhattan Consulting Co. who advised the banks on the deal. He said the mix will bring operational and clearing efficiencies.

The joint venture will be headed by James G. Hamrick, most recently president and chief executive of National Check Inc., McLean, Va.

The venture will be headquartered in Totowa, N.J. □

Sears to Install Receipt System

Sears, Roebuck and Co. of Chicago and Service Merchandise Co. of Nashville plan to install computer systems this year that record and store electronic copies of credit card receipts at the point of sale.

The merchants are believed to be the first to agree to install the technology at retail stores across the country.

Their supplier, MicroBilt Corp., is a unit of First Financial Management Corp., of Atlanta.

NCR Corp., of Dayton, Ohio, a unit of American Telephone and Telegraph Co., sells similar technology.

Easily Retrievable

The technology is supposed to slash the administrative cost of resolving charge disputes by making it possible to retrieve receipts from computer data bases, instead of from microfiche files.

A key component of the new technology is a so-called signature capture device – basically a computerized pad – on which the sales slip is placed and signed by the consumer. The signature, and the accompanying sales information, is then stored in a computer data base.

Sears plans to install the technology in all of its 809 stores by yearend.

The move will "allow us to provide additional security, create a paperless office, and enhance productivity," said Sears spokesman Perry Chlan.

— Barton Crockett

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Comment

By Mark W. Olson and Barry F. Kroeger

A Study Guide for FDIC's Test Of How You Handle the Reins

During congressional consideration of what ultimately became the Federal Deposit Insurance Corporation Improvement Act of 1991, only an alert few focused serious attention on the section of the bill requiring new reports on internal controls.

This small section requires chief executive officers and chief financial officers to report annually on management's responsibilities for internal controls.

They must also provide their assessment of the effectiveness of these controls. The independent public accountants then attest to and report on management's assertions.

Test of Top Executives

When the proposed regulations were announced, the FDIC characterized them as a "conservative" response to this section of the bill. Today these regulations appear to be a critical test of senior management.

BANKERS WHO *respond casually do so at significant peril.*

They create one of the first opportunities for management to demonstrate its ability to manage regulatory risk, which is on a par with credit exposure risk, interest rate risk, and technology risk.

Understanding the new regulatory environment and implementing appropriate changes is now a critical senior management responsibility.

Second Nature to Some

Bankers' reactions to the new reporting requirements vary widely. Some have already made a serious commitment to evaluating the effectiveness of their institutions' internal controls and to strengthening controls where they find weaknesses.

Well-managed institutions typically have placed a high priority on controls, and the regulatory changes merely elevate their priority a notch or two. Also, senior managements recognize the downside risk of ignoring the significance of the new requirements.

Perhaps because the final regulations and accompanying guidelines are relatively recent, many well-run institutions have not focused significant attention on the issue. But they plan to focus significant senior manage-

Mr. Olson is a partner in the Washington office of Ernst & Young, and Mr. Kroeger is a partner in the financial services practice in New York.

ment attention now that the final requirements are known.

Some Will Try to Coast

At the other end of the spectrum are bankers who plan to make minimal preparation for the new requirements, or perhaps hope that their current controls will be deemed adequate with little documentation to support the "assessment" in their report.

At the close of this fiscal year, when asked to sign off on these controls, this group's typical reaction might be, "Where do I sign?" Bankers who respond casually do so at significant risk.

If a bank has enjoyed strong ratings under the regulators' Camel system, has had consistently solid Community Reinvestment Act experience, and has no other significant regulatory problems, an isolated internal control weakness (or marginally acceptable documentation supporting management's internal control evaluation) may not result in harsh regulatory treatment.

Not Good Enough

But institutions that successfully manage their regulatory risk and have earned high marks generally do not settle for marginal compliance.

If, however, a weakness in the internal controls and documentation of management's assessment is but one of a number of negatives uncovered in an examination, the result could mean a Camel 3 or 4 instead of a 1 or 2. With the much more specific regulatory treatment mandated by the 91 law, the cost to the bank could include the following:

An immediate impact of a reduced Camel rating could be an increased FDIC deposit insurance assessment. Using the formula that went into effect last January, the potential assessment increase could be $60,000 for each $100 million of eligible deposits.

Price of Neglect

An institution with deposits of $500 million could suffer a $300,000 increase in premiums by neglecting its exposure to regulatory risk.

Also, a reduced Camel rating may cause the regulators to effectively downgrade the institution by one capital category.

If the bank is now considered "adequately" capitalized, this could trigger mandatory requirements for submitting a new capital plan, and could result in restrictions on growth, lending, and compensation.

There are several steps that can be taken now to prepare for

THE REQUIREMENT *to report on internal controls has created one of the first opportunities for managers to demonstrate their ability to deal with regulatory risk.*

these new requirements. They include:

● **Consider a definition of internal controls.** Considerable controversy surrounds the fundamental definition of internal controls.

The General Accounting Office, FDIC, Committee of Sponsoring Organizations of the Treadway Commission, and American Institute of Certified Public Accountants have had considerable discussion about what the definition should be. Yet the final regulations do not specify a definition to be used.

The definition of internal controls is the foundation on which management's evaluation lies, so selecting an appropriate definition early is key. The definition will affect the form of management's final report as well as its assessment of controls.

Management should weigh this decision carefully, and select a definition acceptable to all parties involved, including the audit committee, management, independent auditors, and perhaps most important, the regulators.

WEAK CONTROLS *could result in a higher FDIC premium.*

● **Organize for the evaluation.** The manner in which institutions conduct the evaluation will vary. In some cases, a department within the organization may be responsible for conducting and documenting the evaluation.

Another approach we advocate is to assemble a team with representatives from various departments, including controllers, internal audit, information systems, legal, and compliance. Where there is a choice, establishing ground rules – such as responsibilities, documentation approach, and timing – is important to a successful project.

● **Develop guidelines to be used in documenting management's assessment of controls.** The FDIC guidelines for section 112 of FDICIA indicate management of insured depository institutions "... should maintain records of its determinations and assessments [of the institution's internal control structure] until the next federal safety and soundness examination, or such later date as specified by the FDIC or appropriate federal banking agency."

The importance the regulatory agencies are likely to place on documentation supporting management's assessment appears clear.

This documentation could be considered a "bridge" between much of banks' existing documentation (such as accounting manuals, codes of conduct, and flow charts) and the report signed by management.

Developing a format and approach to completing management's assessment will allow the assessment to be conducted in a more orderly fashion.

● **Identify and resolve any known documentation or internal control concerns early.** The final regulations require management's assessment of its controls at the end of the fiscal year, so early identification and resolution of documentation or control concerns is especially important.

In Ernst & Young's comment letter to the FDIC on the proposed regulations on section 112, we observed that "point in time" reporting is more constructive (rather than reporting weaknesses that existed during the year) because it encourages prompt correction of internal control weaknesses, rather than focusing on reporting weaknesses that have already been corrected.

● **Consider other opportunities to reduce costs while improving controls.** In conducting the evaluation, opportunities may be identified to simplify procedures, reduce costs, and improve already effective controls.

For example, some financial institutions may find that automating certain manual controls improves both efficiency and compliance with management's policies.

Others may find that certain procedures are no longer effective or necessary (for example, because of changes in the environment) or may duplicate other procedures. If skillfully planned, the evaluation can also provide an opportunity to improve operations and efficiency.

The lack of an aggressive plan to implement these new requirements may not have immediate negative consequences. However, institutions that best manage regulatory risk will not only achieve better compliance but will also reduce the costs of compliance.

Senior management's attention to this subject could separate the winners from the rest of the pack as the competition intensifies to be recognized by the "market" as one of the best. □

Reader Forum

Please direct letters to Jeffrey Kutler, assistant managing editor, *American Banker*, One State Street Plaza, New York, N.Y. 10004.

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Citicorp: Profits on the Horizon for Its Japan Branches

Reuters

NEW YORK — Citicorp's Japanese consumer business should be profitable in the next two to three years, according to Masamoto Yashiro, the company's chief executive in Japan.

The only foreign bank with a retail branch network in Japan, Citicorp is looking to take advantage of weakness among domestic banks.

Offering Unique Products'

It already has done so in corporate banking, which is making profits, Mr. Yashiro said in a recent speech to the Japan Society in New York.

On the retail side, where "we are not trying to compete with Japanese banks," the Citicorp executive said, "we are trying to offer unique products like foreign currency deposits and other nontraditional products."

Japanese banks have been hurt by real estate loan losses and a general decline on the stock market. Their troubles have prompted more corporate customers to use Citicorp, Mr. Yashiro said.

A Total of 21 Branches

Structured and corporate finance are two areas that have grown as the Japanese banks have dealt with their problems.

Citicorp has 21 branches in Japan, two just opened. It has no plans to add branches until the retail operation is profitable, Mr. Yashiro said.

Citicorp also has no plans for acquisitions in Japan because they would cost too much, he added.

He said that the political instability in Japan will have little impact on Citicorp. Elections are scheduled for July 18, and Mr. Yashiro said uncertainty may persist for some time.

Political Turmoil

"I don't think we are concerned about who is in leadership. We are concerned

It is the only foreign bank with a retail branch network in Japan.

about our corporate and consumer customers," he said. So the turmoil "is of little importance to us."

He said a new political party being led be a former finance minister, Tsutomu Hata, "could get power, but it is not really obvious who really will be in power."

Regardless, there is likely to be a coalition government. Even if it has the appearance of stability, "I assure you, there will still be instability," Mr. Yashiro said.

Says a Two-Party System Is Possible

Major business decisions "will not be made until the dust settles," Mr. Yashiro said. "Usual business matters will continue, but anything requiring political solutions or involvement will not get done. Hopefully, out of this we will get a two-party system."

Mr. Yashiro said he sees Japanese deregulation as inevitable, "particularly with the political upheaval and the changes to be expected in the coming years."

Fewer Companies Changing Names

NEW YORK — In a sign of business uncertainty related to the slowdown in merger-activity, fewer banks and other corporations are changing their names.

Anspach Grossman Portugal Inc., the corporate identity firm that tracks name changes, said 451 major U.S. companies changed their name in the first six months of 1993, down 31% from 653 in the 1992 period.

Changes in financial services industry fell by 92, or 39%, to 143. But financial services — including banks, thrifts, insurers, and securities brokers – still accounted for the largest share of the total.

Up in the Air

"A sense of uncertainty" related to health care reform, taxes, and other political issues led businesses "to either delay plans or proceed quite cautiously," said Joel Portugal, a partner in the New York-based firm.

Banking changes included the consolidation of Central Trust Co. of Cincinnati, Citizens Fidelity Bank of Louisville, and other units of Pittsburgh-based PNC Bank Corp. under the PNC banner.

Also, Valley National Corp. of Phoenix adopted the name of its acquirer, Banc One Corp. of Columbus, Ohio.

Mr. Portugal noted a trend away from using family names. Of banks with "First" in their titles, 12 out of 13 dropped the number after a divestiture, acquisition, or merger.

For example, First American Bank of New York was bought by Keycorp and became Key Bank of New York, and Dubuque Corp. in Iowa became part of Hawkeye Bancorp.

St. Francis Capital on Nasdaq

MILWAUKEE — St. Francis Capital Corp., which its stock has begun trading on the Nasdaq system after the company's conversion from mutual ownership.

St. Francis Capital is the newly formed holding company for St. Francis Bank, a federal savings bank with about $675 million in assets.

The corporation issued 7.3 million shares at $10 each. Its trading symbol is STFR.

— Reuters



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Wells Overhauls Branch Strategy, Curbing Managers

Continued from page 1

new. Wells, like many banks, already has mortgage, small business, and investment products salespeople in its offices.

The fundamental change lies in taking authority for sales away from branch managers and separating sales from customer service.

As the new system is put into effect over the next six months, Wells also will be slashing the branch work force. The bank expects to ax about 700 of 8,300 administrative and officer-level jobs in its 626-branch network.

Economy Focus

Wells enjoys a reputation for cutting-edge efficiency, but reducing costs by trimming staff is only part of what the bank hopes to accomplish. Mr. Aldinger predicted that the new system also will boost Wells' revenue and improve service.

Increase In Production Seen

The key is squeezing more volume out of the staff, he said. That should be possible because the sales force will no longer be distracted by customers asking for help reading a statement or tracking down a check.

"Through specialization, we can get more production," Mr. Aldinger contended.

In designing the plan, Wells executives had their eyes not so much on the retail systems of other banks, but on nonbank financial services providers, such as brokerage firms and mortgage companies.

These companies target sharply defined markets, an objective Wells officials say they can achieve through the use of sales specialists.

Fighting Nonbank Invasion

"The competition is nonbanks, which have been picking off our best customers," Mr. Aldinger said. "We can't compete with the old system of being-all things to all people."

Wells insiders say vice chairman William F. Zuendt, who is Mr. Aldinger's boss, has been the main champion of the new system.

Mr. Zuendt was trained as a mathematician and engineer, and is said to be fascinated by process-engineering techniques used at industrial companies.

He has been analyzing how work can be performed more efficiently and cheaply by breaking down job functions into small parts.

'It's Just Sell, Sell, Sell'

But the plan to reorganize Wells' retail management structure was not embraced unanimously. According to people familiar with internal discussions, some argued that Wells would be severing a branch's ties with its community.

"This is not a relationship strategy – it's just sell, sell, sell," said one person who knew about the debate.

The opposition collapsed, however, when the plan's most vocal critic, vice chairman Robert L. Joss, left early this year to become chief executive of Australia's Westpac Banking Corp.

Industry experts and rival bankers, meanwhile, say they respect Wells' reputation as a savvy cost cutter. And they believe the plan may succeed in boosting product sales.

Competitors See an Opening

But they question whether service will improve, and agree that customer relationships may



William F. Aldinger
"Reengineering the company"

suffer when sales and service are divorced.

Indeed, some competitors think they can woo customers away from Wells by building relationships and emphasizing service.

"This gives us opportunities," said Daniel R. Eitingon, retail banking chief of First Interstate Bancorp's California unit. "It suggests their orientation is to be a transaction bank."

But Mr. Aldinger insisted that Wells will provide better service to customers because branch managers "will be more focused on it."

Rivals warn, however, that instead of motivating managers, Wells' system could spur a mass exodus of branch chiefs.

The branch managers, who lost most of their lending authority years ago, will not easily accept this latest erosion of power, the competitors predict.

At least one sign of discontent has already emerged. The branch reorganization plan itself was disclosed in the *San Francisco Chronicle* several weeks ago. The source who leaked the story was a disgruntled branch manager. □

Banks Seen Poised to Deliver Stellar Reports on Quarter

Continued from page 1

to report a very strong quarter.

New Jersey's UJB Financial Corp., based in Princeton, is expected to show a 90% year-to-year gain, with earnings per share of 41 cents for the quarter, according to Mr. Davis.

NEWS ANALYSIS

New York's money-center banks should continue to exhibit strength through the diversity of wide spreads and continued cost cutting. However, results at some of the companies could be off from the first quarter of this year when J.P. Morgan & Co., Bankers Trust New York Corp., and some others realized vast trading gains.

Second-Quarter Earnings Preview

Figures are per share

	Consensus Estimate 2Q '93	Actual 2Q '92	Actual 1Q '93	2Q estimate vs. actual	2Q estimate vs. 1Q
Bank of New York	$1.29	$1.37	$1.05	-5.84%	22.86%
BankAmerica	1.17	1.19	0.63	-1.68	85.71
Barnett	0.91	0.88	0.67	3.41	35.82
Citicorp	0.57	0.67*	0.25	-14.93	128.00
First Interstate	1.39	1.38	0.75	0.72	85.33
Fleet Financial	0.71	0.66	0.45	7.58	57.78
PNC	0.68	0.78	0.59	-12.82	15.25
Wachovia	0.68	0.69	0.62	-1.45	9.68
Wells Fargo	1.88	1.72	1.31	9.30	43.51

*Before extraordinary gain

Source: First Call

Cricorp, the nation's biggest bank company, is 57 cents a share, according to First Call. That would be down 15% from its first-quarter net before extraordinary items, but more than double year-ago second-quarter results.

Citicorp is expected to report further progress in cutting problem assets, but balance sheet shrinkage will work against earnings growth, analysts said.

Loan Growth Seen in Southeast

Several southeastern banks will sport modest loan growth, analysts said, including First Union Corp. and NationsBank Corp., both based in Charlotte, N.C.

First Call has compiled a consensus forecast of $1.19 a share for First Union, up 32% from a year ago. It predicts NationsBank will earn $1.14 a share, up 16%.

North Carolina's other powerhouse bank company, Wachovia Corp., will come in at 68 cents a share, a 9.7% rise from the second quarter of 1992.

Barnett Banks Inc., based in Jacksonville, Fla., is meeting cost-cutting and loan-workout targets on its acquisition of First Florida, analysts said, though they expect little loan growth and mild shrinkage in net interest margin.

Boosted by its new acquisition, Barnett is expected to report a 35.82% earnings gain from 1992, to 91 cents a share, First Call said.

Gain Expected for SunTrust

Atlanta-based SunTrust Banks should come in at 92 cents, up 12%, according to the data collection company.

The Midwest is once again expected to host the strongest regional results, although some banks will fall a bit from their strong first-quarter reports.

Banc One is expected to report strong consumer loan growth but a slight margin contraction. The Columbus, Ohio-based company should earn $1.01 a share – up from 87 cents a year ago but down from $1.03 in the first quarter, according to Oppenheimer & Co. analysts.

Detroit-based Comerica Inc., which has conceded that it is behind schedule on reaching expense-cutting goals from its merger with Manufacturers National Corp., is expected to report 71 cents a share, versus 69 cents in the first quarter and a loss one year ago when the company took a major restructuring charge.

Help from Card Portfolio

First Chicago Corp. is expected to report further progress in shedding problem assets and should get a boost from its high-yielding credit card portfolio. Analysts see the company earning $1.07 a share, up 35.4% from the second quarter of 1992.

In Minnesota, Norwest Corp. will boast strong second-quarter results, said Steven R. Schroll, an analyst at Piper, Jaffray & Hopwood, because of an expanding net interest margin and solid fee income related to its proliferating mortgage business. Norwest is expected to earn $1.03 a share, up 17.6% from the second quarter of 1992.

Big Winner in California

On the West Coast, California's First Interstate Bancorp is expected to be a big winner, reflecting continued improvement in credit quality and loan growth in operations outside its home state. The company is predicted to earn $1.39 a share, an 85.33% jump from the year-earlier period.

BankAmerica Corp., reflecting further progress in assimilating the Security Pacific Corp., should see an 85.71% gain over 1992, coming in at $1.17 a share, according to First Call.

But continued loan contraction and the weak California economy has prompted some analysts to lower their forecasts for the nation's second-largest bank company in recent weeks. □

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EXECUTIVE changes

Wachovia Taps Herbert Wayne As CRA Chief

Herbert M. Wayne Jr. has been named Community Reinvestment Act administrator for **Wachovia Corp.**, Winston-Salem, N.C.

Mr. Wayne, a senior vice president, will be responsible for coordinating the CRA programs for Wachovia's lead banks in North Carolina, South Carolina, and Georgia.



H.M. Wayne Jr.

William C. Mann, vice president and Forsyth County manager of community and economic development, succeeds Mr. Wayne as the CRA administrator for Wachovia Bank of North Carolina, Winston-Salem.

Mr. Wayne joined Wachovia in 1958 and has held positions in the Winston-Salem, Asheville, Asheboro, Salisbury, and Greensboro offices.

He transferred to Charlotte in 1977 as regional retail banking manager.

He was elected senior vice president in 1980 and assumed the post of CRA administrator in Winston-Salem in 1988.



William C. Mann

Mr. Mann joined Wachovia in 1974 and has held several retail banking positions in Winston-Salem. He became a corporate account officer for the Winston-Salem office in 1981 and was elected vice president in 1985. He was named Forsyth County corporate banking manager in 1988 and assumed his former position in 1991.

— **Franklin Smith**

MIDWEST

BOATMEN'S Bancshares, St. Louis, has elected **David L. Ahner** and **Robert W. Godwin** as senior vice presidents.

Mr. Ahner is the manager of corporate real estate and Mr. Godwin is director of taxation for the bank holding company.

MIDDLE ATLANTIC

PNC BANK, Pittsburgh, has named **Joseph M. Salvatore** to senior investment officer.



J.M. Salvatore

Mr. Salvatore will be responsible for originating and making investment decisions in the security and investment research, financial conditions, capital structures, and earning potentials of municipalities in an assigned area.

FLEET BANK, Melville, N.Y., has named **William McCahill**, formerly a senior vice president with **Chase Manhattan Bank**, New York, as head of its real estate department.

Mr. McCahill is responsible for managing the bank's real estate portfolio and for developing new business.

Reporting to Mr. McCahill is **Virginia Philpott**, senior vice president, government finance. She was formerly deputy manager of the real estate community development lending group at **Chemical Bank.**

Jack Insigna has joined Fleet's Long Island bank as a vice president and head of trade services.

Donald Trace also has joined as a vice president and head of cash management with responsibility for New York City and Long Island. Both were formerly with Chase Manhattan Bank.

Additions to Fleet's corporate lending teams include **Philip Davi** and **Michael Sabala** as vice presidents with responsibility for middle-market lending service in New York's Nassau and Suffolk counties.

Mr. Davis was formerly with **National Westminster Bank** and Mr. Sabala with **Barclays Bank**, New York.

John DeFranza, Raymond Saccani, and **William J. Quinn Jr.** are new members of Fleet's community lending team. They were formerly with Barclays Bank.

Diane Sferrazza has joined Fleet as assistant vice president, private banking, for the New York City region. She was formerly with Citibank.

Other officer-level appointments include **Dawn Jackson-Vendryes** as insurance officer in loan administration and **Linda Piacentini** as assistant vice president in human resources.

Ms. Jackson-Vendryes was formerly with Citicorp and Ms. Piacentini with **NationsBank.**

Fleet Investment Services, a subsidiary of Fleet Financial Group, named **Barbara Ann Lewis** vice president and personal asset management sales manager for the New York City region and **Richard Hoban** vice president for personal asset management for Nassau and Suffolk counties.

Ronald Sylvestri has become vice president for institutional sales.

Mr. Lewis was formerly with **Bank of New York**, Mr. Hoban with **Lincoln Savings Bank**, and Mr. Sylvestri with Barclays Bank.

WEST

FIRST INTERSTATE Bank of California, Los Angeles, has promoted **Bruce E. Wilson** to manager of strategic planning for the retail banking group.

Previously, he was a manager of the bank's credit review area.

UNION BANK, Los Angeles, said **Howard J. Isador** has joined the bank as a vice president in charge of executive services in the bank's trust and investments group.

He was a senior vice president and general manager for two years at **State Street Bank and Trust Co.** of California.

William A. Polkinghorn joins Union Bank as vice president and deputy general counsel in the bank's legal and government relations division. □

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Limit on Insider Loans Pinches Few Small Banks

By CLAUDIA CUMMINS

Washington Watch

AFTER COMPLAINING THAT the Federal Reserve's limits on insider loans would devastate its members, the Independent Bankers Association of America has found that less than 1% of smaller banks are bumping up against the limit.

And only 6% of banks with deposits of less than $100 million have taken advantage of the Fed's temporary exception for small banks, according to the trade group.

The results of the IBAA's survey of 1,060 small banks appear to cast doubt on the impact of the Fed's Regulation O on small banks. But the trade group says that while the numbers may be small, comments received from bankers in conjunction with the survey showed great concern about the issue.

"Fewer banks are using it then we expected," said Diane M. Casey, the IBAA's executive director. "But the fear factor with regard to Regulation O has never been higher."

Bankers fear that any attention drawn to insider lending – even just notifying regulators that they are taking advantage of the special exemption – will bring retribution from examiners, Ms. Casey said.



Diane Casey

"Low-profile is the buzzword when it comes to loans to insiders," Ms. Casey said.

In May, the IBAA surveyed community banks with deposits less than $100 million, after several Fed governors expressed amazement that so few small banks had taken advantage of its generous exemption. Only 38 of the 8,643 eligible banks have notified the agency, as required, that they are using the exemption.

Under Regulation O, most bank's loans to executive officers, directors, and principal shareholders cannot exceed 100% of unimpaired capital. But for banks with deposits of less than $100 million, the Fed temporarily has ruled that insider lending can reach 200%, as long as banks notify both the Fed and their primary regulator.

The IBAA has lobbied heavily to make permanent the Fed's exception to the limits for small banks, saying that without it banks will lose their most qualified directors. But the group's survey found that insider lending at small banks totaled only 19% of capital – one-fifth of the general limit.

Only 14% of bankers reported that Regulation O has prevented them from making an insider loan. Nine percent said the rule has prevented them from appointing a director, while 5% said directors were forced to resign because of the rule.

And almost 40% of the small banks surveyed said they "intentionally declined" to take advantage of the higher limit. In explaining why, half said they had no need, and 13% said fear of regulator scrutiny had stopped them. Almost 7% said their bank had a policy of not lending to insiders.

The IBAA survey found that Regulation O has had a greater impact on the smallest banks, those with deposits under $50 million. The vast majority of those that were prevented from naming directors were this size.

"The smaller the town, the smaller the bank, the more of a problem it is," Ms. Casey said.

Hawaii's CB Bancshares Gaining A Prized Niche with Acquisition

By PHIL ZAHODIAKIN

Hawaii's CB Bancshares is about to make a deal that will hand its City Bank subsidiary a strong position in a very important market.

International Holding Capital Corp. on June 24 agreed to a buyout offer of $51.7 million in cash and stock from the $750 million-asset banking company – which, like International, is based in Honolulu on the island of Oahu.

International, the $450 million-asset parent of International Savings and Loan Association, will significantly expand CB's mortgage business. More important, it will make CB a very strong presence in Oahu's Filipino community, where International has many of its branches.

Fast-Growing Market

With 1.1 million residents, Oahu is by far the state's most populous island, and the Filipino market is Hawaii's fastest-growing market, said Richard Kelly, director of investment banking for M.A. Schapiro.

The New York firm handled both the stock offering and the acquisition for CB, whose president and chief executive officer, James M. Morita, wanted to move fast.

"Unless we made an effort promptly, we would have been in a situation where there were no more thrifts left to buy," Mr. Morita said, explaining that both Hawaii and mainland banks have been feasting on the institutions.

Thrifts Stayed Afloat

The Bank of Hawaii, First Hawaiian Bank, and the Bank of America are among the institutions buying the state's thrifts, which all stayed afloat during the statewide shakeout.

The deal will give CB strength in the Filipino community, a growing market.

"We've had no thrift or bank failures in Hawaii, and we have a climate for business that's much stronger than what you generally find on the mainland," Mr. Morita said.

And not just in this country. CB maintains strong relationships with Japanese correspondents that serve as, among other things, funnels for tourist, retiree and investment business. But it's Oahu's Filipino business where CB will benefit most over the near term.

"They're the fastest growing population group in Hawaii, and they're very big savers," said M.A. Schapiro's Mr. Kelly. "Most of International's 12 branches are west of Honolulu, where the Filipinos tend to live, and International has the best standing in that community."

He noted that CB has "staff who speak five Filipino dialects, so they communicate with them, but they also relate to these people. That's why CB will keep the International name."

By gaining Filipino market share, and International's mortgage business, CB has "maintained its competitive balance with the big players on the island," Mr. Kelly added.

Maintaining Profit Levels

CB last year posted a 1.18% return on assets, and a 14.13% return on equity. Mr. Morita says his goal is for CB to operate at those levels for several years, and to increase its market share to 8%. The International deal, which still must be approved by regulators, would give CB a 7% share. But Mr. Morita is concerned about the arrival of Bank of America.

"Now that they're here, it means we'll have to cultivate more business in the Orient and the mainland, and it means we'll have to try to keep our best customers – the ones we've had for the last 30 years." ❑

Credit Unions, While Enjoying a Tax-Free Ride, Grow into Behemoths that Muscle Aside Banks

By ROBERT B. COX

Washington Wealthbuilders

Because the nation's credit unions are exempt from some regulations, such as the Community Reinvestment Act, and do not pay corporate taxes, some bankers complain of unfair competition.

Following is an edited text of a letter on the subject to President Clinton:

What disturbs us are giant credit unions such as IBM, Northwest Airlines, and a flock of others swallowing up competition and growing to be a force in the financial services industry – at the same time paying no taxes.

At a time when you are attempting to reduce the deficit and asking for everyone's cooperation and willingness to sacrifice and pay their fair share, it seems ludicrous that these large credit unions should be given this competitive subsidy.

We can only look at your comments regarding the Airbus Industrie subsidy question as compared to Boeing. This is very similar except it is a lot closer to home.

Small community chartered institutions attempting to serve consumers, farmers, and small businesses have to compete in what is now a very unlevel playing field because of the subsidies granted credit unions.

Isn't it time to tax credit unions?

Larry A. Sorenson
Executive vice president
Arlington (Minn.) State Bank

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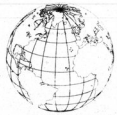

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Mortgage Unit Drives an Upturn at Centerbank

By EDWARD KULKOSKY

Centerbank, based in Waterbury, Conn., stopped accumulating mortgages for its portfolio a few years ago. And no wonder.

With the slump in the New England real estate market and the stagnation of the region's economy, the bank lost money from 1989 through 1991 because of bad loans.

But the bank didn't leave the mortgage business. It just changed its focus.

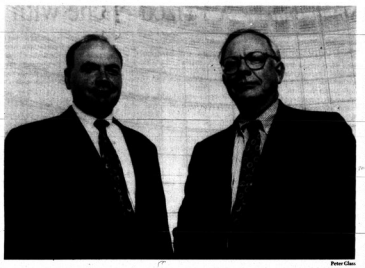
Eager to avoid risk from both credit and interest rates, the bank took to originating loans and selling them all on the secondary market, through its Centerbank Mortgage Co.

Going Forward

Nowadays, the mortgage unit is clearly on the move. Lending volume more than doubled last year, to $2 billion, and last month the unit agreed to buy the assets of Beneficial Mortgage Corp.

The package includes $1.6 billion of servicing rights, which will bring Centerbank's total servicing portfolio to $7.1 billion. Centerbank will also get a network of correspondent lenders that originated $800 million in loans last year.

Perhaps the most significant acquisition, though, came early in 1989 – and it entailed a person rather than a company. The mortgage unit hired Thomas C. Brown as president and chief executive. He had been an executive vice president of Goldome Realty Credit Corp., Buffalo.



Peter Glass

BACK INTO THE BLACK: Thomas C. Brown, left, president and chief executive of Centerbank Mortgage Co., and Robert J. Narkis, the bank company's chairman and chief executive, are behind the resurgence.

Earlier, Mr. Brown was managing director of the real estate finance group at Merrill Lynch & Co. and chairman of Merrill Lynch Mortgage Backed Securities Inc.

Strategic Shift

Starting from nearly zero, Mr. Brown has built Centerbank Mortgage into a national business servicing or originating loans in 40 states.

The bank has just this year begun to take a few mortgages into its portfolio when its asset-and-liability strategy permits. With nationwide originations, geographic diversification is readily available.

This strategic shift has helped Centerbank climb back into the black. It showed a profit of more than $7 million in 1992, partly on the strength of a surge in loan originations by the mortgage unit.

"Our strategy is to diversify our balance sheet in a way that better positions us into the year 2000 as a financial services business. Previously, we had been primarily a bank, but in 1986 we decided to diversify," says Robert J. Narkis, chairman and chief executive.

Developing a Presence

That strategy stayed on the back burner until a management change was made late in 1989 and Mr. Narkis, a lawyer, became chairman. He had been a board member for 22 years.

"At that point, we decided our strategy was correct, and we provided $34 million to grow the mortgage business – to acquire servicing and become a presence in mortgage banking."

The investment has paid off, with originations more than doubling in 1992. With the acquisition of Beneficial's origination capability, in addition to some ambitious marketing plans, Mr. Brown is looking for additional growth this year.

He is especially proud of the fact that the servicing portfolio grew last year because originations were strong enough to replace heavy runoff from refinancings.

Expansion Efforts

The national scope of the mortgage company has helped break Centerbank out of lockstep with the New England economy. Now, 80% of mortgage revenues come from outside Connecticut.

Part of Mr. Brown's expansion plan is the development of a large network of storefront loan offices called the Mortgage Corner, some of them in partnership with real estate brokers.

He is also pressing for new production from a joint venture established last year with the American Automobile Association. The venture markets mortgages to AAA members at a preferred rate.

"A lot of lenders are beginning to pursue affinity lending," says Mr. Brown. "We are looking for ways to have a more direct line to the customer. Our origination costs are lower in these arrangements because we can do centralized originations. But the market is competitive in terms of pricing. Since we process and underwrite centrally, it's easy business for us to do."

Nurturing a Hybrid

The success of the mortgage company has played neatly into Centerbank's overall strategy.

"We're small to mid-size, and we're almost the sole remaining independent bank in Connecticut," says Mr. Nakris. "But we compete head-on with Fleet, with Shawmut, and with community banks in our area."

Mr. Nakris now sees Centerbank as a hybrid: a supercommunity bank serving three separate areas of Connecticut – Meriden, Waterbury, and New Haven - and a diversified financial services company without geographic constraints. It acquired the assets of two failed thrifts in 1991.

The bank has also been developing a leasing business, which has shown rapid growth recently, and has its eyes on forming a trust operation.

Meanwhile, the success of the mortgage business is providing the bank with a lot of the momentum it needs to accomplish its transition into a new-age bank. □

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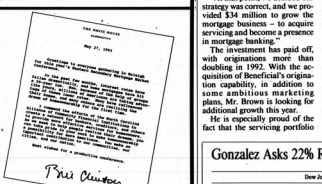

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Gonzalez Asks 22% Rise for Ginnie Mae

Dow Jones

WASHINGTON — Rep. Henry Gonzalez, chairman of the House Banking Committee, introduced a bill to increase by nearly $20 billion the fiscal 1993 commitment authority for the Government National Mortgage Association.

The Texas Democrat's bill would increase Ginnie Mae's authority for guarantees of mortgage-backed securities in the current fiscal year by about 22%, to $107.7 billion from $88 billion.

The measure would also increase the Federal Housing Administration's commitment authority for mortgage insurance to $92.1 billion in fiscal 1993, from $65.1 billion.

Empire of America Mortgage Bank Said to Be For Sale

By CHRISTOPHER NOBLE

Empire of America Realty Credit Corp., a sizable mortgage bank, is for sale by its owners, according to an industry source.

The Buffalo-based company is owned by Carbadon Corp., a joint venture of Cargill Inc., the commodities giant, Gordon Investments, a Canadian merchant banking firm, and a venture capital pool affiliated with Prudential Securities.

There are no known bidders for the company.

Empire of America is said to have originated $4 billion in home loans last year and has a servicing portfolio of $6.8 billion.

The source said that Cohane Rafferty Securities, acting as the broker for the sale, is asking about $100 million for Empire.

In 1991, Carbadon paid about $40 million for the company after its parent was seized by the Resolution Trust Corp., the source said.

Nationwide Originations

The home loans in the servicing portfolio have an average interest rate of "under 8%" and the delinquency rate is "in the 3% range," the source said.

Empire has 14 wholesale production branches that originate loans around the country.

The three large corporations are exiting the mortgage business in the hope of making a tidy profit in only two years, the source said.

"They've more than doubled their money," the source said.

Other industry experts said Cargill's exit indicated that Carbadon's principals decided that the mortgage market is at its peak. □

Chase Picks Dreyer To Head New Unit

Chase Manhattan Corp. has named Geoff Dreyer as president of Troy & Nichols, a mortgage unit in Monroe, La.

Chase announced the appointment on Thursday as part of a statement that it had completed its acquisition of the company.

Mr. Dreyer was formerly chief financial officer of Chase Home Mortgage Corp., Tampa, Fla., Chase Manhattan's main mortgage banking subsidiary.

$10 Billion Servicing Portfolio

Troy & Nichols services about $10 billion in residential home loans and plans to originate $2.5 billion in mortgages this year.

Chase announced on March 5 that it would acquire the company from First Gibraltar Mortgage Holdings.

Chase plans to operate the company as a separate subsidiary and will keep the Troy & Nichols name. The company operates 21 offices in seven southern states.

Chase Home Mortgage services $48 billion in home loans and says it expects to originate $14 billion in mortgages this year. — Christopher Noble

GMAC to Retain Its Home Loan Subsidiaries

By CHRISTOPHER NOBLE

Ending months of speculation, General Motors Acceptance Corp. said that it would not sell its mortgage subsidiaries.

"We're committed to these businesses, and we're going to promote their ongoing success," said Terry Sullivan, a spokesman for GMAC.

Since late last year, the mortgage industry has been rife with reports that GMAC was seeking to sell GMAC Mortgage Corp. – a major originator and servicer – and Residential Funding Corp., a packager of mortgage securities.

Industry sources said a number of major mortgage lenders looked at the companies, and GE Capital Corp. often was cited as a leading bidder for the servicing business. But both GMAC and GE had declined to comment.

In an interview late Wednesday, Mr. Sullivan acknowledged that GMAC had conducted "a strategic review" of the mortgage units as part of an effort to shore up its finances.

"I won't get into the specific details, but we did examine all our options, so to speak," he said.

Better Outlook

Since then, GMAC's financial picture has improved, he said, and any discussions of selling the units have been dropped.

"We're going to retain these companies," Mr. Sullivan said.

As of the end of May, GMAC Mortgage Corp. of Elkins Park, Pa., had a servicing portfolio of $41.1 billion, Mr. Sullivan said.

The company originated more than $1 billion in home loans in the first six months of the year.

Residential Funding Corp., the Minneapolis-based securitizer, expects to purchase about $10 billion in home loans this year, he said.

Executives at the units were clearly pleased by the parent's action to halt speculation of a sale.

Richard Gillespie, a spokesman for GMAC Mortgage, said that market rumors had been a distraction for the company. "At times it's been difficult," he said.

Now, he said, "We can give our full concentration to growing our business and improving our profitability."

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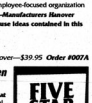

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Retail Yields

Six-month

Southern Pacific T&L, Culver City, Calif.	***	3.98%
Imperial T&L, Burbank, Calif.	**	3.95
First Deposit Nat'l Bk, Tilton, N.H.	***	3.71
Colonial National Bank, Wilmington, Del.	***	3.60
Guaranty Bank, Milwaukee, Wis.	***	3.60

One-year

Imperial T&L, Burbank, Calif.	**	4.20%
Southern Pacific T&L, Culver City, Calif.	***	4.08
First Deposit Nat'l Bk, Tilton, N.H.	***	4.00
California Thrift & Loan, Santa Barbara	***	3.96
Guaranty Bank, Milwaukee, Wis.	***	3.96

Five-year

Imperial T&L, Burbank, Calif.	**	5.90%
Metropolitan Bank for Svgs, Arlington, Va.	**	5.77
Eastern Svgs Bank, Baltimore, Md.		5.75
Key Bank USA, Albany, New York	***	5.69
MBNA America, Wilmington, Del.	***	5.65

Jumbo Rates

Six-month

Southern Pacific T&L, Culver City, Calif.	***	3.98%
Imperial T&L, Burbank, Calif.	**	3.95
First Deposit Nat'l Cntl Cnt Bk, Concord, N.H.	***	3.80
Bank of San Diego, Calif.		3.81
Commercefederal, Newport Beach, Calif.	**	3.80

One-year

Imperial T&L, Burbank, Calif.	**	4.20%
Bank of San Diego, Calif.		4.13
Commercefederal, Newport Beach, Calif.	**	4.10
First Deposit Nat'l Cntl Cnt Bk, Concord, N.H.	***	4.10
Southern Pacific T&L, Culver City, Calif.	***	4.08

Five-year

Imperial T&L, Burbank, Calif.	**	5.90%
MBNA America, Wilmington, Del.	***	5.76
Eastern Svgs Bank, Baltimore, Md.		5.75
Key Bank USA, Albany, New York	***	5.69
Standard Pacific Svgs, Newport Beach, Calif.	***	5.55

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House Call by Shawmut Opens Door to Critics

By MICHAEL O'D. MOORE

Shawmut National Corp. found out the hard way last week that marketing mutual funds to ordinary depositors can be a touchy business.

When two of the bank's mutual fund salesmen paid a visit to the home of a 93-year-old man who had $6,000 in maturing deposits, the story landed on the front page of *The Boston Globe* business section.

The article, which ran under the headline "When Your Bank Brings Risk to Your Door," warned consumers that banks are getting pushy in marketing their mutual funds.

"It's hard to find a doctor who makes house calls these days, but some bankers seem to think that house calls are worth a try," *The Globe* said.

The article was clearly a public relations setback for Shawmut. Though admitting it found no evidence of wrongdoing, *The Globe* singled out the Hartford, Conn.-based company for taking more of a hard-sell approach than most of its rivals.

Shawmut, for its part, played down the incident. Brent DiGiorgio, a bank spokesman, maintained that Shawmut employees made the house call only after the customer requested it.

"He invited us to his home," Mr. DiGiorgio told *American Banker*. "It is kind of quells their hot story that banks are foisting mutual funds on their clients."

Agreed to House Call

The article recounted how Shawmut tried to interest John Strickland, a retired executive from Roxbury, Mass., in the bank's mutual funds.

According to the report, a Shawmut employee working from a list of customers with maturing CDs phoned Mr. Strickland. The employee asked him if he would like to stop by the branch to discuss moving some of his $6,000 into a Shawmut mutual fund.

Mr. Strickland declined, because he had been ill, but he told *The Globe* that he accepted the bank's offer of a house call.

A day or two later, the paper reported, two bank employees appeared at Mr. Strickland's door.

While he said the employees were "very nice," he decided to stick with CDs. "At this point in my life, I don't need to get rich," he told *The Globe*.

National City Plans To Quadruple Force

National City Corp. is kicking its investment products program into high gear. The Cleveland company plans to quadruple its retail brokerage force to 200 within a year.

"Until recently, we've operated a modest program," said David Dunning, a vice president. "But we recognized the potential and made a strategic decision for dramatic expansion."

National City's 50 brokers cover 600 branches in Ohio, Indiana, and Kentucky. They sell the bank's six proprietary funds, plus mutual funds and annuities of outside companies.

In addition, the bank will soon apply to the Federal Reserve Board for so-called section 20 powers to expand its underwriting abilities.

National City recently reorganized its brokerage, institutional sales, venture capital, and finance units under the banner of National City Securities Corp.

— Karen Talley

Two to Expand Activity In Black Community

By STEPHEN KLEEGE and JEFFREY KUTLER

Two institutions with ties to the African-American community made credit card announcements this week.

United Bank, a black-owned institution in Philadelphia, is launching a nationwide advertising campaign for a secured credit card.

Meanwhile, Key Federal Savings Bank of Owings Mills, Md., one of the pioneers in the secured card business, expanded its relationship with a scholarship program for predominantly black colleges.

Secured cards are designed for people who have difficulty establishing credit. The lender takes a deposit as security for the credit line.

Attraction of Secured Cards

These efforts come at a time when several major banks and other card-marketing organizations are beginning to perceive the secured market as a growth opportunity – and for compliance purposes – as a way to demonstrate a commitment to underserved communities.

Key Federal, which has offered an affinity card on behalf of the America's Black Colleges Program since 1989, is adding to the product line with an unsecured Visa card.

The $189 million-asset thrift is not black-owned, but 49% of its cardholders are black. It promises to contribute up to $7 for each new card issued, plus a percentage of sales.

Another $1 will be given each time a Key Federal card is used for a MoneyGram, the money transmission product of American Express Co.

APRs of 18.9% and 19.8%

The annual percentage rate on the unsecured card is 16.9%, compared with 19.5% on the secured version.

Shirley Chisholm, the former New York congresswoman who is the national spokeswoman for the America's Black Colleges Program, said the unsecured card will increase support for "the educational institutions that help shape some of the best black minds of the future."

United Bank of Philadelphia will have chairman and chief executive Emma C. Chappell starring in TV spots just filmed in Los Angeles.

The minority-community bank finished last year, its first, with $23 million of assets. It says the Visa card for "people with bad credit or no credit" was a big success locally since its launch in December.

Ad Campaign Planned

United is going national with operating support from Applied Card Systems of Wilmington, Del., GMS Inc. of Los Angeles, and the advertising-public relations agency Wolfinger Cerminaro Communications.

TV and radio ads will air in Philadelphia, Atlanta, Baltimore, Chicago, Columbus, Detroit, Honolulu, Los Angeles, New York, Norfolk, Pittsburgh, St. Louis, and on the Black Entertainment Television cable network.

The card includes enhancements such as travel discounts. The minimum deposit security is $375 and applications are accepted via an 800 number. □

Citi Unit Helping to Launch Card for Clubs

By MICKEY MEECE

With the help of a Citicorp unit, a recently formed company is taking off this month into the private-label card market.

Selected American Golf Enterprises of Timonium, Md., is preparing a national rollout of a credit card for private clubs.

Citicorp Retail Services, Melville, N.Y., will issue the cards and process accounts.

Similar to Store Cards

The Citicorp Retail package is similar to that used by department and specialty stores.

"We've taken the structure used for private label credit cards [and adapted it for] private clubs," said William Hall, the golf venture's chief executive officer.

The program allows members to charge their club dues, initiation fees, and refundable bonds, as well as catering and other club-provided services, Mr. Hall said.

The repayment term for large-ticket items can be extended over four years.

Mr. Hall eyes a market consisting of 6,000 private golf clubs and 20,000 other private clubs nationwide. He anticipates signing up 150 clubs in 1993, with increases in following years.

Typically, private clubs run their own, relatively limited credit programs. To assure cash flow, Citicorp Retail Services is committed to settling club charges within three business days. □

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• LDC DEBT REPORT reports on how institutions are coping with their Third World Debt problems problem loans and provides comprehensive coverage of the secondary market for bank loans to 27 different LDCs. Now incorporating Latin American Markets, LDC Debt Report is in FI 42 on NewsNet.

• PUBLIC FINANCE WATCH provides early notice of pending changes in Washington policies or regulations on public finance. It's in FI 41 on NewsNet.

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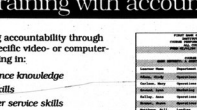

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M. SKOLNICK DCA LIC # 79310B and/or S. GORELICK DCA LIC # 841437 Sell July 19, 1993 9:45 AM 3310 Devoll Street Farms Rd Bronx 1985 Oldsmobile Cutlass Supreme 2 Dr Sdn 1G3GR47A4F-4122380 Re: T. Grieco. 12:15 PM 1115 Webster Ave Bronx 1984 Oldsmobile Regency 4 Dr Sdn 1G3AH69F6EM349896 Re: J. Navarro/ O. Carmona: 12:45 PM 1941 Jerome Ave Bronx 1980 Chevrolet Van or 4 Dr Sdn 1B3BX64E8GN218059 Re: D. Harris; 1982 Volvo GLE 4 Dr Sdn YV1-FA8540AC1130313 Re: D. Banks. 1983 Honda Civic 2 Dr H/B JHMAP3310FS01-2584 Re: R. Ryan/ 3:15 PM 1300 Grand Ave Bronx 1984 Toyota Cressida 4 Dr Sdn JT2MX83E4E0045045 Re: W. Cheplick. 1984 Toyota Corolla 2 Dr Sdn JT2AE-82E4E0037237 Re: A. Ramos/ 1984 Ford LTD 245 East 138th St. Bronx 1983 Oldsmobile Cutlass Supreme 4 Dr Sdn 1G3AM69Y4DR-422 Re: I. Jaron; 1985 Honda Civic 2 Dr H/B 1HMAF5314FH027669 Re: A. Carrigan/ M. Ramos: 2:30 PM 31 Nagle Ave Bronx 1983 Nissan Pulsar NX 2 Dr Sdn JN1MN24SDDM132662 Re: R. Rose. 3:15 PM 1019 W. 180th St N.Y.C. 1981 Honda Civic 2 Dr Sdn JHMSR33270D044631 Re: W. Charrerez Metropolitan Auctioneers, Inc.

Hal Zakow Lic #0735454 Sells 7/09/93 NY 1984 Cadillac Gold Re 77 Linc #9FB-5806596 Re: R.L. Griggs 2PM 42-32 21 St #C901 Long Island City 1979 Datsun 280 C.P. Twp/GMAC; 90 BMW #WBAHC13-17LBC98139 Re: H. Gonzales. Publ. 6/25 & 7/2/93.

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M. SKOLNICK DCA LIC # 79310B and/or S. GORELICK DCA LIC # 841437 Sell July 20, 1993 9:30 A.M. 2200 Tilden Ave Bklyn 1981 Toyota Corolla 4 Dr Sdn JT2TE72E2B0114884 Re: P. Edwards/ 10:00 A.M. 2201 Tilden Ave Bklyn 1985 GMC Serra Truck 1GDJR37A9AF500-4742 Re: Z Maldonado: 10:30 A.M. 1060 Bedford Ave Bklyn 1984 BMW 318i 2 Dr Sdn WBAAK7400E3765068 Re: Burns Postnac-GMC Truck Inc/A Rosenberg: 11:00 A.M. 133 Franklin Ave Bklyn 1986 Pontiac Grand Am 2 Dr Sdn 1G2NE52C2GC-225987 Re: I. Torres/ Material Damage Adj Corp. / 11:30 A.M. 56 Kosciusko St Bklyn 1984 Ford F250 P/U Truck 3FTEF25H2-EE82478 Re:D Emanuel/ 12:00 P.M. 107 Gerry St Bklyn 1975 Mack DM600 Garbage Dump Truck DM611SX6711 Re: M Barone: 12:30 PM 422 Union Ave Bklyn 1988 Mazda 626 4 Dr Sdn JM1GD2225-J1563842 Re: T Skazak; 1:15 PM 1967 Atlantic Ave Bklyn 1987 Volkswagen Jetta 4 Dr Sdn WVWCB0164HW380083 Re: Economy Auto Inc./J Abadi 1:45 P.M. 46 Hull St Bklyn 1983 Toyota RN P/U Truck JT4RN38D7D0066388 Re:Price Is Right Auto Sales/W Santacruz 2:30 P.M. 3443 Atlantic Ave Bklyn 1989 Ford Mustang 2 Dr H/B 1FAHP42E8KF100283 Re: S Hanes 3:00 P.M. 2 Fountain Ave Bklyn 1983 GMC C-3500 Van 2GDJC31J9D5045705 Re: F Robbins Corp./P Crosby. 3:30 P.M. 52 Arlington Ave Bklyn 1991 Ford Mustang 2 Dr Sdn 1FACP41M9MF101502 Re: D Lobocov. 4:00 P.M. 168 Liberty Ave Bklyn 1984 Chevrolet Cavalier 2 Dr Sdn 1G1AG85T8E7233696 Re:Conway Enterprises/AEE. Tems. 4:30 P.M. 657 Utica Ave Bklyn 1984 Buick Somerset 4 Dr Sdn 1G4CLEA16EA609683 Re: M Rodriguez. Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 79310B and/or S. GORELICK DCA LIC # 841437 Sell July 13, 1993 9:45 AM 3318 Devoll Street Farms Rd Bronx 1988 Nissan Sentra Sdn JN1PB15S5XU1-93373 Re: B. Santiago/ 1983 Float-On Boat Trailer 6437A Re: S. Vega 11:30 AM 1779 West Farms Rd Bronx 1985 Oldsmobile Cutlass Supreme 2 Dr Sdn 1G3GR47A4F-4122383 Re: T. Grieco. 12:15 PM 1115 Webster Ave Bronx 1984 Oldsmobile Regency 4 Dr Sdn 1G3AH69F6EM349896 Re: J. Navarro/ O. Carmona: 12:45 PM 1941 Jerome Ave Bronx 1980 Chevrolet Van or 4 Dr Sdn 1B3BX64E8GN218059 Re: D. Harris; 1982 Volvo GLE 4 Dr Sdn YV1-FA8540AC1130313 Re: D. Banks. 1983 Honda Civic 2 Dr H/B JHMAP3310FS01-2584 Re: R. Ryan/ 3:15 PM 1300 Grand Ave Bronx 1984 Toyota Cressida 4 Dr Sdn JT2MX83E4E0045045 Re: W. Cheplick. 1984 Toyota Corolla 2 Dr Sdn JT2AE-82E4E0037237 Re: A. Ramos/ 1984 Ford LTD 245 East 138th St. Bronx 1983 Oldsmobile Cutlass Supreme 4 Dr Sdn 1G3AM69Y4DR-422 Re: I. Jaron; 1985 Honda Civic 2 Dr H/B 1HMAF5314FH027669 Re: A. Carrigan/ M. Ramos: 2:30 PM 31 Nagle Ave Bronx 1983 Nissan Pulsar NX 2 Dr Sdn JN1MN24SDDM132662 Re: R. Rose. 3:15 PM 1019 W. 180th St N.Y.C. 1981 Honda Civic 2 Dr Sdn JHMSR33270D044631 Re: W. Charrerez Metropolitan Auctioneers, Inc.

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M. SKOLNICK DCA LIC # 79310B and/or S. GORELICK DCA LIC # 841437 Sell July 12 1993 9:00 A.M. 2902 W. 37th St. Bklyn 1988 Nissan Sentra 4 Dr Sdn 1FABP50UJJA230376 Re: L. Zapata/ D. Rosario: 10:15AM 312 Dahill Rd Bklyn 1984 Cadillac Eldorado 2 Dr Conv 1G6AL57EXEE656715 Re: Allstate Ins Co./L. Catalano; 1988 Ford Econoline 150 Van 1FTDE14N4JHA49009 Re: Mesa/ US Fleet Leasing Inc.; 10:45 AM 1281 36th St. Bklyn 1988 Jaguar XJ40 4 Dr Sdn SAJHV1648JC540492 Re: Manor Lag Ltd./ N. Farkas; 1986 GMC 3500 P/U 1GTGC34W2GG510246 Re: Excelsior Enterprises Inc. 11:15 AM 1165 Bedford Ave Bklyn 1986 Chevrolet Celebrity 4 Dr Sdn 1G1AW35WXGG138136 Re: L. Estrada/ 12:00 PM 6209 9th Ave Bklyn 1954 Chevrolet Bel Air 2 Dr Sdn 8547D156432 Re: F. Cuccuno: 12:30 PM 361 91st St Bklyn 1983 Pontiac Parisienne Sdn 1G2BL35R-3DX219586 Re: Metropolitan Auctioneers, Inc./ J. Roache; 1982 Datsun 280ZX 2 Dr Sdn JN1HZ06S9CX249477 Re: W. Jackson: 1:30 PM 516-1E Industrial Loop S.I. 1984 Buick Skyhawk 2 Dr Sdn 1G4-56900EK307220 Re: B. Wilson; 200 PM 1440 Richmond Terrace S.I. 1986 Buick Riviera 2 Dr Sdn 1G4E2578JGU410287 Re: G. Jenkins: Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC 79310B and/or S. GORELICK DCA LIC # 841437 Sell July 13, 1993 10:00 AM 12 Clover Pl Bklyn 1977 Chrysler Mount Kisko 2 Dr Sdn 1H57U7T132349 Re: V. Figueroa: 10:30 AM 106 Sullivan St. Bklyn 1985 Mercury Cougar 2 Dr Sdn 1MEBP9237FH169422 Re: J.R.R. Middleton: 1965 Ford Thunderbird 2 Dr Conv. 5Y87Z153611 Re: R. Orrie: 11 :30 AM 524-540 Haley St. Bklyn 1985 Ford Econoline Van E150 1FDEE-14N2FHA01452 Re: E & J Inter; 1977 Chevrolet Impala Sdn 1L35U7T239798 Re: R. Johnson; 1980 Chevrolet Impala 4 Dr Sdn 1G1BL61T9EC-R 1 Re: A. Kassner: 12:30 PM 46 Hull St. Bklyn 1982 Datsun Stanza 4 Dr Sdn JN1HT17R7CU070243 Re: D. Allen: 1:00 PM 1655-1661 East New York Ave Bklyn 1977 Pontiac Lemans 4 Dr Sdn 2G92Z7T375690 Re: S. Gonzalez: 2:00 PM 81 Clay St. Bklyn 1981 Oldsmobile Cutlass Supreme 2 Dr Sdn 2G3AR47-AB8397784 Re: F. Bernal: 2:45 PM 121 Boerum St. Bklyn 1987 Ford Escort Sdn 1FAPP28J2GH183927 Re: J. Rodriguez. Metropolitan Auctioneers, Inc.

L. Posner Lic #47081 sells for cash 7/1/93 at 10AM at 2S0-21 Northern Blvd. Qns. 89 Ford Mustang #1FAP87A14KF195660 Re: K. Sarsoka, 79 Olds #3H47F9X433746 Re: C. Kiepek, 91 Dodge Shadow #1B3-XP28D4MN521441 Re: V. Gloria. 12PM at 71 -20 80th St. Qns. #3 Saab #YS3AE45D2D1024650 Re: R. Mesquiar; 11AM at 1701 McDonald Ave Bklyn 88 Merkur #WF0EB71V2J0900081 Re: Arcus Casualty & Surety Co.

L. Posner lic 847081 sells for cash 7/6/93 at 11AM at 116 Wisner Ave Newburgh Bl Buick 2D Sdn #1G4CU13RXC1498681 Re: Erp Rent A Car.

FOUNDATION NOTICES

NOTICE

The annual report of THE BARBARA LUBIN GOLDSMITH FOUNDATION, INC. for the calendar year ended December 31, 1992 is available at its principal office located at c/o Hecht & Co., 111 West 40th Street, New York, NY 10018, (212) 819-8000 for inspection during regular business hours by any citizen who requests it within 180 days from 7/2/93. The Principal Manager of the Foundation is Barbara Goldsmith.

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M. SKOLNICK DCA LIC 79310B and/or S. GORELICK DCA LIC # 841437 Sell July 15, 1993 10:00 A.M. 330-349 Sackett St Bklyn 1991 Dodge Dayton 2 Dr Sdn 3B3XC44K9MG145548 Re: W Dalton/ 10:30 A.M. 28 15th St Bklyn 1985 Plymouth Voiare 2 Dr Sdn 1L29CAG200473 Re:J Brown: 11:15 A.M. 1041 52nd St Bklyn 1968 Chevrolet Nova 2 Dr Sdn 11327BW243456 Re:L. Cuasso 12:30 P.M. 2115 Richmond Terrace S.I. 1986 Honda Goldwng MJC 1HFSC1413GA203973 Re: J Prout Metropolitan Auctioneers, Inc.

Hal Zakow Lic #0735454 Sells 7/16/93 Rt NY 1PM 89 E134 84 Merc #1M8BP95F-7E623344S Re: AAE Nuesz, 2PM 120 E. 138 89 Cher #1G1LZ54WKR179108 Re: M. Freeman, 3PM 1375 Prayer At 78 Chev Sube #CS11BRF188853 Re: M. Charlesj Jefferson Cr Corp.; 4PM 1667 Gold Rd 83 Merc #1M8BP54A0FT603700 Re: S.B. Cordero. Publ. 7/2 & 7/9/93.

D.McKenne DCA#860954 sells on 7-12-93 at 7:15PM at 1509 Jerome Ave. Bronx, NY; 94 Toyota 4dsd #JT2AE86E-E0025460 Re: G.A. Doran; 96 Buick Century #1G4AL19X4G6403192 Re: R.T. Stewart. PUBLISHED 6-25-93 & 7-2-93.

L. Posner lic 847081 sells for cash 7/6/93 at 11AM at 116 Wisner Ave Newburgh Bl Buick 2D Sdn #1G4CU13RXC1498681 Re: Erp Rent A Car.

PARTNERSHIP NOTICE

Notice of formation of limited partnership ("L.P."). Name: 310 LENOX ASSOCIATES,L.P. Certificate filed with Sec. of State of NYC on 5/6/93. Office location: NY Cty. The Sec. has been designated as agent of the L.P. upon whom process against it may be served. The Sec. may mail a copy of any process to c/o Hoffinger Friedland Dobrish Bernfeld & Steen, P.C., 110 E. 59th St., NYC 10022 Hoffinger Friedland Dobrish Bernfeld & Steen, P.C. 110 E. 59th St., NYC 10022 is the registered agent of the L.P. upon whom process may be served. The name and address of each general partner is available at the office of the L.P. Latest date to dissolve 12/31/2073. Purpose: to buy, sell, operate and manage real estate.

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- A minimum of 5 years' PC/End User Computing management experience gained within a banking or financial services environment.

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- Minimum of 3 years' managerial experience.
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- Mainframe and PC technical skills.

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UJB Financial Corp., a regional bank holding company with over $13 billion in assets, is seeking a Consumer Compliance Attorney in the Banking Group of its Corporate Legal Department based in PRINCETON, NJ.

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Fed Budget to Rise 3.2% Next Year

WASHINGTON — The Federal Reserve Board said it plans to increase its operating budget by 3.2% in 1994.

This will bring the Fed's 1994 operating budget to $141.3 million. Details of the budget, based on the levels approved by the governors, will be made final later in the year.

The projected increase for 1994 is considerably less than this year's 7.4%. A leveling of the costs to implement new banking laws, as well as the elimination of certain one-time expenses, enabled the board to keep the increase to a minimum, Fed staff said on Wednesday.

In voting to approve the guidelines, the governors said they intend to follow the spirit of President Clinton's government-wide cuts. And in setting its budget guidelines, the Fed relied on the inflation projection of 2.4% in President Clinton's proposed 1994 budget.
— Claudia Cummins

Crestar Financial Seeks Listing on Big Board

RICHMOND, Va. — Crestar Financial Corp. said it has filed an application to list its common shares on the New York Stock Exchange.

Richard G. Tilghman, chairman and chief executive officer, said he expects Big Board trading to begin in late July. The trading symbol would change to CF, from the current CRFC on the Nasdaq system.

Crestar has $12.2 billion in assets and 38 million shares outstanding. ❑

1st Colonial to Try Again on Deals

CHICAGO — Hoping to reverse a recent rejection by the Federal Reserve Board, First Colonial Bankshares Corp. has amended its agreement to acquire two banks north of Chicago.

The amendment extends until March 31, 1994, the deadline for completing the acquisitions of Hi-Bancorp and GNP.

Time to Improve a CRA Grade

The extension gives First Colonial time to improve compliance with the Community Reinvestment Act at Avenue Bank of Oak Park, one of the company's 16 subsidiaries. That deficiency stood in the way of Fed approval.

First Colonial's initial bid to buy the two banking companies was protested by a local activist group that complained of a poor mortgage-lending record at Avenue Bank.



C. Paul Johnson
"Confident" of Fed approval

As is standard on CRA-related protests, the application was referred by the Federal Reserve Bank of Chicago to the Fed's Board of Governors in Washington, which in May cited Avenue Bank's "needs to improve" CRA rating as the reason for denying the mergers.

C. Paul Johnson, the First Colonial chairman and chief executive officer who previously expressed bitterness about the Fed's action, said, "We are delighted to have reached agreement with the management and ownership of Hi-Bancorp and GNP Bancorp."

He added, "We are also confident that the Federal Reserve Board will approve the transaction [as] we have made significant progress on the CRA performance at Avenue Bank." The prospective acquisitions would add a combined $157 million of assets to Chicago-based First Colonial's $1.5 billion. ❑

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CITATION NOTICES

SURROGATE'S COURT
OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

File No. 3346-1992

CITATION

THE PEOPLE OF THE STATE OF NEW YORK
BY THE GRACE OF GOD
FREE AND INDEPENDENT,

TO

Attorney General of the State of New York

The heirs at law, next of kin and distributees of LEON J. NORRIS, the decedent herein, if living and if any of them be dead, to their heirs at law, next of kin, distributees, legatees, executors, administrators, assignees and successors in interest whose names are unknown and cannot be ascertained after due diligence.

A petition having been duly filed by Ethel J. Griffin-Carter, who is domiciled at Administrator of the County of New York 31 Chambers Street, Room 311, New York, New York 10007.

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court, New York County, at Room 509 31 Chambers Street, New York, on Aug 11, 1993, at 9:30 a.m., why a decree should not be made in the estate of Leon J. Norris, lately domiciled at 57 West 82nd Street, New York, New York in the County of New York, admitting to probate as a will of said personal property a paper dated August 19, 1965, (a copy of which is attached), and ordering that Letters of Administration with the Will annexed issue to the Public Administrator of the County of New York.

Dated, Attested and Sealed, June 25, 1993.

(L.S.) HON. Eve Preminger
Surrogate, County of New York

Robert M. Reaves
Clerk of Surrogate's Court

Name of Attorney: Robert M. Hall, Esq.
Address of Attorney: 233 Broadway Suite 3110
New York, New York 10279
Telephone Number: (212) 406-4600

This citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that you do not object to the relief requested.

SURROGATE'S COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

File No. 1755-93

CITATION

THE PEOPLE OF THE STATE OF NEW YORK
BY THE GRACE OF GOD
FREE AND INDEPENDENT,

TO

Barbara Wikus; Brigitte Weiser
Public Administrator of the County of New York and to the heirs at Law, next of kin and distributees of Catherine Zadril deceased, if living, and if any of them be dead, to their heirs at law, next of kin, distributees, legatees, executors, administrators, assignees, successors in interest, whose names are unknown and cannot be ascertained after diligence

A petition having been duly filed by HELEN THOMSON who is domiciled at 3 West Coldsborough Avenue, Mount Beach, New Jersey 08888

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court, New York County, at Room 509, 31 Chambers Street, New York, on August 11, 1993, at 9:30 a.m., why a decree should not be made in the estate of CATHERINE ZADRIL, lately domiciled at 320 East 42nd Street, New York, New York 10017 Apt. 1815 in the County of New York, admitting to probate as a will of real and personal property a paper dated December 7, 1988, (a copy of which is attached), and ordering that Letters of Testamentary issue to HELEN THOMSON

Dated, Attested and Sealed, June 3, 1993.

(L.S.) HON. RENEE R. ROTH,
Surrogate, County of New York

ROBERT M. REAVES
Clerk of the Surrogate's Court

Name of Attorney: James J. Martha
Address of Attorney: 25 Tudor City Place New York, New York 10017

This citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that you do not object to the relief requested.

NOTICE OF FORECLOSURE

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF BRONX

INDEX NO. 24517/92

PARKCHESTER APTS. CO.,
Plaintiff,
-against-
SYED SHOMSHER ALI, et al,
Defendants.

NOTICE OF SALE

Pursuant to a Judgment dated April 26, 1993, I will sell at public auction on July 16, 1993, at 10:00 AM at the Mezzanine Floor of Room 118 of the Bronx County Courthouse, 851 Grand Concourse, Bronx New York, the Condominium unit in the Parkchester South Condominium known as apartment 1A, in the building known as 23 Lykla 50, and by street address 1150 Unionport Road, Bronx, New York, and designated as Block 3827, in Block 3938, 3937 & 3929 of Section 15 on the tax map of the City of New York, and assigned an undivided .0125 percent interest in the common elements of the Parkchester Condominium.

The amount due under the Judgment is $60,779.16, with interest, costs, etc. Sale subject to terms of sale and provisions of Judgment.

ROBERT A. ESPOSITO
Referee

ALLEN, LITT & HULNICK, ESQS.
Attorneys for Plaintiff
54 Main Street
Tarrytown, New York 10591
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OCC Creating Consumer Protection Squadron

Continued from *page 1*

wig said on May 5 that he intends to send pairs of whites and minorities with similar financial characteristics into national banks to test for discrimination. But Mr. Cross said the program is proving difficult to develop.

Contracting Out for Testers

He offered few details, but said the testing will not be done by bank examiners. To groans from the audience, Mr. Cross said the Comptroller's office will contract out for testers, possibly with civil rights groups.

"We believe testing is a very serious business – not to be done on a part-time basis," Mr. Cross said.

The focus, at least initially, will be on pre-application bias, according to Mr. Cross. But if legal hurdles can be cleared, he said, the agency might go on and test for post-application discrimination, too.

The consumer regulations enforced by the new examiners will include fair-lending laws, the Community Reinvestment Act, Truth-in-Savings, Truth-in-Lending, the Bank Secrecy Act, and the Real Estate Settlement Procedures Act, Mr. Cross said.

New Approach for Agency

In addition to the full-time examiners that the Comptroller's office will develop, about 20% of its 1,200 examiners-in-training will do stints as compliance cops. These less experienced examiners make up half of the agency's exam force.

Exams will be more frequent for smaller banks – every two years.

The Comptroller's office is the last banking agency to specially train and designate examiners, for consumer compliance. Mr. Cross said the office has abandoned its "generalist approach" because "compliance has become too complex and too challenging to do it part time."

The Federal Deposit Insurance Corp. is adding 100 examiners to its compliance team of 150, Janice M. Smith, consumer affairs director, said Wednesday in San Diego.

The FDIC also is hiring a fair-lending specialist for a senior staff position in Washington, she said, and each regional office is hiring its own specialist in that area of concern. The fair-lending staff members will, among other things, analyze data generated under the Home Mortgage Disclosure Act.

The FDIC already has community affairs specialists in each regional office.

The Federal Reserve Board employs about 200 compliance examiners. □

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For many bankers, the thermometer is a lagging indicator of the heat they feel in handling current regulations and guessing the Clinton administration's next moves. But we've got a way to help you keep cool: *American Banker's Washington Watch.*

We broke the news about the plans by credit union trade associations to branch cross-country. We warned readers that the FDIC will crack down on banks and thrifts that aren't paying enough for insurance, and that the Fed was flirting with examination fees. We also uncovered plans that would let banks pay less for deposit insurance provided they set up certain special programs.

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The American Banker Newsletters 1325 G St. NW #900 Washington, D.C. 20005

House Seeking To Limit Direct Student Lending

By ROBERT M. GARSSON

WASHINGTON — The House approved, 397 to 28, a call for limiting President Clinton's plan for direct lending to students to 4% of the market.

The nonbinding measure, sponsored by Rep. Burt Gordon, D-Texas, essentially instructs the House conferees who will negotiate with the Senate on a final deficit reduction package.

"It was a referendum on whether the House wants a broad direct-lending program," said Jay Harris, legislative representative for Savings and Community Bankers of America. "This shows they are not willing to just jump into it without a test."

Even if the conferees agree to limit the direct-lending program to 4%, they would almost certainly have to make other cuts in student lending that would affect banks and thrifts.

"I'll make no bones about it—with 40 cents of each hundred's dollars of institutions will leave the program," Mr. Harris said.

Cheshire to Merge More Subsidiaries

KEENE, N.H. — Cheshire Financial Corp. said it will merge two subsidiaries in a continuation of its consolidation plan.

Cheshire said Valley Bank of Hillsborough, N.H., which has $72 million in assets, would merge later this year into Cheshire County Savings Bank of Keene, the holding company's lead bank.

It was previously announced that the Monadnock Bank of Jaffrey, N.H., would merge into Cheshire County on July 12.

Cheshire County Savings, currently with a pro forma $569 million of assets, including Monadnock Bank, will be organized in three divisions: Keene, Monadnock, and Valley.

Benefits Cited

The mergers "will create a single, unified bank with a greater array of products and services," said Peter J. Baxter, president and chief executive officer of Cheshire Financial Corp.

Though administrative and operational functions will be consolidated, he said, each division will stay close to its market by having a divisional president and advisory board. □

Montana's Security Federal To Form Holding Company

BILLINGS, Mont. — Security Federal Savings Bank said its board has approved the formation of a savings and loan holding company.

Security Federal, which has $260 million in assets, would become a wholly owned subsidiary of the Montana-chartered holding company. — Reuters

BANK AND THRIFT STOCKS

Highlights for Thursday, July 1

Top 10 GAINERS %

Jefferson Bankshares, Inc.	10.0
Allied Bankshares, Inc.	9.4
FNB Corporation	9.3
Shoreline Financial Corp.	7.1
Tompkins County Trust Company	7.1
Harleysville National Corp.	7.0
Imperial Bancorp	6.3
CPB Inc.	5.9
SouthTrust Corporation	5.2
Iowa National Bankshares Corp	5.2

Top 10 LOSERS %

Omega Financial Corporation	-7.7
BOK Financial Corporation	-7.0
Cathay Bancorp	-6.7
First Bancorporation of Ohio	-5.3
City Holding Company	-3.8
Citizens Banking Corporation	-3.5
Riggs National Corporation	-3.3
Heritage Financial Services	-3.0
MBNA Corporation	-3.0
Security Capital Bancorp	-2.8

MOST SHARES TRADED

Citicorp	1896400
BankAmerica Corporation	1132600
Chase Manhattan Corporation	941100
Chemical Banking Corp.	914300
NationsBank Corporation	859800

VOLUME AS % OF AVERAGE

Harleysville National Corp.	1801.7
Limited Bancshares, Inc.	1505.8
TrustCo Bank Corp NY	1038.3
Chemical Banking Corp.	736.6
Frankford Corporation	724.7

Stock Index Trends



*Weighted index of top 200 banks and 25 thrifts.

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.16	0.57	-1.21	0.32	2.66	4.72	0.21	2.52	2.97

Top 225 Banks

52 Wk Hi	52 Wk Lo	Name	PE	Mkt to bk	Mkt Cap.	Chg.
30¾	19¾	1stCorpCorpCh	15.8	1.62	2,139	¼
27¾	18	AMCORE Fncl,	11.1	125.0	239	⅜
17½	9¼	AllianBancCorp	12.1	141.7	20	¼
35¾	26¾	AmSouBancorp AL	11.8	155.4	324	-¼
39½	29¾	AmeriFirstBanc	11.8	147.1	1,176	¼
35¾	27¾	BB&T FinCorp HC	12.1	155.2	344	-¼
37½	30¾	BancFlorida Sav	12.1	141.7	20	¼
33	21¾	BT FinCorpPA	11.7	143.3	33	
8¾	5	BaltimoreBanc-MD	11.8	92.3	8%	¼
31¾	24¾	BanPonceCorp PR	9.1	112.2	26%	¼
61	42½	BancoPopular PR	16.0	255.1	1,000	½
52½	40¾	BancorpHawaii HI	9.9	148.0	45	
42¾	27¾	BankAmerica Corp	11.6	146.2	3,774	¼
54¾	41	BankAmericaCorp CA	10.8	121.3	450	¼
34¾	25¾	BankBostonCorp MA	11.2	147.1	1,176	¼
24¾	19¾	BankersTrustCorp	7.7	171.0	73	
77¾	59	BankersTrust NY	9.7	171.0	73	
28¾	18¾	BankNorthGroup	8.7	113.0	241	-¼
28¾	18¾	BanksBancorp AL	8.7	113.0	241	-¼
61¾	39¾	BarnettBanks FL	21.8	194.5	48	¼
50¾	34¾	BarnettBanksInc FL	21.8	194.5	48	¼
52¾	39¾	BayBanksInc MA	12.6	159.1	60%	¼
54¾	49¾	BeaherviMotorsMO	12.6	159.1	60%	¼
18¾	13¾	CB&T HoldingSC	10.8	140.9	27	
31¾	23	BrenbanBanc-MI	10.8	140.9	27	
31¾	23¾	CB&T HoldingSC	9.3	135.5	27	¼
35¾	26¾	CBT CorporationGA	13.2	148.4	34%	
35¾	26¾	CCB Fin'l Corp	13.2	148.4	34%	
23	23¾	CNB BancsharesIN	16.3	190.3	32%	¼
25¾	20¾	CPB Inc.-IL	9.3	135.5	27	¼
13¾	7¾	CW FinCorp CA	8.8	147.1	12	¼
7¾	5	CalFedBancorp CA	10.4	137.4	14	¼
25	18	CalFedBancorp CA	10.4	137.4	14	¼
30½	19	CentralBancsh-KS	11.8	184.6	25%	¼
30½	27¾	CentralBancsh-MO	9.8	125.3	30%	¼
24¾	19¾	CentralJersey NJ	14.1	148.4	39%	¼
24¾	19¾	CentralBancShs-IL	14.1	148.4	39%	¼
37¾	21	ChaseManhattan NY	9.8	99.7	32%	¼
37¾	30¾	ChemicalBanking NY	9.8	121.3	45%	¼
47¾	31¾	ChemicalFin'l Corp	14.5	183.5	47%	¼
31¾	24¾	CitizensBancorp MD	11.3	194.5	19%	¼
30½	14½	Citizens HT	13.9	131.4	30½	¼
30½	24¾	CitizensBancorp MD	14.5	135.2	25	¼
22¾	16¾	CitizensBanking MI	11.4	123.4	21	¼
16¾	12¾	CitizensTrust RI	11.4	123.4	21	¼
29½	17¾	CityHoldingCo WV	14.5	189.8	25%	¼
17¾	12¾	CoastFed SvgBk FL	12.0	170.4	25%	¼
21¾	15¾	ColonialBancorp AL	9.1	126.3	29	¼
21¾	15¾	ColonialBancorp AL	9.1	126.3	29	¼
17½	10¾	CommercialBancsh-MO	10.6	144.5	15%	¼
17½	10¾	CommercialBancsh-MO	10.6	144.5	15%	¼
45¾	24¾	CommunityBk PA	14.8	218.0	45%	¼
24¾	18¾	CommunityBk PA	14.8	218.0	45%	¼
8¾	3¾	CorestatesInc-NJ	9.8	142.3	125%	¼
15¾	10¾	CortronetA	4.8	90.7	22%	
60¾	47¾	CrestfieldsCpCh	12.4	197.1	59%	¼
40¾	25¾	CrestarFinCorp VA	15.2	181.6	41%	¼
40¾	21	CullenFrost TX	10.0	159.7	34	¼
17¾	20¾	DauphinDeposit PA	12.0	170.4	25%	¼
35¾	20¾	DepositGuaranty MS	10.0	147.1	29%	¼
17¾	12¾	E & M NatlCorp PA	11.2	148.9	14¾	¼
22	15¾	FAMBancorp MO	11.0	153.2	22	¼
17¾	12¾	FBS Banking Corp	14.5	117.3	17%	¼
17¾	12¾	FBS Banking Corp	14.5	117.3	17%	¼
37	27¾	FNB Corp NC	11.3	168.8	38%	¼
55	33¾	FirstFedFinNC	14.4	227.5	54¾	¼

52 Wk Hi	52 Wk Lo	Name	PE	Mkt to bk	Mkt Cap.	Chg.
18¾	12	FirstAmerBk TN	12.8	145.0	36	1¼
18¾	10	FirstAmerBk-TX	5.4	145.0	17%	¼
31¾	19¾	FirstBancCorp PR	13.9	191.1	29%	¼
50¾	39¾	FirstBancorp OH	11.0	154.9	45	2¼
35¾	25¾	FirstBancorpSouthern MS	20.1	166.1	35%	¼
45	29¾	FirstChicagoL	NM	119.0	41%	¼
45¾	29¾	FirstChicagoNBD	8.6	134.4	46%	¼
18¾	14¾	FirstCommerc-IL	16.4	132.9	17%	¼
18¾	14¾	FirstCommerc-IL	10.5	166.8	17%	¼
73¾	37¾	FirstCommerc-NE	10.5	155.8	72	
73¾	37¾	FirstCommerc-NE	10.6	158.7	72	¼
31¾	24¾	FirstCommBk-IN	10.8	143.7	26%	
NM	12¾	FirstFederalFinancial	NM	122.6	16¾	
157⅜	127	FirstEmpire-NY	10.9	154.8	137%	¼
19¾	11¾	FirstFed Fin-CA	11.9	173.6	49	
44	37	FirstFedBanc-OH	14.8	193.0	44	1¼
44	37	FirstFedBanc-OH	14.8	193.0	44	1¼
64	36¾	FirstFederalCorp-CA	10.0	182.8	62%	¼
64	36¾	FirstFederalCorp-CA	10.0	182.8	62%	¼
24¾	14¾	FirstMidwestIL	16.3	156.1	24	¼
24¾	14¾	FirstMidwestIL	16.3	156.1	24	¼
30¾	21¾	FirstSecurityAZ	12.1	168.1	28%	¼
30¾	21¾	FirstSecurityAZ	12.1	168.1	28%	¼
51¾	35¾	FirstUnionCorpNC	11.7	182.0	47%	¼
35¾	17	FirstUnionCorpVA	8.3	135.7	47%	¼
22	17	FirstUnitedMO	13.3	186.9	22	
22	17	FirstUnitedMO	13.7	175.0	22	¼
39¾	30	FirstVirginia VA	11.1	184.7	36	
39¾	30	FirstVirginia VA	11.7	200.7	33	
39	34	FirstbankIL-IL	12.1	168.8	37	
39	34	FirstbankIL-IL	12.1	168.8	37	
37¾	29¾	FirstofAmerica MI	15.9	156.2	33¾	¼
37¾	29¾	FirstofAmerica MI	15.9	156.2	33¾	¼
21¾	16¾	FirstSouthBncp NC	12.6	174.4	20¾	
28	20¾	FirstwideCorpPA	11.0	158.1	27½	1¼
28	20¾	FirstwideCorpPA	11.7	142.2	27½	
33	24¾	FortWorthBancp TX	12.3	187.9	30¾	¼
33	24¾	FortWorthBancp TX	13.5	187.9	30¾	¼
17¾	13¾	GBC Bancorp CA	7.5	123.3	14¾	
25¾	19¾	GreatAmBcshrsINS	11.0	144.1	24¾	¼
30¾	20¾	HancockHldgCo-MS	10.6	164.5	31¾	
30¾	20¾	HancockHldgCo-MS	11.6	164.5	31¾	
19¾	12¾	HawkeyeBancorp IA	11.9	158.8	18¾	
19½	12	HeritageFedInc-IL	12.3	185.5	14¾	¼
8¾	4¾	HiberniaCorp LA	NM	148.5	6¾	¼
8¾	4¾	HibernaCorp LA	11.9	202.2	6¾	¼
27¾	18¾	HuntingtonBancsh OH	13.6	215.6	27¾	¼
27¾	18¾	HuntingtonBancsh OH	13.6	215.6	27¾	¼
32¾	23¾	IndianaNatlCorp IN	13.5	187.9	30¾	¼
32¾	23¾	IndianaNatlCorp IN	13.5	187.9	30¾	¼
47	37	InvestmentBnkrsInc	11.1	125.8	46¼	2¼
54¾	39¾	InvestorsBancorp MD	8.2	214.5	43¾	1¼
74¾	57¾	J.P. Morgan NY	10.0	187.9	69¾	¼
46	30¾	JeffersonBnksh-N	13.4	177.9	32	
46	30¾	KeyCorp NY	12.5	210.1	41¾	
34¾	24¾	KeystoneFncl PA	13.4	185.5	34¾	¼
24¾	18¾	LakeviewInc IL	13.9	187.0	22¾	¼
34¾	20	LiberBancorp-MO	8.4	143.3	33¾	
27¾	20¾	LibertyNatBancsh-KY	13.5	176.5	25¾	¼
29¾	18¾	MBNACorp DE	15.9	417.9	28¾	¼
14¾	10	MNC Financial-MD	12.3	124.0	14¾	¼
29¾	17¾	MagnaGroup-MS	15.9	152.2	29¾	¼
29¾	17¾	MagnaGroup-MS	15.3	152.2	29¾	¼
18¾	14¾	MarshallsInBk-WI	11.3	156.7	18¾	
18¾	14¾	MarshallsInBk-WI	11.3	156.7	18¾	
58¾	38¾	MercantileBncp-MO	12.8	157.0	50¾	1¼
58¾	38¾	MercantileBncp-MO	11.8	158.2	50¾	1¼
62	44¾	MerchantsBank-VT	19.9	183.6	55	¼

52 Wk Hi	52 Wk Lo	Name	PE	Mkt to bk	Mkt Cap.	Chg.
20	13	MetroBancorp PA	12.9	161.0	17¾	
41¾	30¾	MichiganNatCorp MI	NM	111.3	55%	¼
41¾	31¾	MichiganNatCorp MI	13.0	121.3	55%	¼
21¾	13¾	MidAmericanCorp	11.1	157.5	21	
21¾	13¾	MidAmericanCorp	11.1	157.5	21	
33¾	23	MountainBancorp	13.3	188.2	29	¼
27¾	13	MultibankInc	26.7	145.0	27¼	
30¾	27¾	NBC BancsInc	15.0	173.5	32¾	¼
17¾	12¾	NBTBancorp NY	15.1	132.3	17¾	¼
25¾	16¾	NationalCityCp-OH	12.2	174.1	32	
35	19	NationalPenn PA	16.9	282.3	32¾	¼
37¾	41¾	NationsBank NC	8.7	154.9	50	¼
55¾	43	NationsCorpMK-AR	13.0	144.3	50	
37	27¾	NatlCityBancshs-IN	13.7	172.2	36¾	¼
32¾	23¾	NatlCommerce-TN	13.8	234.1	29%	
32¾	23¾	NatlCommerce-TN	23.8	253.2	30¾	
13¾	4¾	NorthFortBncsh-WI	11.9	113.4	11¾	¼
13¾	4¾	NorthFortBncsh-WI	11.9	113.4	11¾	¼
27¾	17¾	NorwestCorp-MN	17.7	298.0	26¾	¼
27¾	17¾	NorwestCorp-MN	17.7	298.0	26¾	¼
37¾	27	OldKentFinCorp-MI	13.8	183.5	32¾	¼
35	26¾	OldNatlBancorp-IN	16.2	155.1	34¾	
27¾	17¾	OmegaFinancial-PA	14.4	144.3	24	-2
32¼	21¾	OneWestBanc-WI	11.9	159.7	28	¼
36¾	24	OneBancorp-OH	13.1	187.2	32¾	¼
9¾	3¾	PacificNwstrn-CA	29.7	98.6	7¼	¼
16¾	11	PacificNwCorp-OR	15.7	287.8	15¾	¼
34¾	31½	PeoplesFncl-CT	12.6	142.4	33¾	
14¾	23	PeoplesFncl-MS	12.5	180.2	33	
36¾	21	PinnacleBancSys-IL	8.8	219.6	33¾	
36¾	21	PinnacleBancSys-IL	8.5	146.3	15	
23	12¾	PremierBancshs-IA	9.9	139.3	18	
34¾	23¾	PremierFinancial-IA	11.3	141.6	27¼	¼
18¾	10	PrimeBancorp-LA	10.0	77.3	14¾	
13¾	7¾	ProvidentBkshs-MD	10.0	153.0	13¾	¼
49¾	40¾	ReadyBnkCorp-MI	11.5	152.6	51¾	¼
11¾	6¾	RiggsNatlCorp DC	NM	94.0	7¾	¼
21¾	18¾	RoyalBancshs-PA	11.7	222.6	20¾	¼
34¾	24	SBTBancorp PA	11.9	161.7	32¼	¼
34¾	24	SBTBancorp PA	12.1	163.4	19¾	¼
14¾	10¾	SecurityCapBC NC	14.1	133.7	13	¼
14¾	10¾	SecurityCapBC NC	14.1	133.7	13	¼
36¾	26¾	ShawmutNatlCorp MA	36.2	185.2	33¾	
29	20¾	ShoreFncl-DE MD	14.9	188.5	28¾	2
34¾	23¾	SignetBanking VA	13.3	193.6	33¾	1¼
30¾	20¾	SocietyCorp OH	12.1	222.4	35¾	¼
22¾	15¾	SouthTrustCorp AL	11.9	171.7	20¾	1
23¾	15¼	SouthernNatlCp-NC	12.2	182.8	22¾	¼
23¾	15¼	SouthernNatlCp-NC	10.8	136.1	31¾	¼
29	29¾	Star Banc Corp.-OH	13.0	173.1	35¾	¼
29	29¾	Star Banc Corp.-OH	13.0	173.1	35¾	¼
31¾	21	SummitBancshs-TX	9.5	153.6	40¾	¼
31	21	SunbancBancCo-FL	7.7	82.0	21	
21¾	15¾	SunTrustBanks GA	11.8	161.0	21	¼
49¾	37¾	SunTrustBanks GA	14.4	211.5	49¾	¼
49¾	37¾	SunTrustBanks GA	11.4	139.0	31	¼
29¾	14¾	SynovusFinCorp GA	19.0	288.3	29¾	¼
29¾	20	SynovusFinCorp GA	11.8	215.8	30	2
23¾	12¾	TransFinancial KY	14.0	201.2	19¾	¼
28¾	18¾	TrustCoBankCorpNY	14.3	218.1	40¾	¼
16¾	11	TrustcompanyNJ	16.9	193.5	15¾	¼
25¾	19¾	TrustmarkCorp-MS	9.9	134.0	41¾	
28	21¾	U.S. Bancorp-OR	11.6	163.7	25¾	¼
49¾	45¾	UJB Financial-NJ	13.7	256.4	53¾	¼
29¾	19½	UJB Financial-NJ	19.3	139.4	24¾	¼
17¾	12¾	UMB Financial-MO	11.7	170.0	17¾	¼
17¾	12¾	UMB Financial-MO	11.7	170.0	17¾	¼
29¾	22¾	UnionBanCal	8.8	90.4	27¼	¼
29¾	22¾	UnionBanCal	8.8	90.4	27¼	¼
23¾	17¾	UnitedBankInc-MD	12.8	167.9	23¾	¼
23¾	17¾	UnitedBankInc-MD	12.8	156.1	23½	¼
28¾	18¾	UnitedCapitalCorp	10.5	136.0	22¾	¼

52 Wk Hi	52 Wk Lo	Name	PE	Mkt to bk	Mkt Cap.	Chg.
32	19¾	UnitedCounties-NJ	8.1	121.0	85	
41¾	30¾	UnitedMissouri-MD	13.8	130.2	39½	
32¾	17	UnitedTrustGrp-NJ	12.7	147.1	32¾	
45¾	33¾	ValleyBancorp MD	13.6	177.3	44	-¼
21¾	18¾	WashMutInc-WA	11.4	169.6	20¾	¼
27¾	18¾	WilmarBkshs-TX	6.9	116.2	22¾	¼
27¾	18¾	WilmarBkshs-TX	6.9	116.2	22¾	¼
120	81¾	WellsFargoCp	39.9	207.3	106¾	
30¾	21	WestBancorp-NH	14.9	166.2	30¾	¼
29¾	18¾	WestamericaBc CA	14.2	170.4	29¾	¼
29¾	18¾	WestamericaBc CA	10.7	138.7	29¾	¼
29¾	20¾	WestamericaBc CA	12.3	156.1	27	
35¾	21¾	WhitneyHoldgLA	11.8	146.0	29¾	¼
29¾	20¾	WorthenBankAR	8.8	145.9	23¾	¼
27¾	20¾	WorthenBankAR	8.8	145.9	23¾	¼
54	39¾	ZionsBancorp UT	10.8	192.4	59	¼

Top 25 THRIFTS

52 Wk Hi	52 Wk Lo	Name	PE	Mkt to bk	Mkt Cap.	Chg.
17¾	12	ALBANYbancorpNY	17.6	97.4	17	¼
21¾	13¾	AmmancoCo	14.3	82.3	18¾	¼
21¾	13¾	CalFedBanFSB CA	10.4	137.4	14	¼
34¾	22½	CharterOneFin-OH	7.2	130.2	39¾	
34¾	23¾	CharterOneFin-OH	9.5	185.2	30¾	¼
35¾	16¾	CollectiveBncp-NJ	9.5	185.2	30¾	¼
17¾	10¾	CommonwealthCp-KY	11.7	205.4	17¾	¼
27¾	15¾	CraigFinCorp-IL	8.8	111.1	24¾	¼
19¾	11¾	DomFinancialCp-IL	4.9	77.9	19¾	¼
15¾	7¾	FedFinCorp-MI	11.1	176.9	15¾	
34	17¾	FedNatMtgCp-MI	10.1	84.9	25¾	
50	35¾	GoldenWestFn-CA	9.4	150.1	42¾	¼
19¾	13	GreatWestBncp-CA	76.1	153.1	18¾	
29¾	17¾	ISB FinancialKY	9.7	92.3	24¾	¼
21¾	14¾	KNBBancorp-PA	9.2	92.3	20¾	¼
31¾	18¾	NBD BancorpMI	11.4	158.0	31¾	¼
33¾	21¾	NSBancorp-IL	9.6	113.4	31	
46¾	30¾	SanvanBancgroupNJ	10.1	158.4	45¾	¼
11¾	6¾	SoverenBc-PA	11.2	156.7	10¾	
36¾	18¾	SPBancorp-IL	10.4	189.4	36¾	¼
25¾	17¾	StandardFedBk-MI	7.5	113.8	23	¼
34¾	23¾	StandardFedBk-MI	8.1	150.2	32¾	¼
35¾	24	WashMutualSB-WA	10.9	153.7	34¾	¼
29	22¾	WorldwideFinCp-AB	11.7	207.9	25¾	
14¾	13	WayneSLMHC-OH	21.1	93.5	13¾	¼

Bank Stock Table Explained: The table lists in alphabetical order daily composite stock prices as of 4:30 p.m. (unless otherwise noted) for the 225 largest publicly traded commercial banking firms and 25 of the largest thrifts. Banks are ranked according to the dollar market value cutoff for banks was $75.09 mil. and for thrifts $244.30 mil.) **52 Wk Hi** (or **Lo**) shows the highest (or lowest) trading prices for the stock. **PE:** the price-earnings ratio. It is the current price of the stock divided by the company's earnings per share for the last four quarters. **Mkt to bk:** market value as a percentage of book value, expressed as a percentage. Bank value is adjusted for announced earnings and dividends. **Last:** the price at which the stock last traded. **T** in trades for the day, the latest bid. **AB Bank Index:** a weighted index of the stocks of 200 banks. **AB TheStreet Index:** a weighted index of the stocks of 25 thrifts. ***** after a stock indicates it is highlights since largest percent gains/losses in price and low volume. **Mkt Cap.:** market value of stock and today's volume as a percentage of average shares traded daily over the past year.

Data source: SNL SecuritiesData, Charlottesville, Va. 804/977-1600, produced the tables. Financial News Network, Vienna, Va., provides SNL with the daily prices.

Selected Data from the Federal Reserve Board

From the New York Fed's weekly press release of July 1, 1993 ($ billion)

Weekly Averages*	6/21/93	6/14/93	Change	6/7/93	5/31/92	5/24/92
M1- weekly average	$1,025.6	$1,070.8	+$ -4.8	$1,072.7	$1,074.3	$1,065.8
M2- weekly average	3,515.9	3,516.9	+ -1.0	3,518.9	3,509.3	3,506.1
M3- weekly average	4,272.2	4,173.6	+ 6.4	4,176.1	4,165.2	4,168.1
Growth in aggregates*	90%	NSD				
Latest 13 weeks	+ 9.6%	+ 1.7%	+ 2.0%			
Latest 26 weeks	+ 9.0%	+ 3.2%	+ 4.2%			
Latest 52 weeks	+11.7%	+ 0.9%	- 0.5%			
Other data	6/23/93	6/16/93	Change	6/9/93	6/2/93	5/26/93
Business Loans†						
8 New York City banks	$ 41.8	$ 42.0	-$ 0.2	$ 42.2	$ 42.7	$ 42.7
Demand Deposits						
8 New York City banks	50.9	56.7	-$ 5.8	55.3	55.4	51.7
Commercial Paper						
All issuers	551.9	554.3	-$ 2.4	544.9	544.9	542

STOCKS
Baltimore Bancorp Wins Endorsement

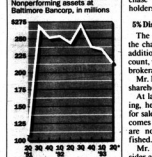
By GORDON MATTHEWS

Capping its recovery from financial difficulties, Baltimore Bancorp has received a "buy" rating on its stock from bank analyst Anthony J. Polini of Mabon Securities Corp.

He said the $2.4 billion-asset banking company is "a budding turnaround play trading well below book value." Its shares have upside price potential of 35% to 40% through next year, he added.

Baltimore Bancorp's stock was unchanged at $9 in late trading Thursday after a gain of 37.5 cents the previous day following Mr. Polini's action.

Continued Improvement



A Mabon analyst sees the bank as a "budding turnaround play."

The stock trades at around 90% of its March 30 book value of $9.81, one of a very few banks remaining at this depressed level. Regional banks on average trade at about 145% of book, the analyst noted.

Mr. Polini expects that the bank will announce strong second-quarter earnings, highlighted by an 8% to 12% decline in nonperforming assets and 31-basis-point improvement in net interest margin from the previous quarter.

He projects that earnings per share will increase at a compound rate of 24% through 1996, helped by a big decline in the loan-loss provision and other credit costs.

The analyst projected earnings of 90 cents a share this year and 85 cents next year. The dividend could be reinstated as early as the first quarter of 1994, he said.

Realty Problems Abating

Baltimore Bancorp has been recovering from bad real estate loans. Its problems peaked in 1991, when it lost $126.5 million. It earned $14.5 million last year.

The bank is among the few at which dissident shareholders, uphappy about the company's performance, were able to replace the board of directors. The new board installed fresh management in mid-1991.

Under chairman Edwin F. Hale Sr. and president Alan M. Leberknight, the bank has substantially reduced its problem loans and recapitalized itself at the behest of regulators.

By the end of July, Baltimore Bancorp expects to raise nearly $30 million by issuing 3.675 million shares under a stock-purchase plan for current shareholders.

5% Discount, No Commissions

The plan offers stockholders the chance to directly purchase additional shares at a 5% discount, with no service charges or brokerage commissions.

Mr. Hale has also been bluntly shareholder-oriented.

At last month's annual meeting, he declared: "The bank is for sale if a legitimate company comes in to acquire us. But we are not going to be bottom-fished."

Mr. Hale said he would consider a bid equal to 1.25 to 1.65 times the company's book value, which would still provide a premium.

The analyst's 12-month price target for the bank stock is $12, or 113% of projected book value. His yearend 1994 target is $13, or 118% of likely book value.

"The ongoing recovery at Baltimore Bancorp is solidly indicated by the steady improvement in net interest margin projected through 1993," Mr. Polini said.

He expects the average margin to be 4.50% this year, versus 3.15% last year and 2.44% in 1991. Longer term, he thinks the bank will be "well positioned to maintain a net interest margin in the 4.75%-to-4.85% range."

THURSDAY'S MARKET

Bank stocks were mostly higher again on Thursday despite a lower overall market.

The leaders were National City Corp., up $1.375 to $51.75, and CoreStates Financial Corp., ahead $1.125 to $58.875. Bankers Trust New York Corp. rose $1 to $75.125, while J.P. Morgan & Co. improved 75 cents to $68.625.

Citicorp was up 37.5 cents to $30.50, and Society Corp. rose 37.5 cents to $35.50 after both were named among 10 "uncommon values" by Lehman Brothers.

The biggest loser was MBNA Corp., down 87.5 cents to $28.375 after a big gain the previous day. □

U.S. Banks Increased Lending To Latin America 9% Last Year

Continued from *page 1*

short-term loans to private borrowers – a contrast to the long-term, high-rate lending to sovereign borrowers that made up the bulk of the loans on which Third World countries defaulted.

"I do not believe any of us are doing [longer-] term lending in any significant way," said Brian O'Neill, senior vice president for Western Hemisphere corporate finance at Chase Manhattan Corp.

Shorter Terms

According to the Fed, loans maturing in less than a year to Latin and Caribbean countries that produce no oil rose 26% to $18 billion last year. Loans with terms of one to five years rose 13% to $4.6 billion. Longer-term loans were unchanged.

But the new lending, particularly by regional banks, has Lawrence Cohn, an analyst at Paine-Webber Inc., worried.

"We think the fact that regional banks have expanded their activities in more distant markets a little ominous," Mr. Cohn said.

Regional banks, for example, he pointed out, increased outstanding loans to Brazil by 80%, from $718 million in 1991 to $1.293 billion last year.

Fresh Risks Cited

Mr. Cohn brushed aside bankers' statements that economic reform in the countries and short-term lending strategies protected them from new risk.

"I remember vividly talking to banks about their [Third World] exposure prior to the 1982 crisis," he recalled. "What was short term in nature suddenly became long term and what was private-sector debt suddenly became public-sector debt."

Most of last year's lending went to Mexico, Brazil, and Argentina, already the biggest borrowers.

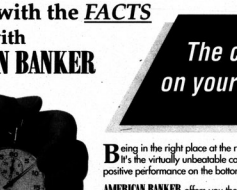
Total loans by U.S. banks to Mexican borrowers rose 5% to $14.5 billion, loans to Brazil increased 7% to nearly $7 billion, and loans to Argentina rose 36% to $4.7 billion.

Top Eight Take Lead

Nearly half of the $3.2 billion increase in Latin lending came from the eight biggest U.S. banks, which had around $31 billion in outstanding loans.

Citicorp remains the one of the largest lenders to Latin America.

Renewal of Confidence



The bank was one of the few U.S. financial institutions that agreed to advance new money to Latin borrowers as part of large financing packages with countries like Argentina, Venezuela, and Mexico.

At yearend, Citicorp had $3.4 billion in loans on its books to Mexican borrowers, up from $2.9 billion in 1991 and $2.4 billion in 1990. Its loans to Brazilian borrowers rose to $2.2 billion from $1.7 billion in 1991. The 1992 total was still below the $3.2 billion in 1990.

William Rhodes, Citicorp vice chairman, said the bank has further increased loans to Mexican borrowers since the start of the year by "a couple of a million," much of which was extended to finance trade.

He said Mexico has adopted stringent economic policies aimed at boosting investments, reducing the government's budget deficit, and maintaining a strong peso.

"The Mexicans have put their external debt problems behind them and opened the economy," Mr. Rhodes said.

Bank of Boston Active

Among large regional banks, Bank of Boston Corp. was the biggest lender.

The bank, with a large local network in Latin America, sharply increased outstanding loans to developing countries by $1 billion last year, to $2.2 billion, it said.

That included $940 million to Argentina, up from $535 million at yearend 1991; and $560 million to Brazil, up from $305 million. Lending to Chile doubled to around $400 million.

The bank however noted that about 40% of its loans to Argentina were funded in dollars. It added that the majority of its loans to Brazil were short term and trade related.

"Based on our operations and knowledge of large corporations, we're very comfortable with our cross-border and indigenous exposure and continue to grow them in 1993," said Constantin Boden, executive vice president at Bank of Boston.

Mr. Boden said that the bank's lending in Brazil has flattened out since the start of the year but has continued to increase in Argentina. He added that the bank is also concerned it would get frozen out of loan syndications in rapidly growing markets in Latin America if it did not participate now. □

THE MARKETS
Long Rates Up in Reaction to Commodity Price Rise

Long-term interest rates rose on Thursday, as rising commodity prices and some uneasiness about today's employment report offset news ordinarily favorable for Treasuries.

The yield on the 30-year bond rose to 6.69% from 6.67%. Ten-year notes yielded 5.78%, up from 5.77%. And two-year notes were unchanged at 3.99%.

But short-term rates fell. The bond-equivalent yield on three-month bills dropped to 3.04% from 3.06%. Federal funds were quoted at 3.18%, down from 3.50%.

Rumors Rattle Nerves

The short end had some early jitters on rumors that the Federal Reserve Board had called an "emergency" meeting for today. The central bank quickly issued a statement that it was simply holding its regular Monday meeting a day early because of the July 4 holiday.

On the long end, "there was some 'CRB-itis' in the market," said Alan Levenson, money market economist for UBS Securities.

He was referring to market reaction to a big increase in the Commodity Research Bureau's index, which measures 21 futures prices. The index rose 2.61 points, or 1.3%, to 209.73. A $8.80-an-ounce increase in the price of gold – a major barometer of inflation – helped push up the CRB index.

But higher commodity prices were the only indication of economic strength on Thursday.

Manufacturing Index Down

The National Association of Purchasing Management's index of manufacturing activity registered a weaker-than-expected 48.3 last month. A reading below 50 indicates a slowdown in manufacturing. In May, the index was 51.1.

Another positive factor for bonds was Germany's decision to cut interest rates today. The Bundesbank lowered the discount rate by half a point to 6.75% and the Lombard rate by a quarter point to 8.25%.

Stocks were down across the board. The Dow Jones industrial average lost 5.54 points to 3,510.54. The Standard & Poor's 500 index lost 1.51 to 449.02. The Nasdaq composite index fell 0.37 to 703.88.

The dollar rose to 107.33 yen but fell to 1.6943 German marks.

— Bart Frust

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Fed Expected To End Bias For Rate Hike

By BART FRAUST

Federal Reserve policymakers are expected to back away from the current pro-tightening stance in light of the weak employment report released last Friday.

The Federal Open Market Committee, which meets today and tomorrow, is likely to return to a neutral stance on monetary policy, favoring neither a tightening nor an easing.

"The last thing we would want to do now is even talk about raising interest rates," said Sung Won Sohn, chief economist at Norwest Corp.

And the following FOMC meeting, on Aug. 17, may result

ECONOMIC OUTLOOK

in another switch, this time to a pro-easing bias.

"If the economic data between now and then show the economy as soft as the data of recent weeks, the FOMC will vote to favor an easing," said Eugene Sherman, economist for M.A. Schapiro & Co.

"Right now, we are more likely to see a Fed easing than a Fed tightening," said Moody's Investors Service economist John Lonski.

For Appearances' Sake

Gary Schlossberg, economist at Wells Fargo & Co., is less sure of a change in policy.

"The Fed may not want to appear to be flip-flopping, and it may make more political sense to keep the bias but still not do anything," he said.

The discount rate and the target for the federal funds rate are both now 3%.

Under the current pro-tightening stance, Federal Reserve Chairman Alan Greenspan has authority to nudge the target for the federal funds rate a half point higher.

A Complete Turnaround

A change to neutral would mean Mr. Greenspan could not ease or tighten without a telephone conference with other committee members.

Talk of lower rates marks a complete turnaround in psychology from just six weeks ago, when the committee adopted the pro-tightening bias amid fears that inflation was about to explode.

But inflation fears – still alive because of increases in the prices of gold and other commodities – have become subordinate to worries about stumbling economic growth.

The Labor Department said

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INSIDE NEWS

REGIONAL BANKING

BANKAMERICA Corp., in a significant return to international consumer banking, is setting up a special retail division for Asia. *Page 6*

COMMUNITY BANKING

CITY NATIONAL, New Jersey's only minority-owned bank, has staged a comeback – thanks to support from its community. *Page 8*

MORTGAGES

THE DEPARTMENT of Housing and Urban Development said it will revisit its referral fee rules. *Page 10*

INVESTMENT PRODUCTS

FORTIS FINANCIAL Group, a mutual fund marketing firm, is aiming for the bank market. *Page 11*

MANAGEMENT STRATEGIES



Dirk Gardenswartz

AFTER TWO YEARS of horrendous losses, James Cleave and Ronald Lawrence have given Marine Midland Banks Inc. a much narrower focus as the U.S. outpost of global banking for giant HSBC Holdings. *Page 14*

TECHNOLOGY

FIRST UNION Corp., moving closer to its goal of creating a more unified branch network, recently completed what officials said was the largest systems conversion in U.S. banking history, moving more than two million customer accounts at a Florida subsidiary. *Page 3*

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Explosion in Offerings

Bank debt and equity offered to the public, in billions



Types of issues in the second quarter, in billions



Source: Securities Data Co.

Banks Break Another Record For Stock and Bond Offerings

By DAVID SIEGEL

Stock and debt issuance by banks went into overdrive in the second quarter, with a record $17.2 billion in offerings in the United States.

The heavy volume, up $2 billion from the record set in the previous quarter, was fueled once again by historically low interest rates.

Dozens of banks rushed to lock in the bargain rates, with many institutions refinancing higher-cost debt. Foreign banks were particularly active, issuing $4.8 billion in debt and equity.

'Bank Heavens'

With no upturn in rates in sight, conditions are expected to remain favorable for stock and debt issuance, providing one of a number of bright spots for the rebounding industry.

"This is bank heaven, because so many things are going well for the industry right now," said Tony Smith, bond analyst with First Boston Corp. "Credit quality is improving, investor receptivity is improving, and the regulatory environment is showing signs of improvement as well," he said.

Most of the securities issues were in the debt markets. Underwritten senior debt sales totaled a record $9.3 billion, and subordinated debt reached $4.8 billion, the second-highest quarterly total, according to Securities Data Co.

Preferred-stock issuance totaled $2.1 billion, just short of a record, and common stock added up to $1 billion.

Outstanding Bonds Replaced

Many of the bond offerings replaced outstanding debt. About $2.2 billion in subordinated debt was called in the second quarter, equal to almost half of the new subordinated issues.

Among the new issuers that called in debt during the quarter

See **CAPITAL** *back page*

Chemical And Chase Upgraded By Moody's

By BART FRAUST

Continuing its yearlong series of banking industry upgrades, Moody's Investors Service Inc. on Friday raised its ratings on Chemical Banking Corp. and Chase Manhattan Corp.

Chemical's senior debt was raised to A3 from Baa1, subordinated debt to Baa1 from Baa2, and preferred stock to A3 from Baa2.

Long-term deposits of subsidiary banks were increased to A1 from A2.

Besides improved asset quality, Moody's cited Chemical's stronger core earnings, particularly noninterest and trading income.

Ratios Could Be Higher

On the negative side, Moody's said Chemical's capital ratios are still somewhat low compared with those of other banking companies.

At March 31, the Tier 1 capital ratio stood at 7.46%. The average for banking companies with more than $25 billion in assets was 8.81%, according to Keefe, Bruyette & Woods Inc.

At Chase, senior debt was increased to Baa1 from Baa2 and subordinated debt and preferred stock to Baa2 from Ba3.

Long-term deposits of Chase Manhattan Bank were upgraded to A2 from A3, while short-term deposits were raised to Prime-1 from Prime-2.

The upgrades reflect Chase's

See **CHEMICAL** *page* **18**

Bank Stocks Expected to Bounce Back

By RICHARD LAYNE

Despite a retreat on Friday, bank stocks are expected to resume their fast climb this week.

"I think bank stocks will move up 10% in the next three weeks," said Robert A. Bonelli, executive director of the Ernst Financial Group., which invests in banks.

Disappointing news that the economy gained a scant 13,000 jobs – rather than the 130,000 consensus forecast from economists – sparked a selloff in the broader market.

Vote of Confidence

Bank stocks did not fall as sharply as the overall market. Mr. Bonelli and other bullish money managers took the muted reaction as a sign of renewed support for the sector.

Only three major banks lost $1 or more: Wells Fargo & Co., which fell $1.875 to $108.25; Bankers Trust New York Co., which dropped $1.125 to $73.875; and First Union Corp., which gave up $1 to $46.75.

Wide Gap

Percentage change in indexes



* Weighted average of top 225 banks as ranked by market capitalization

Friday's figures as of 2 p.m.

Source: DNI, Securities

Some of the selling of bank shares represented profit taking, analysts said. Before Friday, for example, Bankers Trust had been up 5% last week. Society Corp., which lost 75 cents to $34.875, had gained 5.5% from Monday through Thursday.

A Good Week

Even with the downturn, bank stocks soared last week. As of 2 p.m. Friday, the *American Banker* index had gained 1.9%, versus a drop of 0.2% in the Dow Jones industrial average.

Meridian Bancorp had the gainers. Shares of the Reading, Pa., bank jumped 8.4%, partly on rumors that it was going to receive a takeover offer.

CoreStates Financial Corp., Philadelphia, has been frequently mentioned as a partner for Meridian.

Spokesmen for Meridian and

See **STOCKS** *page* **17**

NEWS *briefs*

First USA Plans to Offer 5 Million Shares

DALLAS — First USA Inc. said it had registered with the Security and Exchange Commission for a public offering of five million shares of common stock, with Merrill Lynch & Co. as lead manager.

First USA, the owner of a credit card bank in Delaware, resulted from a spinoff by Lomas Financial Corp. in 1989. Four million shares will be sold by existing First USA stockholders and one million will be issued by the company.

Four million shares will be offered in North America and the rest in other countries. The share price Friday afternoon was $40.50, down $2.25.

First USA, which has issued about four million cards, said it will use proceeds for general corporate purposes, which may include a reduction of debt and financing of expansion.

Glenfed Unit to Sell 23 Offices in Florida

GLENDALE, Calif. — Glendale Federal Bank said it will sell its 23 banking offices in the Tampa-St. Petersburg and Orlando markets to help meet the capital-raising requirements in a plan that was recently approved by the Office of Thrift Supervision.

The 23 offices have $1.1 billion of deposits.

The Glenfed Inc. subsidiary plans to retain 37 banking offices with $3 billion of deposits in southeast Florida, which Glendale considers a "primary market" along with California and Washington State.

Fifth Third Signs Deal to Buy Tristate

CINCINNATI — Fifth Third Bancorp said it signed a definitive agreement to acquire Tristate Bancorp for stock valued at about $67.8 million, or $20.78 per Tristate share.

Tristate owns the $200 million-asset Cottage Savings Association of Cincinnati. Its share price was up $3 early Friday afternoon, to a 52-week high of $19.25.

The merger is expected to be completed in the fourth quarter, pending shareholder and regulatory approval.

Comptroller Seizes Eagle Bank of Illinois

WASHINGTON — The Office of the Comptroller of the Currency closed Eagle Bank of Champaign County in Illinois and appointed the Federal Deposit Insurance Corp. as receiver.

Busey Bank of Urbana, Ill., assumed $16.6 million in about 2,500 insured deposit accounts and agreed to purchase $17.7 million of the failed bank's $20 million of assets.

The Rantoul-based bank was critically undercapitalized and failed to submit an acceptable capital restoration plan, the Comptroller's office said.

Centura in Pact for Thrift in Western N.C.

ROCKY MOUNT, N.C. — Centura Banks Inc. said it has an agreement to acquire Canton Savings Bank.

The Canton, N.C., thrift will convert from mutual to stock ownership and simultaneously merge into Centura's principal subsidiary, Centura Bank.

The briefs were compiled from staff and wire reports.

Correction

The number of municipal bond funds in NationsBank Corp.'s proprietary fund family was misstated in a June 29 article.

NationsBank has one national and eight single-state municipal funds. Each fund has multiple "classes of shares," each with a separate pricing structure that can affect performance results. The numbers in the article referred to the share-classes.

Watchdog Agency Criticizes The FDIC's Internal Controls

By BARBARA A. REHM

WASHINGTON — The General Accounting Office has approved the 1992 financial statements for the bank and thrift insurance funds, but has sounded a warning over internal controls.

In an 18-page report signed by Comptroller General Charles A. Bowsher, the GAO said last week that the Federal Deposit Insurance Corp., which administers both insurance funds, does not have adequate internal controls to ensure that:

- Assets inherited from failed banks are safeguarded against loss from unauthorized use.
- Unauthorized transactions are not executed.
- Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and maintain accountability for assets.



Charles A. Bowsher
Keeping up the pressure.

Gaps in Implementation

The congressional audit agency also criticized the FDIC's implementation of the FDIC Improvement Act.

"We are concerned that the very limited implementing regulations recently issued by FDIC . . . will not facilitate achieving the objectives of the Congress in enacting these reforms," the report stated. It did not specify which parts of the law were not being implemently sufficiently.

The GAO also repeated charges, first leveled in February, that the FDIC and the other federal regulators are not properly examining banks and thrifts.

The watchdog agency stopped short of recommending an overhaul but noted the overlap and inconsistencies in the four-agency system and said it should be "reexamined."

The report said the Bank Insurance Fund had net income of $6.9 billion in 1992, its first positive year since 1987. The fund's deficit fell to $101 million from $7 billion in 1991. Unaudited figures had the bank fund back in the black at the end of the first quarter at $1.2 billion.

The FDIC reduced its reserve for future possible losses to $10.8 billion at the end of 1992 from $16.3 billion in 1991. The GAO said the reserve could be reduced even further during 1993.

Today the bank fund has about 6 cents for every $100 it insures. In 1991, Congress instructed the FDIC to reach $1.25 per $100 by 2006.

Regarding internal controls, the GAO said the FDIC is not keeping a tight rein on outside companies contracted to manage and sell $11 billion in assets.

The GAO also faulted the FDIC's tracking of employee time in allocating overhead costs to each insurance fund, which could result in overcharges for the Savings Association Insurance Fund.

The FDIC also did not track fees owed to SAIF from thrifts that switched to the Bank Insurance Fund since 1990, the GAO said. As a result, the FDIC had to repay SAIF $146 million.

A day after the GAO released its report, the FDIC put out a press release detailing six changes designed to strengthen internal controls. The GAO said it will detail the FDIC's remedies in an upcoming report as well as evaluate accounting controls. □

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First Union Makes Huge Systems Conversion

By BRIAN HELLAUER

Moving closer to its goal of creating a more unified branch network, First Union Corp. recently completed what officials said was the largest systems conversion in U.S. banking history.

The nation's ninth-largest banking company moved more than two million customer accounts at its First Union National Bank of Florida subsidiary to a new deposit accounting system during a single weekend in May.

First Union plans to have all of its approximately eight million deposit accounts converted to the deposit system by the end of the year.

"It's a significant challenge when thousands of people are involved in a project that takes place over a single weekend," said Austin A. Adams, a First Union executive vice president and head of operations and automation division, in a telephone interview.

The software will help standardize checking and savings products.

More than 2,000 employees were involved in the Florida conversion.

At the core of the deposit system, known as Emerald, is proprietary software that took more than four years and $25 million to develop.

Rather than purchase a commercially available software package, First Union developed its own software because "we simply didn't see any package within the marketplace with the size, flexibility, and features we were looking for," said Mr. Adams.

Seeking Better Performance

The largest software development project in the industry is believed to be the Strategic Banking System, a joint project of Banc One Corp., Columbus, Ohio, Norwest Corp. Minneapolis, and Electronic Data Systems Corp., Plano, Tex., a unit of General Motors.

That project, yet to be completed, includes deposit, lending, and demographic information systems, and has been more than six years and $100 million in the making.

Mr. Adams said the Emerald software, based on International Business Machines Corp. DB2 relational data base software, will help standardize First Union's checking and savings products, and deliver improved system performance.

Unrealized Advantage

If interstate banking laws are further relaxed, said Mr. Adams, First Union customers will be able to conduct transactions at any of the bank's branches.

Mr. Adams called that capability a competitive advantage, but "the laws don't allow us to do anything meaningful with that yet," he said.

Branch personnel can also make changes to customer accounts on-screen while the customer is present, rather than writing down the changes and forwarding them for processing, he said.

"This conversion offers substantive improvement of the capabilities within our branch network," said Mr. Adams.

He added that Emerald reduces the cycle time for developing and introducing new products, offers increased flexibility for product pricing, and includes components for tracking employee sales and incentives.

There are other issues besides common deposit systems. "Everybody who assembles banks gets multiple systems," said George P. DiNardo, a consultant with Coopers & Lybrand, New York. "The move to a single system can beget huge savings."

First Union began developing the new deposit system in 1988, in an effort to develop a standard set of products for a branch network pieced together through more than 30 acquisitions.

"It's a good, logical, economical, smart move to develop a common deposit system. It doesn't mean there was any technological wizardry involved," said Mr. DiNardo.

First Union has grown rapidly since the onset of interstate banking. It currently has nearly $72 billion of assets and 1,300 branches in seven states and the District of Columbia.



Austin A. Adams
"A significant challenge"

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AMERICAN BANKER

Opinion

Comment

By Martin E. Lowy

Banks Should Get Same Leeway The 'Parallel System' Enjoys

Jane D'Arista and Tom Schlesinger's paper on the "parallel banking system," summarized in a comment in the April 2 *American Banker*, does a special service for those of us who study the U.S. banking system and its regulation.

The authors have presented a useful comparison between traditional banking's performance over the past dozen years and that of finance companies, the commercial paper market, and money market mutual funds.

This parallel system has exploited certain natural advantages over the fully regulated banking system.

Equal Regulation Proposed

Ms. D'Arista and Mr. Schlesinger conclude that the parallel banking system should be regulated like commercial banking to eliminate the inequalities.

But I believe the conclusion should be the opposite. We should learn the lessons of efficiency taught by the parallel system and amend the regulation of bank holding companies to permit them to achieve some of the same efficiencies.

By freeing holding companies from limits on the types of business they can do, we could release significant creative financial energy.

The Parallel System

In the parallel banking system, finance companies (GE Capital, GMAC, etc.) make loans to business that banks otherwise might make. Their terms are more favorable than the banks are afford, in part because the finance companies and their funding sources bear a lesser regulatory burden.

The finance companies fund themselves by issuing commercial paper, much of which is bought by money market mutual funds. The banks assist in the process by providing backup lines of credit for the finance companies' commercial paper.

Neither the finance companies nor the mutual funds have to maintain reserves at the Fed, pay deposit insurance premiums, or comply with the Community Reinvestment Act or the full array of prudential bank regulatory requirements. They also do not have the expense of retail branches.

Ms. D'Arista and Mr. Schlesinger express a number of concerns about the parallel system, beginning with the Federal Reserve System's ability to conduct monetary policy.

If so much banking is done outside the "real" banking system, they ask, will the Fed have insufficient control over the flow of money to be able to conduct monetary policy?

Second, in the absence of supervision, surprise events could trigger a breakdown. The development of a "thickly tangled web" of bank guarantees ensures that a future "confidence-shaking crisis would precipitate systemic consequences," the report says.

This would lead to the third worrisome consequence: These unsupervised issuers of commercial paper would have access to the Fed's discount window through the back door of the bank lines of credit that support their commercial paper.

Finally, the parallel banking system is unfair competition in eroding the regular banking system. And ownership of finance companies by industrial companies leads to conflicts of interests and a tendency toward tying arrangements.

Spreading the Risk

To me, the D'Arista-Schlesinger analysis is flawed. A preferable system that has managed to spread formerly concentrated risks efficiently. Rather than more dangerous than the banking system, the parallel system seems to me to be safer.

Money market mutual funds' liabilities are significantly different from – and safer than – the banks' deposits. In fact, they are not liabilities at all; the shareholders' interest in money market mutual funds are, like the interests of all stockholders of mutual funds, equity interests.

Therefore, as long as there are liquidity mechanisms to support the money market mutual fund – though a fund theoretically might have to "break the buck," which no money fund has done in 20 years of existence – it would not fail, no matter what losses it sustained in its portfolio. Twenty years ago runs on money funds generically were theorized. Today, these seem unlikely.

Protected by Diversification

Also, the money market funds are quite diversified. Even those that should be perceived as riskiest – the ones that invest heavily in commercial paper – are, by law, diversified.

The failure of no single issue held in portfolio could cause

MONEY MARKET *mutual funds' liabilities are significantly different from – and safer than – the banks' deposits. In fact, they are not liabilities at all.*

more than a couple of percentage points of loss, and this potential loss is backed by banks' lines of credit to the issuers.

The fact that in most cases a failed finance company would be eligible for Chapter 11 treatment is a distinct advantage over the banking system because the assets stay out of the government's hands and the liquidation takes place in whatever way the private sector creditors believe will maximize the ultimate values.

Monetary Implications

To D'Arista and Schelsinger, the monetary policy implications of the parallel banking system present the most important reason to regulate that system.

From my humble position as a relatively innumerate noneconomist, it appears that the genie is out of the bottle. To regulate for the sake of monetary policy would merely push a new parallel banking system in some other direction, all at the cost of the U.S. institutions' place internationally and American companies' ability to obtain short-term financing.

In addition, the parallel banking system is far from unregulated. Several of the leading finance companies are supervised by the New York State Banking Department as Article 12 companies. The mutual funds are overseen by the SEC. And the banks that provide the backup lines are, of course, regulated.

Functional Regulation

Though it is the kind of catch phrase that should naturally suspect, functional regulation is a practical way to regulate financial markets in the interests of fair competition and competitive pricing.

Here I agree with D'Arista and Schlesinger: Regulate a pool of capital that is not to be public the same way (under the Investment Company Act), regardless of who sells it or who manages it. Regulate sales practices the same way, regardless of who is doing the selling. And carry out these examples wherever the principle works.

But bankline "prudential" rules need to be imposed only on enterprises that present themselves as safe repositories for the public's funds that in fact make their profits by taking risks with those funds.

Safeguarding the Public

Prudential regulation of banking is necessary because banks take deposits from the public. It is this public protection goal (coupled with the need to protect the deposit insurance fund) that leads to examination and supervision, capital requirement, and so forth. Banking is "special."

The public cannot evaluate the safety of a bank. And because banks have "other people's money," history shows that banks present terrible temptations.

Is issuing commercial paper special? No, it is not. Just as lending is not special and does not require particular regulation. Anyone can make a loan to anyone else without consequences to the system.

The issuer of commercial paper does not hold itself out as a safe repository of the public's funds. The issuer says, "I promise to repay." But that promise is subject to the same limitations as any other promise to pay that is made in the society.

Measures of Soundness

The purchaser is relying not on the status of the issuer or on the protections afforded by a regulatory system but on the issuer's financial strength, as determined either by direct observation of financial information or by the evaluation of the rating agencies. There is nothing "special" here.

We should be removing unnecessary barriers to bank competition, not erecting new ones. Regulate the disclosures required of all lenders the same. Regulate the community obligations of all lenders the same. Regulate the duties of all similarly situated fiduciaries the same.

But don't impose capital requirements and prudential restraints on entities that do not hold themselves out to the public as being a type of institution with which safety is automatically associated.

Banks, insurance companies, and pension funds hold themselves out as having a strength on which the public can rely, but the public has no means of determining whether the strength in fact exists. Therefore these entities need to be regulated so that the public trust will be justified.

Benefits of Specialization

But holding companies do not fall into this category. They really are more a part of the parallel banking system than a part of the banking system itself.

The new systems involve less

See **BANKS SHOULD** *page 5*

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Letters to the Editor

Before Heeding Criticism of Fed's Pricing, Take a Look at Who Is Crying Foul

To the Editor:

Fairness is never an easy issue. This is particularly so when considering the role of the Federal Reserve as a provider of services to banking ["Fed's Decision on Pricing Raises Questions of Fairness," June 22, page 4].

Because of its role and structure, the Fed is constantly exposed to fairness questions. But the major complaints come from the large banks, usually members of the Association of Reserve City Bankers, who see the Fed infringing on their territory.

Consider, though, that the Fed's role as check-clearing agent ensures access to thousands of community banks that use the services directly or through a bankers' bank. The services are fairly priced and of the highest quality and innovation, and the Fed is not a competitor of those thousands of banks.

In years gone by, before jet couriers and high-speed electronics, before wide-area branching and virtually unlimited holding-company expansion, check clearing by the private sector worked very well.

The big banks in Federal Reserve cities had the capacity and

THE FED OFFERS *a competitive option to community banks.*

network for clearing; they also did not compete with their customer banks in local communities.

Looking Out for Themselves

Competition has changed banking. In many instances, the community bank, were it not for the availability of the Fed or a bank-owned bank, would purchase its vital clearing services from a competitor, often an across-the-street competitor. Is this fair?

In the June 22 commentary, Robert M. Fitzgerald and Ian W. Macoy wrote, respectively, as president of the Chicago Clearing House and as director of the National Organization of Clearing Houses. The ownership of most such clearing houses consists of large banks.

They often say the ownership is widespread, but in practice the votes and policies are with the large banks. Banks outside the major city are excluded from ownership and management.

Fairness is always a question of whose ox is being gored. Where the Fed is concerned, a relatively few private providers of clearing services are questioning the fairly priced services delivered to thousands of financial institutions.

Helge S. Christensen
President
Bankers' Bank of Wisconsin
Madison

Negative Yield on Treasuries in the 1930s Was Not a Case Of Investors Paying Uncle Sam to Hold Their Money

To the Editor:

I basically agree with the main points of Paul Nadler's June 9 column ["Given the Fed's Priorities, Look for It to Tighten Money"]. But it is a mistake to say that "people would pay the Treasury to take their money."

The short- and local tax effects appear to have caused some extremely small negative yields, on the order of minus 0.05%. The yields on the order of minus 1% to minus 2% that were mentioned were caused by the unique institutional environment in which Treasury securities were issued.

Payment for an Option Value

Essentially, the negative yields were the price investors paid for an option value in the securities.

During the 1930s, Treasury-issued securities with a coupon rate that implied the securities should sell above par, but they sold at par. The spread was a way of underwriting the issue.

With this fixed fee, the Treasury rationed the issue by exchanging these securities for maturing securities, giving the latter a greater value than that implied by their principal and interest.

No Long-Run Price Objective

(See Stephen G. Cecchetti, "The Case of the Negative Nominal Interest Rates: New Estimates of the Term Structure of Interest Rates During the Great Depression," *Journal of Political Economy*, December 1988, pages 1,114 through 1,141.

On the main point of Mr. Nadler's article, it is important to note that the problem of predicting Federal Reserve policy is complicated not by the presence of multiple objectives, but by the lack of commitment to a long-run price objective.

The crucial insight is that there is no long-term tradeoff between inflation and real growth. The attempt to stimulate real growth can be counterproductive when it leads to higher inflation expectations. Yet, such response is rational in the absence of commitment to a long-run price objective.

I have been arguing that monetary policy should be conducted with a long-term inflation objective, a particular price index that can make clear whether the policy is on track.

Such an explicit objective would not only concentrate inflation expectations and reduce an important source of macroeconomic uncertainty, it might make it unnecessary to write columns with the opening sentence, "How can you predict Federal Reserve policy in a world of stagflation?"

William T. Gavin
Assistant vice president and economist
Federal Reserve Bank of Cleveland

Comment

By Martin E. Lowy

Banks Should Be Allowed Same Freedoms the 'Parallel System' Enjoys

Continued from *page 4*

risk and deliver services at lower cost not only because they have regulatory advantages, but also because they encourage functional specialization and spread risks broadly.

The banking system therefore should be freed to perform more like the parallel system. This means freeing holding companies to engage in other businesses, eliminating restrictions on holding companies' strength or activities that do not involve their banks, and freeing the banks to act as agents in a variety of types of businesses, including securities sales, mutual funds, and all types of insurance.

The parallel system has that freedom, with no apparent dangerous consequences despite the extreme financial pressures of the last dozen years.

Strength Above All

If the depository system shrinks and intermediates less, that may not be a bad thing – even for banks. The point is for banks to stay strong, not necessarily big or even at some set percentage of the country's financial assets.

If bank owners – holding companies – also participated in less regulated intermediation, that would hold promise for providing credit at the lowest possible cost.

We therefore should encourage bank holding companies to become part of the parallel banking system, not discourage them from doing so from continuing its innovative role in the financial marketplace. □

Charter Federal Firming Up Plan for Offering

BRISTOL, Va. — Charter Federal Savings Bank said it expects the record date for its rights offering to shareholders to be on or about July 9.

As reported on June 4, the thrift expects to issue rights to purchase 21,755,562 common shares, based on the 3,656,397 common shares outstanding June 1.

The 5.95 subscription rights per common share would permit new share purchases at $2 each. Charter said the rights allocated to each shareholder will be transferable, and each shareholder will have the opportunity to subscribe for additional common shares.

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Texas Bankers Expect Trade Pact to Bring Jobs

By JOHN RACINE

From the Regions

IN TEXAS, WHERE OPTIMISTS once forecast $100-a-barrel oil, bankers and economists are talking big about the effects of the proposed free-trade pact with Mexico.

Shrugging off last week's delaying ruling by a federal judge that forces the U.S. government to study the environmental impact of the proposed North American Free Trade Agreement, Texans remain gung ho about the pact, which would join the United States, Canada, and Mexico into the world's largest trading bloc.

Texas, they say, is already reaping the benefits of the economic reforms Mexico put in place in the wake of its debilitating debt crisis of the early 1980s. They reject speculation that Nafta, as the trade pact is known, would cause U.S. jobs to be exported south of the border.

"The fact is that free trade is already here," said Robert S. McClane, president of Cullen/Frost Bankers Inc., a San Antonio-based company with $3.2 billion of assets. "The broader trend we expect to see is the development of new jobs in this area."



Robert W. Gilmer

Robert W. Gilmer, a senior economist with the Federal Reserve Bank of Dallas, said Texas and the Southwest in general are at the epicenter of a U.S.-Mexico trade flow that hit a record $65 billion in fiscal 1991, the last year for which statistics have been compiled. "Overall, there are more jobs that will be created in the U.S. than will be lost," he said.

Some Texas economists project a 50% growth in trade-related employment, to 304,000 jobs by the year 2000. Much of that would come from manufacturing plants that expand or relocate to areas near points of entry at the Mexican border. Mr. Gilmer also expects benefits for those in financial services, from accountants to bankers.

"I think Nafta is really going to be a services revolution," he said, but cautioned he has no hard data for his projection.

Banks expect to capitalize on Nafta by moving directly into Mexico or simply by bulking up their business lending – and eventually their retail presence – near the Mexican border.

John Welch, a senior economist and Latin American expert at the Dallas Fed, said Chemical Banking Corp's Texas Commerce Bank subsidiary and NationsBank Texas are planning to branch into Mexico. Even banks as far away as Bank of Boston, a big Latin American lender, are ready to pounce once Nafta kicks in. Smaller banks, however, are deterred by Mexico's requiring a relatively large capitalization for alien banks.

Among Texas banks, Mr. Welch said, "you'll mostly see an expansion of existing lines of business."

Foreign bank companies that already have oil-related offices in Houston would take advantage of trade financing opportunities, too. That, in turn could help Houston regain some of the luster it lost when global energy markets collapsed in 1986.

"Houston has really lost its niche in the bond industry because of the decline of oil and gas industries," said Mr. Gilmer, the Dallas Fed economist. "Trade finance could provide the banks with a niche to fill."

B of A Splitting Asia Operations Into Retail and Wholesale Units

By SAM ZUCKERMAN

SAN FRANCISCO — In its first significant return to international consumer banking in recent years, BankAmerica Corp. is setting up a special retail division for Asia.

BankAmerica said last week that it plans to split its Hong Kong-based Asia division into separate wholesale and retail divisions, effective Aug. 1.

The core of the retail division will be Bank of America (Asia) Ltd., a 22-branch bank in Hong Kong that BankAmerica inherited from Security Pacific Corp. With $2.3 billion of assets, it is Hong Kong's ninth-largest commercial bank.

Low Bids

BankAmerica, which is based in San Francisco, initially planned to sell the profitable Asian bank, but reversed the decision about six months ago. Bids for the unit were low, and BankAmerica judged it was

The core of the retail division will be Bank of America (Asia) in Hong Kong.

"worth more than potential buyers were willing to pay," a bank spokesman said.

The Hong Kong bank earned $42 million in 1992, for a return on assets of 2.02%.

The 81-year-old institution, founded as the Bank of Canton, operates mainly as a consumer bank, but also serves middle-market and small-business customers.

BankAmerica, the United State's second-largest bank company, shut or sold most of its overseas consumer banking businesses in the early and mid-1980s when it was going through a financial crisis. The original plan to sell Security Pacific's Hong Kong bank was in keeping with that strategy.

The Asia retail division will be run by James E. Hulihan, 50, who is currently the Hong Kong bank's chief executive.

New Wholesale Chief

The new chief of BankAmerica's wholesale operations in Asia will be Kai S. Nargolwala, 43, who is currently senior credit officer in the Asia division. He will oversee the bank's Asian trading, payments, corporate finance, and commercial banking businesses.

Both divisions will report to David A. Coulter, a BankAmerica vice chairman who is chief of wholesale and international banking operations.

The current Asia division head, group executive vice president John V. Rindlaub, assumes new responsibilities as chairman and chief executive officer of Seattle-First National Bank. BankAmerica's Washington State subsidiary, SeaFirst Bank. □

Loans to Small Firms Are Off, Poll Finds

By STEVE KLINKERMAN

Small businesses are asking for fewer bank loans than a year ago and getting rejected more often, according to a new survey conducted by Arthur Andersen Enterprise Group and National Small Business United.

The national survey of 687 small businesses found that 45% of respondents applied for a bank loan during the 12 months ended in April, compared with 49% in the year-earlier survey. The percentage of loan applications that were approved dropped to 75% from 77%.

The percentage of loan applicants who reported "problems obtaining loans" climbed to 68% from 52% in the 1992 survey.

'Tighter Regulations'

Twice as many loan applicants this year – 40% versus 20% – blamed "tighter regulations" over banks as the biggest obstacle to their gaining credit. Only thirty-two percent said they had not encountered any problems, down from 45% a year earlier.

The survey sponsor said the results underscore the link between tight bank regulation and a weak economy and strengthen the Clinton Administration's plan to encourage more character loans.

Northeast, Southeast Hit Hard

"Access to credit prevents owners of small and midsize businesses from having to lay off employees or slow down production [while] waiting for payments from previous sales," said John Galles, executive vice president of the NSBU, a nonprofit group representing small-business owners. "Ultimately, character loans can produce sales and jobs."

The survey found the most severe problems among businesses in the Northeast and Southeast, where 47% and 45% of respondents respectively reported unfulfilled capital needs. That contrasts with 31% of firms reporting similar problems in the Midwest and 26% on the West Coast.

Bank loan applications had an approval rate of 84% in the Midwest, 75% in the West, 70% in the South, and 67% in the Northeast, the survey found.

Despite complaints about credit access, most respondents claim their business are improving. Two-thirds forecast revenue gains over the next 12 months, while 59% said they expected higher profits. One out of every four respondents anticipated hiring at least one additional employee.

However, 52% of the firms surveyed warned that a "recessionary economy" is the biggest challenge to their survival and growth. □

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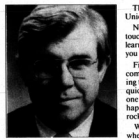
From 1st Union's Chief, Tales of the Acquisition Trail

Edward E. Crutchfield Jr., chairman and chief executive of First Union Corp., recently spoke to a utilities industry group on "The Agony and the Ecstasy" of his bank's experience with acquisitions. His remarks are excerpted below.



Edward E. Crutchfield Jr.

We've had some highs and some lows since the advent of interBanc banking eight years – and 35 acquisitions – ago.

I will tell you candidly, It's been interesting and, at times, scary.

It's been a little like a scene from "Butch Cassidy and the Sundance Kid." After several days, Butch and Sundance come to a high cliff edge where they have to either jump over or surrender to the posse. They take one long look, scream and jump, hoping the water in the creek below is six feet deep instead of six inches deep.

That's what going into a merger and acquisition mode feels like – jumping over a high cliff.

The Rules Changed

It's been a tough adjustment for many bankers used to a safe, predictable, regulated world.

Historically we've been rewarded for predictability.

If your industry is on the same road traveled by banks, there's some anxiety to come. Of the banks that made up the nation's top 50 only seven years ago, 17 have disappeared – mostly through mergers.

There are simply too many companies chasing too little business in banking and in utilities.

At the same time, the barriers to entry in both industries are beginning to crumble. It's much easier for others to enter like services or to build a power plant, often with much less regulation and capital investment.

Lure of Cost Reduction

The opportunity to reduce expenses through consolidation has been one of the strongest motivations driving change in the banking industry.

Ten years ago, it was clear to us that the banking industry was about to undergo massive consolidation. We knew it was going to wash over us – whether we were ready or not – whether we wanted it or not.

First Union had three strategic options: buy, sell, or do nothing. First, we investigated selling our company to a handful of buyers. A second option, doing nothing – hoping somebody would later buy us out at a big price – seemed like a passive, myopic, and dangerous strategy.

Stuck in the Middle

We believed midsize banks were doomed. They would be too small to compete with the big banks on the basis of cost, and too large to compete with community banks.

We were one of those mid-size banks, with about $7 billion in assets, operating only in North Carolina. So we took a deep breath and decided to go for it.

That's a short version of First Union's journey since 1985.

Now I'd like to shift gears and touch on a few lessons we learned that might be helpful to you during your journey.

First, learn a lot about the company you're buying (or selling to), and be prepared to move quickly. Too often after mergers, one side or the other finds unhappy surprises. You turn over a rock and find a snake.

We want to know exactly how, when, and if we can consolidate operations and realize the expense savings needed to offset the acquisition cost.

Shortsighted Critics

I emphasize again . . . Wall Street and the financial press have little tolerance for mistakes and little patience for long-term payoffs to shareholders. That makes it tough.

It's important to keep your company's stock price high. That's the currency used for making acquisitions (or the basis for pricing your company to an acquirer).

A second lesson we learned was to pay close attention to the mood of your regulators. This may be old stuff for you, because utilities are probably the only companies more regulated than banks.

Regulators can stop plans for a nuclear power plant or a bank merger in their tracks. I personally learned that close communication with regulators is a must. We also learned not to expect consistency of behavior from regulators.

One last word about regulators and politicians: We don't depend on them to create a level playing field or to protect our industry or our company from competition outside the industry. We try to level the playing field – and protect our markets – with our own actions.

The Human Component

Finally, let me touch on the human side of our merger experience. How you communicate and treat employees can make or break a merger – just as quickly as the operational and financial issues.

Personnel experts say a 15% loss of productivity is typical in a merger, simply because of all the time employees spend worrying about how the new situation will affect them and their co-workers.

The lesson we've learned about employees is this: Never underestimate the traumatic effect of a merger on your employees. The psychological effect can be devastating.

Keep Workers Informed

Our first pledge to acquired employees is to communicate quickly and tell it straight. We give them information as soon as we know it – even when that information is negative.

Their No. 1 question is "Will I have a job?" We move quickly to answer that so they feel back in control of their own fate. It's tough to communicate candidly and build a team when at the same time you're eliminating jobs and most of your news to employees is negative.

We have 32,000 employees – over half of them from recently acquired banks. My most time-consuming task is communicating with employees in groups and staying in touch.

I've saved our most important "lesson learned" for last: Focus intently on listening to and serving the customer. □

Viewpoint

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Communication with regulators is a must.

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N.J. City Rallied Round Its Only Black-Owned Bank

By FRANKLIN SMITH

NEWARK, N.J. — City National Bank of New Jersey is a community bank – literally.

New Jersey's only minority-owned bank, City National was on the brink of failure four years ago. It came back largely because the community rallied behind it.

"Virtually no one withdrew their money," said Louis E. Prezeau, president and chief executive.

Today, the bank is well on its way to a third consecutive profitable year, its recovery apparently assured. Assets grew by 22% last year, to $62 million, and have grown by another 10%, or $6 million, so far this year.

"We have basically solved all of our problems," said Mr. Prezeau, "and the bank is now focused on the future – on how to do better, and where do we go from here."

A Long Road

As he sees it, City National is a shining example of African-American enterprise and a potential participant in the community development banking program proposed by the Clinton administration.

"I feel we're already a community development bank," he said.

Mr. Prezeau traveled a long road to the point of thinking about City National's future.

At the height of the crisis, "I was very up-front in making sure everyone knew the condition of the bank, and we didn't have a run on deposits," said Mr. Prezeau, whose communications skills clearly had something to do with the customers' confidence level.

"Right now we are seeing a lot more customers coming into the bank," he said. "When you are successful, things seem to happen and the news spreads."

Message of Success

Mr. Prezeau became CEO of the bank and its parent, City National Bancshares, in 1989, when the Office of the Comptroller of the Currency had clamped a cease-and-desist order on the bank.

Before that, Mr. Prezeau was chief operating officer of Freedom National Bank of New York, a pioneering black-owned institution.

He was acting president in 1987, Freedom's peak earnings year. But when that $100 million bank failed in 1990 – after Mr. Prezeau had left for New Jersey – it dealt a high-profile setback to the minority banking community.

Mr. Prezeau, 50, sees an important message in City National's ability to succeed by being community-focused.

"We need need to be a strong and viable financial institution, an example for African-Americans to build better businesses," he said. "It doesn't work by failing."

Fresh Approach

The Newark bank's founder, Charles L. Whigham, a businessman and community leader, turned to Mr. Prezeau for a fresh approach to management and a strategy to overcome the problems cited by the Comptroller's office.

The regulator's cease-and-desist order identified major problems in record keeping, asset quality, capital, and various loans.

Losses from 1988 through 1990 had reduced capital to $2 million from $4.7 million.

Part of the regulatory order called for meeting the 5% Tier I capital-to-assets ratio, which City National achieved on in April 1992. City National closed last year at 5.42%. On March 31, capital was up to 5.78%.

Managed Growth

At $68 million of assets, the 20-year-old bank is moving back from its capital-enforced shrinkage toward the $73 million it had at yearend 1990, the year in which it lost $174,000. Excluding extraordinary items, City National earned $75,000 in 1991 and $361,000 last year. The 1992 returns on assets and equity were 0.64% and 12.48%, respectively.

"The bank's ability to grow has been tremendous, and I have been managing my growth because I want to make sure my capital ratios improves," Mr. Prezeau said. "Our objective is to get to a 6% Tier I ratio."

He said City National benefited from support of Newark's mayor, business leadership, board of education, and major corporations, including Prudential Insurance Co.

Strong Presence

"City National Bank is really a community bank," said Mr. Prezeau. "The fact we have 1,903 shareholders speaks for itself."

The bank has a large share of the African-American market and some of the Hispanic market, Mr. Prezeau said. Customer relationships total 12,000 to 13,000. Major customers include churches, small businesses, senior citizens, and blue-collar workers.

In a move to attract new business, City National has brought in Corby R. Ellis-Mare, a consultant and former Freedom National official, to head marketing and public relations.

Among current initiatives is Residential Express, a mortgage program offered jointly with a GE Capital Corp. unit that broadens City National's offerings and provides a channel into the secondary mortgage market.

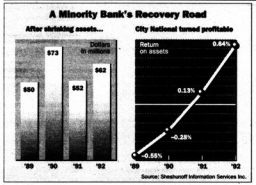
'We're Here'

Other plans include renovation of City National's headquarters and potential branch

See AT CITY *next page*



Clive Prince
CLIMBING BACK: Louis E. Prezeau, president and chief executive of City National Bank in Newark, N.J., has presided over an upturn that he attributes in large part to community support. After several years of losses, the bank is on its way to a third consecutive profitable year. Assets grew by 22% last year, to $62 million, and have grown by another 10%, or $6 million, so far this year.



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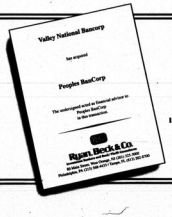

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COMMUNITY BANKING

Urban Bankers Chief Issues a Call for Leadership

By FRANKLIN SMITH

The newly elected president of the National Association of Urban Bankers, the professional group for minorities in banking, thinks it can do better.

Speaking during the association's recent annual conference in San Diego, Paul R. Wiggins said it will emphasize the professional development and job stability of its 3,000 members, and general economic development in minority communities.

Providing Opportunity

"We must continue to search for avenues to provide educational, leadership, networking, and growth opportunity for our members," said Mr. Wiggins, who also is vice president of SunBank of Tampa Bay, Fla.

On the urban bankers' educational agenda will be a computerized bank simulation program to help members learn to deal with day-to-day decision-making problems.

"Leadership development is critical to our success," said Mr. Wiggins. "We'll communicate with the various banking schools with the intent of increasing urban banker enrollment."

In the interest of upward mobility, the association operates a job bank and assists members seeking to advance.

"Urban bankers across this country are able, willing, and ready to drink from the cup of opportunity, and when given the opportunity, we will succeed," Mr. Wiggins said.



Paul R. Wiggins
"We will succeed"

'Ahead of the Curve'

Mr. Wiggins has a recruitment project of his own: He plans to seek a full-time executive director to run the association's administrative staff.

"I certainly believe that it is critical that NAUB strive to be ahead of the curve" of financial industry change, he said.

At SunBank, Mr. Wiggins is responsible for management reporting and review. He joined the SunTrust Banks Inc. affiliate in Tampa in 1985, and has served in many positions, including credit analyst, commercial lender, branch manager, and loan review officer.

Other Posts

As president of NAUB for 1993-94, Mr. Wiggins succeeds Herbert W. Whiteman Jr., vice president of the Federal Reserve Bank of New York.

Lloyd Griffin is president-elect of the association. Mr. Griffin is vice president of Western Trust Services in San Diego.

Reelected treasurer was Richard Holmes, assistant vice president of Bank of America, San Diego.

Beverly Brown, vice president, lending compliance, D&N Bank, Flint, Mich., is the newly elected secretary of the association. Mr. Whiteman will be chairman of the advisory board.

At City National, Community Helps Stage a Comeback

Continued from *page* 8

acquisitions in the near future.

"Hopefully, with the Clinton administration's plans for community development banks, City National Bank will be able to benefit," said Mr. Prezeau.

"The Resolution Trust Corp. has branches in minority communities, which tend to close when a major institution acquires the bank. We're saying,

The mayor, business leaders, and corporations offered support.

'We're here and we'll take those branches.' We understand and are committed to the minority communities."

Working Together

City National's impact on Newark is seen in its assistance to minority-owned start-up businesses and in $10 million of financing for African-American churches, which have been able to build new churches, provide day care, feed the homeless, and help individuals get credit.

"When we're not financing anyone, we educate them in where to go for financing," Mr. Prezeau said. "Some projects might be too big, and so we refer them to another institution – one institution working with another in the community to help provide financing for a customer."

The bank currently has some 200 commercial loans in its portfolio. It also provides Small Business Administration loans between $30,000 and $100,000. □

Pact to Buy Pioneer

ROCKY MOUNT, N.C. — Pioneer Bancorp said it has completed a definitive agreement to be acquired by First Citizens Bancshares for about $3.6 million. □

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HUD to Revisit Fees for Electronic Referrals

By PETER SCHOENKE
Special to the American Banker

WASHINGTON — Following widespread criticism from the mortage industry, the Department of Housing and Urban Development last week decided to revisit referral fee rules put in place last November.

The rules were intended primarily to combat kickbacks, but opponents feel they would effectively lock out smaller lenders from realty offices and thus limit choices available to consumers.

HUD's announcement that it will begin hearings Aug. 6 took the steam out of a House Small Business Committee hearing to consider legislation remedying complaints about the rules.

Deep Divisions Evident

However, the announcement may well have been welcome to the committee members. The deep divisions evident at last week's hearing indicated it would be extraordinarily difficult to write a new law without offending some influential group.

The panel decided to postpone any action on the regulations until the HUD hearings are over.

That may take some time, as the agency said it would continue the hearings until everybody has been heard.

HUD originally drafted the rules several years ago in keeping with the Real Estate Settlement Practices Act of 1974.

The rules spell out what payments are permissible as well as those that are forbidden.

Supporters at the House hearing argued they would ensure the development of computer-based shopping systems – called CLOs, for computerized loan origination – that would bring loans into rural and low-income neighborhoods.

Ray Sims, senior vice president of GE Capital Mortgage Services Corp. in Concord, Calif., described his company's successful placement of a system in a small minority-owned bank in Newark, N.J.

The bank, he said, has made 25 loans in four months with the GE computer system, against only three in all of 1992 before the system was installed.

"We believe that the speed, convenience, and cost savings associated with computerized loan origination are too important to be lost in an intramural turf battle among settlement service providers," said Mr. Sims.



Rep. John J. LaFalce
Raises a warning flag



Herbert B. Tasker
Wants rules amended

But opponents argued that the rules would limit consumers' borrowing options by effectively locking out smaller lenders.

Vows to Press for Action

Herbert B. Tasker, representing the Mortgage Bankers Association of America, said the new rules were "a thinly veiled excuse for paying a referral fee."

He said that if HUD did not change the ruling, the trade group would continue to press for congressional action.

Committee members agreed on the need for new computer technology in the mortgage business.

But the panel's chairman, Rep. John J. LaFalce, D-NY, questioned whether the rules ensured that such systems would not be abused. He pointed out that the rules did not require that any other company's mortgage quotations be on a computer system.

Rep. Jan Meyers, R-Kan, asked if laws in Kansas and Minnesota limiting the percentage of loans a lender can receive through referrals would be acceptable to supporters of the computer systems.

Paul Spera, representing the National Association of Realtors, said such limits would make it unprofitable for lenders to develop the computer systems.

Mr. Schoenke writes for the Medill News Service.



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Fortis Financial Aiming To Boost Sales at Banks

By KAREN TALLEY

Fortis Financial Group, a mutual fund and annuity marketing firm in St. Paul, is preparing to take a stab at the bank market.

The company has earmarked $1 million for new staffing and marketing efforts during the next year, and is actively searching for an executive to lead the charge.

But Fortis is quickly finding that it's not the only company on the hunt for such talent.

Scramble for Talent

"The two recruiting firms we're working with said five other fund organizations are looking to fill sirpilar positions," said Dean Kopperud, president of the firm's brokerage and money management units.

In fact, Fortis itself recently lost marketing manager Joseph Techar to First Bank System in Minneapolis.

In addition to recruiting a national sales manager, Mr. Kopperud plans to create a sales force dedicated exclusively to financial institutions.

By establishing a greater presence in banks, he believes Fortis can dramatically boost sales. In 1991 and 1992, the company sold $100 million of mutual funds and variable annuities through financial institutions.

Sales via Insurers, Brokers

Though the company serves some banks, the major outlets for its 12 mutual funds and two variable annuities have been insurance agents and regional brokerage firms.

Among banks, Mr. Kopperud said, the most popular fund offering is the Fortis U.S. Government Securities Fund.

The government fund is also Fortis' largest, with $625.7 million under management as of March 31, according to Lipper Analytical Services. It returned 4.51% through the first five months of this year, ranking 62nd out of 128 general U.S. government funds tracked by the Summit, N.J., research firm.

Fortis' largest equity fund, the Fortis Growth Fund, with $550.2 million in assets, returned 2.88% through the first five months of 1993. This places it 92nd out of 139 similar funds tracked by Lipper.

A Top Priority

Penetrating the bank sales market has been a top priority for Mr. Kopperud since he was promoted to president of the brokerage and money management units in May.

Mr. Kopperud joined Fortis as a sales and marketing senior vice president in 1989, from Integrated Resources, where he held a similar position.

Fortis Financial Group is a unit of Fortis International, a Dutch financial services company with $45 billion in assets. □



Dean Kopperud
Aims to hike sales dramatically

AMERICAN BANKER/*Bank Rate Monitor's*™
Consumer Money Index — **Retail and Jumbo CDs**

Retail Yields

	6-month	1-year	5-year
New York	2.79%	3.04%	5.02%
Los Angeles	2.78	3.19	5.00
Chicago	2.96	3.27	5.16
San Francisco	2.73	3.08	4.91
Philadelphia	2.72	2.95	4.87
Detroit	2.82	2.95	4.96
Boston	2.73	3.14	4.88
Houston	3.02	3.19	5.04
Dallas	3.01	3.21	4.93
Washington	3.08	3.46	5.27
BRM NATIONAL AVERAGE	2.96	3.15	5.00
8-Week High *	2.98	3.16	5.03
8-Week Low *	2.95	3.14	5.00

Jumbo Rates

	6-month	1-year	5-year
New York	2.84%	3.14%	4.95%
Los Angeles	2.87	3.23	4.95
Chicago	3.02	3.35	5.07
San Francisco	2.81	3.12	4.88
Philadelphia	2.81	2.95	4.78
Detroit	3.03	3.17	5.16
Boston	2.85	3.11	4.91
Houston	3.13	3.39	4.94
Dallas	3.10	3.37	4.96
Washington	3.15	3.42	5.35
BRM NATIONAL AVERAGE	2.96	3.23	5.00
8-Week High *	2.96	3.23	5.02
8-Week Low *	2.91	3.16	4.97

Here are the market by-market averages being paid on jumbo and retail certificates of deposit by the 10 largest banks and thrifts in each of the nation's 10 largest markets on June 23. The eight-week rate trend is the average being paid on one-year maturities by the same 100 institutions on the dates indicated.
* Range of the BRM National Average over the latest eight-week period.
Source: **CDtech Rate Monitor**, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

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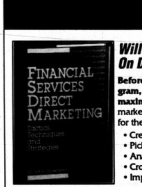

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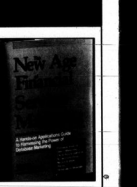

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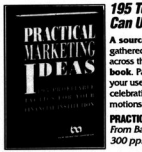

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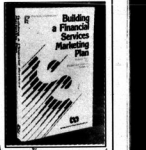

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PENDING LEGISLATION

Issue	Principal Bills	Status and Outlook
Interstate branching	Measures introduced in the Senate (S 371 by Christopher J. Dodd, D-Conn.) and in the House (HR 256 by Rep. Stephen L. Neal, D-N.C., and HR 256 by Rep. Bruce Vento, D-Minn.) would permit interstate branching by adequately capitalized institutions within two years of enactment.	Interstate could pass Rep. Neal's financial institutions subcommittee, a relatively friendly forum. But few observers think it will move much farther than that in this Congress.
Community development banks	Republicans, led by Rep. Jim Leach of Iowa and Sen. Alfonse M. D'Amato, are pressing an approach that would give commercial banks an incentive to invest in community development institutions. Democrats are waiting for President Clinton's plan.	The president is expected to unveil his plan within the next several weeks, and it could move quickly through the House and Senate.
Resolution Trust Corp.	Later this summer, the House is expected to take up a scaled-back funding measure that would provide up to $18.3 billion for the RTC and $16 billion for the Savings Association Insurance Fund, the same amounts provided by the Senate.	A leadership vote count showed the measure far short of a majority. But RTC supporters were encouraged by the relatively few lawmakers who said they are firmly against it. Still, the measure faces a tough, uphill fight.
Fair Credit Reporting Act amendments	HR 1015, introduced Feb. 18 by Rep. Esteban Torres, D-Calif., would make it easier for consumers to obtain copies of their credit reports and to correct errors. It would also set penalties for banks and others that fail to correct mistakes in credit information. A similar bill, S 783, was introduced in the Senate by Sen. Richard Bryan, D-Nev., and Sen. Christopher S. Bond, R-Mo.	A similar bill was withdrawn last year in the final days of Congress; but many observers believe Rep. Torres and his supporters, including Rep. Gonzalez, will triumph this year. Hearings began in the Senate last month and could begin in the House soon.
Secondary market for small-business loans	HR 660, introduced Jan. 27 by Rep. John J. LaFalce, D-N.Y., would create a federal agency, nicknamed Velda Sue, to sponsor a secondary market for small-business loans. A companion bill was introduced in the Senate by Sen. John Kerry, D-Mass., on March 4. S 384, introduced Feb. 17 by Sen. Alfonse M. D'Amato, R-N.Y., takes a different approach. His bill would reduce a number of regulatory impediments to securitization, making it easier for the private sector to pool small-business loans. A companion bill was introduced in the House on Feb. 24 by Rep. Richard H. Baker, R-La., and Rep. Leach.	Secondary-market bills have been kicking around for nearly a decade, but there appears to be more interest on Capitol Hill this year than ever before.
Regulatory relief	HR 59, introduced Jan. 15 by Rep. Doug Bereuter, R-Neb., takes a two-tier approach to bank regulation. Well-capitalized institutions would be given more favorable treatment, including exemption from some regulations and authority to file "short-form" call reports. HR 269, introduced Jan. 6 by Rep. Bill McCollum, R-Fla., would reduce record-keeping requirements under the Community Reinvestment Act. In addition, banks that invest in community development institutions would be deemed to have met their CRA requirements. S 265, introduced Feb. 28 by Sen. Richard C. Shelby, D-Ala., would repeal or modify some of the congressionally mandated regulations bankers despise most, including the operational and auditing standards required in the 1991 banking law. A companion bill, HR 962, was introduced in the House on Feb. 18 by Rep. Bereuter and is now being co-sponsored by a majority of House members. In the Senate, Sen. D'Amato on June 18 introduced S 1124, a broad regulatory-relief bill that would also limit lender liability for environmental cleanup.	The chairmen of the House and Senate banking committees are at best skeptical about the industry's agenda for regulatory relief, and at worst openly hostile. The Clinton administration, though more sympathetic, appears to have backed away from proposing relief legislation. As a result, legislation is unlikely this year. The best chance for legislative relief may come after the regulatory agencies release their recommendations.
Agency consolidation	Two major bills are pending in the House. HR 1214, the Regulatory Consolidation Act of 1993, was introduced by Rep. Gonzalez on March 4. His bill would consolidate all thrift and bank regulation in a single, independent Federal Banking Commission. HR 1227, the Bank Regulatory Consolidation and Reform Act of 1993, was introduced by Rep. Leach on the same day. His measure would combine the Office of the Comptroller of the Currency and the Office of Thrift Supervision into an independent Federal Banking Agency. In the Senate, Banking Committee Chairman Donald W. Riegle, D-Mich., has said agency consolidation could be a major step toward easing the regulatory burden on banks. He has indicated that such legislation would be a major priority.	Although consolidation has been a quagmire in the past, interest is high this year — in large part because it promises cost savings. A kind word from the President might be enough to do it.
Bankruptcy reform	Sen. Howell Heflin, D-Ala., introduced S 540 on March 10. The bill would make it more difficult for individuals and businesses in bankruptcy proceedings to avoid repaying debts. Rep. Mike Synar, D-Okla., introduced a similar bill in the House, HR 2326.	Similar legislation died in the final hours of the last Congress because of a parliamentary maneuver involving an unrelated bill. Bankruptcy reform appears to have a good chance of passing in this Congress.
Insurance regulation	Rep. Joseph P. Kennedy 2d, D-Mass., introduced the Federal Insurance Administration Act, HR 1257, on March 9. His bill would expand the powers of the Federal Insurance Administration and give the insurance industry easier access to the Federal Reserve's discount window, a step most banks oppose. Rep. John D. Dingell, D-Mich., chairman of the House Energy and Commerce Committee, introduced HR 1290, a bill providing for federal regulation of the insurance industry, on March 10.	Though the outlook for both bills is uncertain, they set the stage for the next round in the continuing jurisdictional battle between the House Banking Committee and the House Energy and Commerce Committee. Members of the banking panel would like to expand their say over insurance, a product of increasing importance to banks.
Federal Home Loan Bank System	Reps. Baker and Neal introduced HR 1085 on Feb. 24. The measure would ease some of the pressure on the Home Loan Bank System by reducing its contribution to the savings and loan cleanup to the lesser of $300 million or 20% of the system's profits. Currently, the system pays the larger of the two sums. The bill would also equalize membership requirements for banks and thrifts.	Rep. Baker offered a similar bill last year in the face of opposition from the Bush administration and resistance from the chairman of the House Banking Committee. It is unclear whether he will fare any better this year.
Credit cards	Rep. Charles E. Schumer, D-N.Y., introduced legislation that would increase disclosure requirements for credit cards, particularly in solicitations for new customers. HR 1872 would require, among other things, that envelopes containing solicitations bear information about rates, grace periods, and fees. The bill drops a requirement considered earlier by Rep. Schumer that the government study whether rates are too high.	Rep. Schumer tried to move similar legislation in the past without success. With rates generally declining, support for such measures may be on the decline.
Basic banking	Rep. Cleo Fields, D-La., and Rep. Albert Wynn, D-Md., are sponsoring legislation to regulate check-cashing facilities. The bill, HR 1448, would also require banks to cash government checks for free. In the Senate, Howard Metzenbaum, D-Ohio, introduced a similar bill, the Financial Services Access Act, on Jan. 21.	Government check cashing has come close to winning congressional approval in the past and could hitch a ride should a banking bill begin to move.

REGULATORY ROUNDUP: A summary of rules of major interest to bankers

Proposal	Agency	Status
Change appraisal regulations to exempt all loans under $250,000 and all business loans under $1 million that do not count on real estate as primary repayment means. Published June 4.	Fed, FDIC, OCC, OTS	Comments are being accepted until July 19 at the agencies.
Establish sweeping operational and managerial standards for banks.	Fed, FDIC, OCC	The Fed and the FDIC have publicly proposed regulations, but none of the agencies published its plans or set a comment deadline. Plans take effect Dec. 1.
Add an interest rate risk component to the risk-based capital standards. First draft published Aug. 10.	Fed, FDIC, OCC	Narrow proposal was approved in March by the FDIC followed suit on June 9. The OCC has not commented, but the plan has not been published. No comment deadline has been set.
Simplify public notice requirements under the Bank Merger Act. Published June 15.	FDIC	Comments are due Aug. 16.
Revise home mortgage reporting by national banks to include reasons why applications were rejected and require monthly, rather than annual, reports.	OCC	Comments are due July 9.
Allow corporate credit unions more options in purchasing fidelity bond coverage. Published May 27.	NCUA	Deadline extended four days. Comments are due July 30.
Specify where the earnings held by a farm credit bank and allocated to a direct lender may be counted as permanent capital. Published June 23.	Farm Credit Administration	Comments are due July 22.
Make permanent the Fed's small-bank exemption from insider-lending rules. Banks with deposits less than $100 million would be able to have insider loans of up to 200% of unimpaired capital, instead of the usual 100%.	Fed	Comments are due July 15.
Revise international supervisory treatment of netting arrangements, market risk, and interest rate risk, as proposed by the Bank for International Settlements.	Fed	Comments are due Dec. 31.

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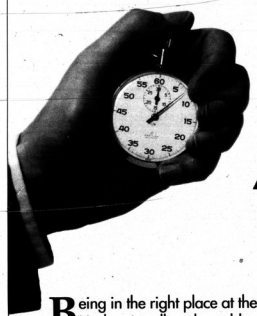

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EXECUTIVE *changes*

Former BT Exec Robert Stuart Joins Canadian Imperial Bank

Robert W. Stuart, a former **Bankers Trust New York Corp.** executive, has joined **Canadian Imperial Bank of Commerce** as managing director of a new telecommunications group in the company's technology-driven industries sector.

He was a senior banker and division head of the utilities-telecom group at Bankers Trust.



Robert W. Stuart

In the newly created post at Canadian Imperial, Mr. Stuart will manage the delivery of corporate and investment banking services to regional and long-distance telephone companies, as well as to independent cellular and paging companies throughout the United States.

Previously, Canadian Imperial's relationships with these companies had been managed by the bank's utilities group in Chicago and media group in New York. — **Franklin Smith**

MIDWEST

ABN AMRO North America Inc., Chicago, a subsidiary of the Amterdam-based **ABN Amro Bank,** said **Ronald Holzer** has joined its ABN Amro USA branch network as group senior vice president of foreign exchange. Mr. Holzer is responsible for all trading and sales of foreign exchange products.



Ronald Holzer

He had headed foreign exchange trading at **Harris Trust and Savings Bank,** Chicago.

MIDDLE ATLANTIC

CHASE MANHATTAN Bank, New York, said **Paul L.M. Beckwith,** managing director, has been appointed to head its new global chemicals industry group.



Paul L.M. Beckwith

He will be responsible for consolidating Chase's activities with the chemical industry worldwide.

Those activities include banking relationships with chemical industry clients in North Ameria, Europe, Asia, and Latin America, as well as corporate finance, mergers and acquisitions, and merchant banking.

In another announcement, **Chase Futures Management Inc.** said that **Steven B. Crandall** has been retained as chief investment strategist for **Chase Futures Advisors Inc.** products.

Chase Futures Management designs, markets, and manages derivative-based investment products aimed at the institutional investment market.

Chase Futures Advisors acts as asset allocator and trading manager for Chase Futures Management fund products.

PRICE WATERHOUSE, New York, has named **Jeffrey G. Rutishauser** as managing director of real estate advisory services for its New York metropolitan real estate industry services group.

He was formerly with **GE Capital's** commercial real estate group.

MASTERCARD International, New York, has named **William P. Binzel** as director of government relations, Washington.

Mr. Binzel formerly was the Republican counsel of the House Banking subcommittee on consumer credit and insurance.

In another announcement, Mastercard said **Charles W.B. Wardell 3d** has resigned as senior vice president, member relations.

NEW ENGLAND

BANKNORTH Mortgage Co., West Brattleboro, Vt., has appointed **Steven J. Ryder** as assistant vice president, correspondent lending.

He was formerly vice president, mortgage lending, at **Granite Bank** in Keene, N.H., for four years.

STATE STREET BANK and Trust Co., Boston, has promoted **Joseph W. Cadigan, Richard W. Dinsmore Jr.,** and **Robert M. Quinn** in the personal trust division of the commercial banking services area and **Joseph F. Sousa** in the computer operations division of corporate staff to vice president.

New assistant vice presidents are **Karen R. Beard** in the corporate services division of the securities services area; **Rhonda L. Berchuck** in the marketing services division of corporate staff; **Cecilia Chin** in the Asia financial services division of Hong Kong in the global financial asset services area; **Jane R. Capp** in **State Street Global Advisors,** and **Christine A. Donovan** in the global securities division of global financial asset services.

Also, **Marie A. Hattinger** in the corporate services division of the securities service area; **Jacqueline A. Heyer** in the international operations division of the securities operations area, and **Patricia A. Parcellin** in the U.S. mutual fund services division of the global financial asset services area.

WEST

PRIMERIT BANK, Las Vegas, Nev., has named **Bernadette M. Mashas** to chief financial officer and treasurer.



B.M. Mashas

Ms. Mashas joined the bank in 1987 as vice president and controller and was named senior vice president and treasurer in 1990.

As chief financial officer, she is responsible for Primerit's treasury and accounting departments. □

When it's this hot, you deserve extra scoops.

For many bankers, the thermometer is a lagging indicator of the heat they feel in handling current regulations and guessing the Clinton administration's next moves. But we've got a way to help you keep cool: *American Banker's Washington Watch.*

We broke the news about the plans by credit union trade associations to branch cross-country. We warned readers that the FDIC will crack down on banks and thrifts that aren't paying enough for insurance, and that the Fed was flirting with examination fees. We also uncovered plans that would let banks pay less for deposit insurance provided they set up certain special programs.

Those kinds of tasty scoops are the weekly fare at *American Banker's Washington Watch.* Within minutes, you get insights on regs and regulators—as well as your competitors—that could make the difference between profit and loss. We unconditionally guarantee it.

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PROFESSIONAL EMPLOYMENT OPPORTUNITIES

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Saudi Arabia

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Applications are invited for the following newly created and critical line management positions.

MANAGER - PC/END USER COMPUTING

Key Responsibilities:
- Developing and managing an effective PC/EUC organization responsible for:
- Selection of software tools and utilities.
- Building and managing a comprehensive solution-oriented PC/EUC team including LAN Specialists and Information Center Analysts.
- Providing service and support to end users.
- Close interaction with application development teams.

Requirements:
- Excellent management skills.
- Hands-on technical experience of LAN technology, Query languages, report generators and test editors.
- Excellent interpersonal, communication and presentation skills.
- A minimum of 5 years' PC/End User Computing management experience gained within a banking or financial services environment.

MANAGER - AUTOMATED CUSTOMER SERVICES

Key Responsibilities:
- Managing the resources and processes involved in assuring user satisfaction with services provided by the Information Services Division.
- Developing Service Level Agreements (SLAs), monitoring services against these agreements, identification and resolution of service issues and problems.
- Interfacing with users (370 branch network) on a continuous basis.
- Development and administration of a solution-oriented "Help-Desk".
- Interfacing between Information Services Division and branches to evaluate new system requirements.
- Conducting user training for a series of major banking applications.

Requirements:
- Extensive information technology experience, preferably gained within a banking or financial services environment.
- Minimum of 3 years' management experience.
- Extensive user liaison skills including development of SLAs and management of a professional solution-oriented "Help-Desk" function.
- Mainframe and PC technical skills.

Riyad Bank offers a competitive compensation package consisting of tax free salary, paid housing, medical insurance, annual airfare and a fully furnished, spacious (single or married status).

Qualified candidates with an interest in making a positive contribution to the continued development of the Riyad Bank" effort" she should direct resumes with current salary to: Box 701, 12 West 37th Street, 10th Floor, New York, NY 10018.

JUNIOR EQUITY RESEARCH ANALYST

Midwestern investment firm specializing in banks and thrifts seeks a highly motivated individual with strong PC skills and at least one to two years experience working with bank and/or thrift financial statements. The ideal candidate will have analytical analysis and some writing. Individual will assist two senior analysts and operate in a team environment.

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Upstate New York financial institution is seeking to fill the following positions:

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Human Resources Dept LE
American Express Bank
American Express Tower
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E.F. Pazio, Asctr. Lic. #798972 Sells 9AM on 7/21/93 at 1131 Ogden Ave. (BX) 87 Honda Accord #1HGCA5536HA204741 Blue 4Dr Sedan, 1987 Honda Accord #JHMAD1

CREDIT RATINGS

Chemical and Chase Win Upgrades from Moody's

Continued from page 1

recent $750 million equity offering and strong reserves against loan losses.

However, Moody's said it will continue to monitor Chase's efforts to improve asset quality, particularly its program to sell nonperforming real estate assets in bulk.

Future upgrades will depend on Chase's identifying and developing its businesses, Moody's said.

The two money-center upgrades got the third quarter off to a good start in terms of bank ratings.

No Downgrades in 1st Quarter

U.S. banks in the second quarter failed to match the record set in the first quarter when Moody's did not downgrade a single one.

Moody's, which upgraded 14 banks or holding companies in the first quarter, upgraded eight and downgraded two in the second quarter.

The two downgrades were Riggs National Corp., Washington, and Bancal Tri-State Corp., San Francisco.

Riggs, whose subordinated debt was cut to Caa from B3, was rocked by losses at its London bank.

Moody's cut Bancal Tri-State's senior debt to A3 from A1, citing low margins, heavy reliance on purchased funds, and asset-quality problems at its parent, Mitsubishi Bank.

S&P Hands Out 7 Upgrades

For the second consecutive quarter, Standard & Poor's Corp. upgraded seven banking companies and downgraded one.

And Thomson BankWatch, which announced 27 upgrades and six downgrades in the first quarter, upgraded 23 and downgraded five in the second quarter.

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And Thomson BankWatch, which announced 27 upgrades and six downgrades in the first quarter, upgraded 23 and downgraded five in the second quarter. Four of the five downgrades were of smaller California banks.

Analysts warned not to read too much into the smattering of downgrades in the second quarter.

"We believe that the health of the U.S. banking industry today is better than it has been in a long time," BankWatch said.

Tougher Sell Next Time

But future upgrades may become tougher as bank ratings settle at the low-A and BBB levels.

Christopher T. Mahoney, associate director of the financial institutions group at Moody's, said his agency is increasingly looking beyond financial ratios and toward more predictive analytical approaches.

"There has been a huge focus on Tier 1 capital, but some notorious banks have high Tier 1 ratios," he said.

One key area Moody's is looking at is "franchise value." He described this as "the ability of an institution to make money in the future because of its competitive position and the defensibility of that position."

How B of A Weathered Storm

For example, BankAmerica Corp., because of its dominant California consumer banking operations, was able to survive serious financial problems in the late 1980s.

Another major rating issue that is developing is whether any banks will be upgraded to the double-A category.

The current double-A bank holding companies include, according to Moody's, include J.P. Morgan & Co., rated Aa1, and Republic New York Corp., rated Aa3. Wachovia Corp. and NBD Bancorp have implied double-A grades.

None in the Pipeline

Moody's currently has no A1-rated banks on review for upgrade into double-A territory. The A1 companies include Bankers Trust New York Corp., Banc One Corp., Norwest Corp., and SunTrust Banks Inc.

"The prospects for upgrade to double-A are the highest since the LDC debt crisis," Mr. Mahoney said.

However, he conceded that many think bank debt is too cyclical a business to merit such a high rating.

The rating agencies took the following other actions last week:

Bancomer SA: Duff & Phelps assigned a Duff-1-plus rating to short-term pesos-denominated obligations of this Mexican bank and a AA-minus rating to peso-denominated long-term obligations.

Short-term dollar-denominated obligations were rated Duff-2, while longer-term dollar issues were assigned a BBB-plus. Duff & Phelps said the company has solid fundamentals and excellent access to peso-denominated funding. The bank has the largest branch network in Mexico.

Bank of Boston Corp.: Thomson BankWatch affirmed senior debt at BBB-plus, subordinated debt at BBB, and pcgferred stock

Moody's cited Chemical's strong noninterest and trading income.

at BBB-minus. The ratings followed the bank's issuance last week of $150 million in subordinated notes and $70 million in preferred stock. Bank of Boston agreed to raise the capital in connection with gaining Federal Reserve Board approval for its acquisition of Multibank Financial Corp., Dedham, Mass.

CoreStates Financial Corp.: Moody's assigned ratings of Aa3 for long-term deposits and Prime-1 for short-term deposits to CoreStates Bank of Delaware and to New Jersey National Bank, affiliates of CoreStates Financial. Moody's said the ratings are based on the holding company's strong franchise in the greater Philadelphia region, strong asset quality, and good capitalization.

First American Metro Corp.: Standard & Poor's raised ratings on the uninsured certificates of three former subsidiaries. First American Bank of Virginia, McLean, First American Bank of Maryland, Silver Springs, and First American Bank, Washington, were boosted to A/A1 from B-minus/B. The upgrades reflect the purchase of the banks by First Union Corp. last month.

First Hawaiian Inc.: Standard & Poor's downgraded the company's commercial paper to A2 from A1, citing weakness the state's economy and its impact on the bank's credit quality and growth prospects. However, the A/A1 ratings on unsecured certificates of deposit of the subsidiary First Hawaiian Bank were affirmed.

The agency described the outlook as "stable." Howard Karr, executive vice president and treasurer of First Hawaiian, said the impact on the company will be nil. "We don't have much commercial paper anyway," he said.

Mark Twain Bancshares: Standard & Poor's assigned a BBB rating to the St. Louis holding company's senior debt and a BBB-minus grade to its subordinated debt.

Thomson & Disley Corp.: Thomson BankWatch assigned an AA grade to senior debt and a AA-minus grade to deposits. BankWatch described profitability as consistently strong.

MBNA Corp.: IBCA, the European rating agency, assigned A-plus long-term and A1 short-term ratings to the Delaware-based credit card bank. The subsidiary MBNA America Bank was assigned AA-minus longterm and A1-plus short-term ratings. IBCA cited the company's dominance in the affinity card sector, solid profitability with 3,000

Tuesday, July 6, 1993 AMERICAN BANKER 19

BANK AND THRIFT STOCKS

Highlights for Friday, July 2

TOP 10 GAINERS %

First Eastern Corp.	6.1
Security Capital Bancorp	5.3
Imperial Bancorp	4.7
Omega Financial Corporation	4.2
S&T Bancorp	3.9
National Penn Bancshares, Inc.	3.8
Citizens Banking Corporation	3.6
United Bankshares, Inc.	3.5
Heritage Financial Services	3.4
Susquehanna Bancshares, Inc.	3.4

TOP 10 LOSERS %

Allied Bankshares, Inc.	-8.6
FNB Corporation	-8.5
Sumitomo Bank of California	-4.8
UST Corp.	-4.8
CPB Inc.	-4.6
F&M Bancorp	-4.6
Boulevard Bancorp, Inc.	-4.2
Central Jersey Bancorp	-3.6
Pacific Western Bancshares	-3.5
Penn Financial Corporation	-3.5

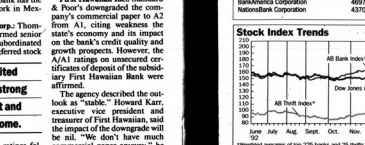
MOST SHARES TRADED

Citicorp	1092000
Chase Manhattan Corporation	837800
Chemical Banking Corp.	793400
BankAmerica Corporation	459700
NationsBank Corporation	437000

VOLUME AS % OF AVERAGE

United National Bancorp	1422.3
United Missouri Bancshares Inc	1048.5
Valley National Bancorp	794.4
Harbor Federal Savings	666.3
Hawkeye Bancorporation	637.0

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts 1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Month	3 Month	Day	Month	3 Month	Day	Month	3 Month
-0.76	-0.20	-1.72	-0.78	1.63	4.25	-0.68	1.10	2.78

Top 225 BANKS

52 Wk Hi	Low	Name	PE	Mkt to bk	Cap.	Chg.
28¾	19¾	1stSecurityCorp/Kt	10.5	142.8	22	-¼
27⅛	18	AMCORE Fin'l,	11.1	125.7	22½	-¼
21¾	14¾	AmeriFirst Fed Inc	11.5	200.0	21	-¼
35⅜	26⅜	AmSouthBancorp/Al	11.9	156.6	32¼	-¼
39⅜	27⅜	BancFlorida Saving	12.6	182.7	37	
35⅜	27⅜	BB&T FinCorp/NC	12.2	156.5	34¾	-¼
21½	15⅝	BancorpSouth Inc	12.1	243.9	20	
33	20⅜	BT FinCorp/PA	12.2	150.7	33	
9¾	6	BattleMtnBcshr/MO	8.7	100.0	8¾	
31¼	24⅜	BankPlusCorp/FL	9.2	113.3	26¾	-¼
43¼	30¼	BancorpHawaii Inc	9.9	148.0	42¾	-¼
53¾	40⅜	BancorpHawaii Pf	9.9	148.0	45	
30¾	21⅜	BankAtlantaClass A	12.1	137.1	29¾	-¼
44¾	31¼	BankBostonCorp/MA	10.9	187.1	39½	-¼
36¾	24¾	BankGrandCorp/NC	10.8	207.3	28½	-¼
24¾	17⅜	BankMutual Corp/WI	10.3	154.5	24¾	-¼
77⅜	59	BankersTrust NY	8.6	168.5	73¾	-1¼
19⅜	12⅜	BankUnited/FL	12.1	126.1	14¾	-¼
28⅛	18⅜	BankofBoston MA	8.6	111.7	24¾	-¼
31⅜	23⅜	BarnettBanks/FL	10.3	153.8	31	
31¾	23	BrentonBanks/A	10.7	140.3	26¾	-¼
34¾	25⅜	BB&T Financial/NC	12.2	150.7	34¾	-¼
26¾	20¾	CBT Corporation/KY	12.2	148.4	24½	-¼
43¾	30¾	CCB Financial/NC	12.3	183.3	42¾	-¼
33¾	23⅜	CNB Bancshares/IN	10.5	193.2	33¼	-¼
24⅜	17⅜	CPB Inc/IL	10.8	147.1	23¾	-¼
12⅜	7¾	CalFed Inc/Cl A	8.8	147.1	12	-¼
24⅜	17⅜	CalFederalBnk/CA	14.3	103.7	11⅜	-¼
14	9	CalFederalBnk/Wt	12.1	137.9	14	
28½	19	CentralBcshrs/KS	11.8	184.6	25¾	
22⅜	16⅜	CentralFidelity/LA	12.5	185.8	20	
24¾	18¾	CentralJersey/NJ	13.6	141.1	20	-¾
24¾	18¾	CentralJersey/Wt	12.1	185.4	21	
37⅜	21	ChaseManhattan NY	8.6	99.3	32⅜	-¼
30¾	20¾	ChemicalBanking/NY	9.4	118.0	30⅜	-¼
47¾	31¾	ChemicalFin/Cap M	14.5	183.5	47¾	
22	12⅜	CitizensBanking/MI	12.5	104.5	19¾	
30¾	14½	Citicorp/NY	13.8	129.8	30¾	-¾
30¾	14½	Citicorp/Dep Shr	13.8	129.8	30¾	-¾
22¾	18¾	CitizensBanking/MI	11.8	127.8	21¾	-¾
25⅜	17⅜	CityNational/CA	12.5	187.7	24¾	
29½	17¾	CityNational/CA Wt	14.5	189.8	25¾	-¼
24⅜	17⅜	CoastFed Bncp/WA	12.4	168.7	24¾	-¼
34⅜	27⅜	CommercialBcshr/MO	10.8	146.8	15¼	-¼
27⅜	20⅜	CommerceBancSh/NJ	12.4	168.7	25	-¼
45¾	24¼	CommonwealthPA	14.5	215.0	44½	-¾
24¾	17⅜	CommunityBank/NJ	12.5	142.2	13¾	
9¾	3¾	ConstellationNJ	NM	155.1	8½	
15¾	12	ContinentalIL	4.8	83.3	12½	
60¾	47¾	CoreStatesFin/PA	12.4	197.5	59	-¼
60¾	47¾	CoreStatesFin/Wt	15.2	181.6	41¾	
40¾	21	CullenFrost TX	10.0	159.7	34	
27⅜	20⅜	DeposBncshrs/PA	12.4	168.7	25	-¼
35¾	20¾	DepositGuaranty/MS	9.9	146.5	29½	-¼
27⅜	12¾	F&M Nat'l Corp/VA	10.5	148.2	26¾	-¼
12⅜	9¾	F&M Nat'l Corp/Wt	10.5	148.2	14	-¼
19⅜	14⅜	FNB Corp/FL	18.5	107.1	13¾	-1¼
28⅜	19⅜	FNB Corp/PA	10.5	148.2	14	-¼
85	33¾	FirstFed/MI	14.3	226.4	54	-¼

52 Wk Hi	Low	Name	PE	Mkt to bk	Cap.	Chg.
18¾	10	FirstAlabama/Al	12.7	161.1	34¾	-¼
18¾	10	FirstAmarillo/TX	9.5	148.0	18¾	-¼
33¾	20¾	FirstAmerCorp/TN	14.4	187.1	30¾	-¼
50¾	39½	FirstBancorp/OH	11.1	157.4	45¾	-¼
19¾	13¾	FirstBancorp/PR	18.6	300.0	19¾	-¼
45	29¾	FirstChicago/IL	NM	118.2	41¼	-¼
62½	35¾	FirstCitizens/VA	8.5	120.0	58	-¼
18¾	14¾	FirstColonial IL	15.9	129.1	17	-¼
28⅜	19¾	FirstCommerce/GA	10.3	192.7	28¾	-¼
73¾	37½	FirstCommerce/NE	10.2	151.5	70	-2
34½	29½	FirstCommerce/TN	10.6	158.7	32	
31¾	24¾	FirstCommFin/PA	11.0	144.3	26¾	-¼
15¾	12¾	FirstCommFin/Wt	10.9	134.5	13¾	
157½	127	FirstEmpire/NY	10.9	134.5	157½	
31¾	24¾	FirstFed Fin/CA	14.8	158.4	30¾	-¼
53¾	36	FirstFed Corp/FL	11.0	143.7	52½	-1
29¾	20¾	FirstFinancial/IN	12.6	188.0	27¾	-¼
64	36¼	FirstInterstate/CA	9.9	161.8	62¾	-¼
24¾	14¾	FirstInterstate/AR	10.5	175.8	23¾	-¼
24¾	14¾	FirstInterstate/IL	16.3	158.1	24	
25¼	15¾	FirstMidAmerica/IA	12.6	180.8	24¾	-¼
30¾	21¾	FirstSecurity/UT	12.1	187.4	29¾	-¼
47	33¾	FirstTennessee/TN	11.8	183.4	46¾	-¼
15¾	10¾	FirstUnionCorp/NC	11.5	178.2	48¾	-1
47¾	27	FirstUnion/NC	8.2	131.2	20¾	
22	17	FirstUnion/Wt	13.0	182.7	21½	
34¾	26¾	FirstVirginia/VA	10.7	175.8	28¾	-¼
36¾	30	FirstVirginia/Wt	11.0	180.4	35¾	-¼
24¾	17¾	FirstWachovia/GA	11.2	187.0	24¾	-¼
24¾	17¾	FirstWachovia/NC	11.2	187.0	24¾	-¼
43¾	30¾	FirstAmericas/MI	13.3	172.5	39¾	-¾
44¾	32¾	FirstMidwest/IL	13.3	172.5	39¾	-¾
44¾	32¾	FirstMyerMich/Cl A	13.6	174.9	41¼	
21¾	15¾	FirstNBC/New Orl	10.8	178.9	20¾	-¼
28	20¾	FranklinCorp/TN	10.8	158.2	27	-¼
20¾	13¾	FranklinFed Bcp/MI	13.7	154.2	20¾	
33	24¾	FultonFin/Corp PA	12.2	166.5	30¼	-¼
24¾	18¾	FultonFin/Corp PA	13.0	160.1	24¾	-¼
17¾	13¾	GBC Bancorp CA	7.5	123.3	14¾	
25¼	15¾	GeorgiaBanc/Cl A	11.9	207.1	24¾	
25¾	20¾	HancockHldg/Cap Wts	10.3	181.2	20¾	-¼
25¾	20¾	HancockHldg/LA	10.3	181.2	20¾	-¼
19¾	12¾	HawkeyeBancorp/IA	11.9	156.8	18¾	
24¾	17¾	HeritageBcshr/MO	11.3	178.2	24¾	-¼
24¾	20¾	HibernaCorp/LA	11.7	197.6	24¾	-¼
36¾	31¼	HuboCorp/NJ	11.7	197.6	20¾	-¼
24¾	17¾	HuntingtonBcshr/IN	11.2	187.0	24¾	-¼
15	6¾	ImperialBancorp/CA	13.1	70.7	13¼	
24¾	21¾	IndependentBk/MI	13.7	139.0	23¾	
49¾	32¾	IntegraFin/Cap Pf	10.6	189.9	45	
49¾	32¾	IntegraFin/Cl A	10.6	189.9	45	-¼
47	37	IowaStateBnks/IA	11.1	125.8	46¾	
56¾	34¾	KeyCorp/Cap Wts	9.9	207.1	42¾	
74¼	58¾	J.P. Morgan/NY	9.8	185.6	67¾	-¾
24¾	17¾	LSB Bancshares/NC	12.3	173.8	24¾	-¼
46	30¾	KeyCorp/NY	12.2	205.7	40¾	-¾
24¾	17¾	LaSalle Nat'l/IL	13.4	178.2	24¾	-¼
24¾	18¾	LakeShore/IL	14.3	186.1	22¾	-¼
24¾	20¾	LibertyBancorp/OK	12.1	171.6	24¾	-¼
27¾	20¾	LibertyBancorp/OK	12.1	171.6	24¾	-¼
25¾	15¾	MBNA Corp/DE	15.6	417.9	28¾	
14¾	10	MNC Financial/MD	12.0	133.2	14¾	
18¾	12¾	MagnaGroup/MO	12.0	133.2	17¾	
38¾	17¾	MarcShellBnk/Bnd Wts	12.7	201.0	25¾	
25¾	19¾	MarshallMHldg/WI	15.1	211.9	25	
24¾	17¾	MarshallMHldg/WI	15.1	211.9	24¾	
56¾	38¾	MercantileBncp/MO	12.4	154.3	49¾	-¾
56¾	37	MercantileBncp/MO	12.4	154.3	49¾	-¾
62	44¾	MercantileBncp/WI	13.9	183.6	55	

52 Wk Hi	Low	Name	PE	Mkt to bk	Cap.	Chg.
89	72	UnitedCounties/NJ	8.2	126.0	86½	1½
42½	30¾	UnitedMidAmer/OH	12.7	181.8	39	-¼
32½	27	UnitedNatBcp/NJ	12.7	172.2	32½	
45¾	33¾	WellsFargo/CA	13.5	178.3	43¾	-¼
28	18¾	WellsNatBnc/NJ	13.8	277.5	26¾	
27¾	19¼	WestcoastBncp/OR	6.9	112.2	22¾	
40¾	29	WachoviaCorp/NC	13.3	207.1	34¾	-¼
24¼	17¾	WellsFargo/CA	26.5	184.8	43¾	-¼
31	21¼	WesBanco/WV	15.3	172.2	31	
24¾	17¾	WestAmBncp/Cap Pf	12.6	196.7	49¾	
29¾	18¾	WestamericaBan/CA	10.5	136.8	26	
29⅝	20¾	WestcornBncp/CA	12.3	180.1	27	
35¾	23⅜	WhitmanHoldng/LA	11.8	146.0	29¾	
24¾	17¾	WilmingtonTr/DE	12.7	261.2	24¾	
27¾	20¾	WorthenBanking/AR	8.8	145.9	23¾	
24¾	17¾	WyomingBk/KY	10.8	182.4	24¾	

TOP 25 THRIFTS

52 Wk Hi	Low	Name	PE	Mkt to bk	Cap.	Chg.
31¾	22	ALBANYFinancial/NY	10.2	79.4	17¾	
21¾	13¾	AmericanSvgs/CA	14.2	81.8	18	
24¾	17¾	CalFedBanS/PrCtf/CA	NM	36.2	13¾	-¼
34¼	22¼	CharterOne/Fin/OH	7.1	128.4	28	-¼
32¾	21¾	CommunityFed/MD	12.9	75.1	32¾	
30¾	20¾	DimeSavBk/Wt/NY	9.3	182.2	30¼	
30¾	20¾	DimeSavBk/Wt/NY	12.2	139.6	27¼	
27¾	19¾	EagleFin/Corp/IL	9.0	113.9	25¼	
27¾	19¾	EagleFin/Corp/IL	9.0	113.9	25¼	
30¾	22¾	FirstFed Fin/NY	11.3	178.8	29¾	
34¾	17¾	FortNelsonBcp/MI	11.7	97.2	19¾	
24¾	17¾	FortNelsonBcp/MI	12.1	167.5	24¾	
18¾	13	GreatWesternFn/CA	7.3	97.4	18¾	
18¾	13	GreatWesternFn/CA	9.6	97.4	24¾	
24¾	17¾	HomeFed/Cap Wts	7.1	109.2	15¾	
31¾	19¾	MBFSavings/IN	10.7	113.3	30¾	
32¾	21¾	NSBancorp/IL	8.6	113.4	31	
24¾	17¾	NorthSideFin/MO	11.6	178.4	41¾	
11¾	6¾	SovereignBk	11.2	156.7	10¾	
29¾	13¾	SterlingBncp/NY	8.6	162.6	29¾	
25¾	17¾	StandardFed/Bk MI	7.5	113.8	23	
24¾	17¾	StandardFed/Bk MI	8.1	113.8	24¾	
30¾	24	WashMutual/Cap Wt	10.8	153.2	34	
30¾	24	WashMutual/Cap Wt	10.8	153.2	34	
14¼	13	WayneCo.BkMHC/Cl	21.3	94.4	12¾	

Data: Ted Bridis of AP-Dow Jones Publishing Co., Princeton, N.J. Includes all publicly traded U.S. commercial banks and thrifts with equity capital exceeding $100 million and assets of $1 billion or more. Ranked by size of the 225 largest publicly traded thrifts as measured by the market value of common shares outstanding as of last night's close. Market value could be higher than assets $75.09 mil. and for thrifts with negative net worth. **PE:** Price/earnings ratio, the latest closing price of a stock for the stock. **PE:** the

CAPITAL

Banks Raised $17.2 Billion in the Second Quarter

Continued from *page 1*

were Citicorp, BankAmerica Corp., Chemical Banking Corp., and Mellon Bank.

Since the beginning of last year, banks' stampede to the stock and debt markets was aimed primarily at bolstering regulatory capital. Now capital generally far exceeds requirements. Even before the latest binge of issues, total capital ratios at 40 large banking companies averaged 12.96% at the end of the first quarter, up from 11.10% at the end of 1991, according to First Boston Corp.

Shift to Senior Debt Seen

In the next few quarters, banks are likely to reduce their offerings of subordinated debt, which counts as capital, and instead to turn to less expensive senior debt as a source of funding, experts said.

Cost savings from refinancings will help banks bolster their bottom lines.

"Until asset growth prospects improve, it appears that the banks have now achieved capital targets and will deemphasize capital-building efforts," said Jay Weintraub, a Merrill Lynch bank analyst, in a recent report.

Cost savings from refinancings will help banks bolster their bottom lines. For example, Citicorp expects to save about $13 million on an annualized basis from some $1.1 billion in refinancings so far this year, an executive said, adding that further refinancings this year should double that figure.

In the equity market last quarter, Chase Manhattan Bank's $750 million issue in the United States and overseas was the largest offering.

Top Underwriters Of Bank Debt

Second-quarter data; full credit to lead manager

	Proceeds ($Mil)	Market Share (%)
Merrill Lynch	$3,798	27.0%
Lehman Brothers	2,073	14.7
Goldman Sachs	2,056	14.6
J.P. Morgan	2,048	14.5
First Boston	1,672	11.9
Morgan Stanley	849	6.0
Salomon Brothers	622	4.4
Donaldson, Lufkin & Jenrette	498	3.5
Kidder Peabody	244	1.7
Bear Stearns	149	1.1
Top 10 total	$14,007	99.4
Industry total	$14,091	100.0

There was also a resurgence in common stock issues by community banks, with six issues of $10 million or less in the quarter.

Except for banks involved in acquisitions, industry observers do not foresee large common stock sales in the second half of the year. "We are expecting most banks to generate capital internally more quickly than they need to deploy it," said John Leonard, a stock analyst with Salomon Brothers Inc.

Benchmark Yield Drops

The quarter saw ideal conditions for new issues of intermediate-term debt. Not only did interest rates fall, but the spread narrowed between the yields on U.S. Treasury securities and new offerings – meaning that investor demand for bank issues was especially strong.

The yield on the 10-year Treasury note fell about 30 basis points in the quarter to 5.78%. The average yield spread for a group of major bank subordinated bonds tracked by Keefe, Bruyette & Woods Inc. tightened by 4 basis points, to 84 basis points.

Investors were buoyed by improving credit ratings. In the first half of the year, for instance, Standard & Poor's Corp. upgraded 13 U.S. banks while downgrading only four. And on Monday, Moody's Investor Service upgraded both Chemical Banking Corp. and Chase Manhattan Corp. (See related story on page 1.)

Foreign Institutions

Banks' aggressive refinancing of debt also contributed to the bank bond sector's good performance by reducing the net new supply of bonds available.

Foreign banks accounted for a substantial portion of debt and equity issuance in the quarter. More than half of the $2.1 billion in preferred stock issues were by Spanish and British banks attracted by low long-term rates.

Three foreign banks accounted for $232 million of the total $1 billion of common stock sold in the second quarter.

In the subordinated debt market, ABN Amro, Bank of Nova Scotia, and Westdeutsche Landesbank Girozentrale issued a total of $1 billion.

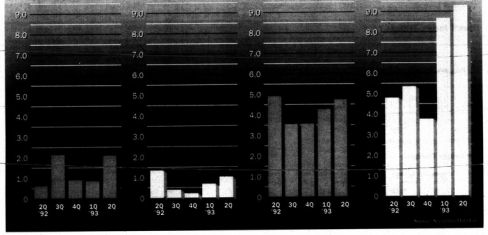
Top Underwriters Of Bank Stock

Second-quarter data; full credit to lead manager

	Proceeds ($Mil)	Market Share (%)
Goldman Sachs	$1,497	48.1%
Lehman Brothers	756	24.3
Merrill Lynch	380	12.2
Kidder Peabody	225	7.2
Morgan Stanley	118	3.8
First Boston	49	1.6
Schroders	20	0.6
M.A. Shapiro	16	0.5
Sterne	15	0.5
Ryan Beck	12	0.4
Top 10 total	3,088	99.2
Industry total	3,109	100.0

Securities Issuance Continues to Explode

Bank sales of securities, in billions of dollars



The 'Yankee' Bonds

Industry observers expect foreign banks to remain active. "I think you will see Yankee bank issuance pick up in the remainder of 1993 and into 1994," said Joseph Labriola, bond analyst with Kidder, Peabody & Co.

Foreign banks are generally faced with weak domestic economies and would like to raise capital to offset deteriorating credit quality. At the same time, "Yankee," or foreign, issues can offer better yields to investors, compared with similar-quality domestic issues.

Credit Lyonnais is readying the sale of $100 million to $150 million of preferred stock through a private placement qualifying under rule 144A, and is likely to launch the sale after it is taken off rating watch from Standard & Poor's, as early as this week, according to market sources.

Another European bank is aiming to tap the preferred market within the next two weeks, said a market source.

An Italian bank is reportedly mulling a placement of more than $250 million of subordinated debt in the U.S., Sudwestdeutsche Landesbank of Germany has filed for a $250 million registration to issue debt in this country, and Kansallis-Osake Pankki of Finland is also mulling a U.S. capital markets issue, say market sources. □

Footnotes in History



After consulting his generals, his wife, his brother-in-law, his barber, and his soothsayer, Custer follows his astrologer's advice (What could it hurt?) about marching to the Little Big Horn.

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July 6, 1993

MANAGEMENT STRATEGIES

USING INFORMATION TO INCREASE PROFITS

Retrenched Marine Midland Builds Globally, Acts Locally

BY BRIAN HELLAUER

FROM THEIR headquarters on the shore of Lake Erie, top executives at Buffalo's Marine Midland Banks Inc. spent a good part of the 1980s dreaming of how they could soon join the ranks of money-center banks clustered downstate.

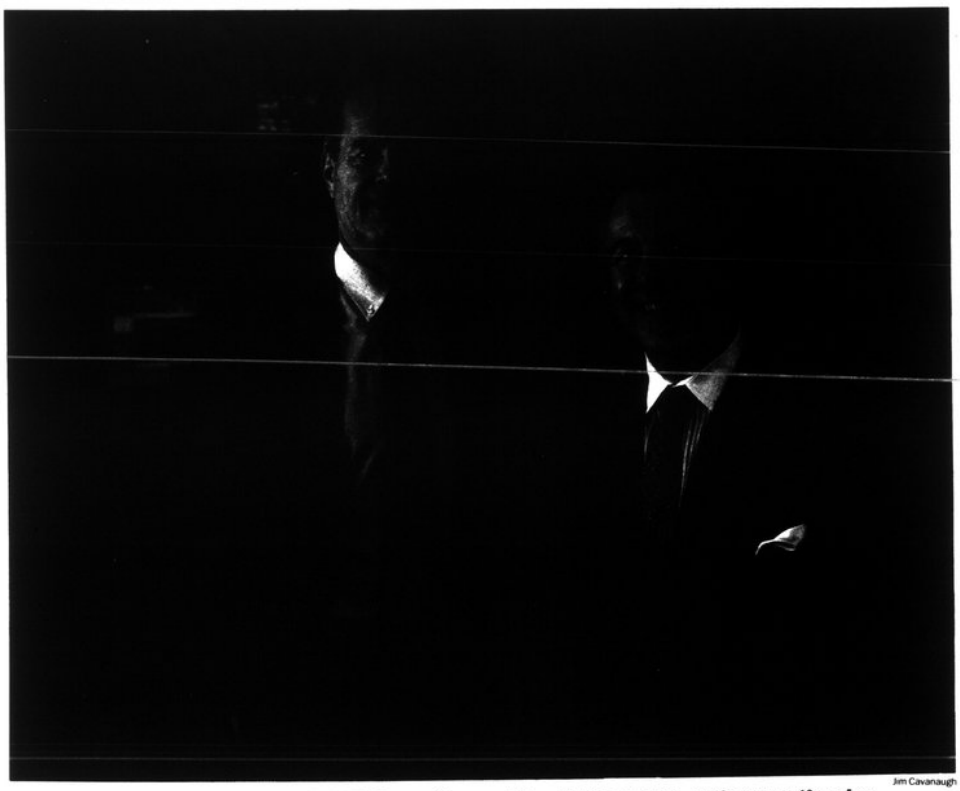
But huge losses in 1990 and 1991 totaling almost $500 million, along with nearly $2 billion in loan chargeoffs between 1988 and 1991, instead forced Marine to trim its sails, shedding assets and employees to concentrate on a handful of businesses.

THE BACK OFFICE: SYSTEMS

The bank's management and operations have also been tethered more closely to those of its corporate parent, HSBC Holdings PLC. The London-based holding company, with nearly $260 billion in assets, has had an interest in Marine for more than a decade, and full ownership since 1987.

HSBC"s other companies include Hongkong and Shanghai Banking Corp., Midland Bank PLC, and numerous other banking, finance, brokerage, and insurance concerns. Since Marine's troubles became apparent in 1989, HBSC has added $500 million to the bank's reserves to meet regulatory requirements.

In addition, many of Marine's senior executive officers are actually employees of the group – company parlance for the holding company – who were put in place soon after HSBC was given approval to do so by U.S. regulators in 1990.



Jim Cavanaugh

NEW DIRECTION: James H. Cleave, left, chief executive, and Ronald P. Lawrence, senior executive vice president of information technology, are aiming to make Marine a stronger regional presence.

Leading those executives was John Bond, who was Marine's chief executive for 18 months before being promoted to group chief executive last year. Other group managers took over control functions such as audit and human resources, moving quickly to slash expenses and address problem areas within the bank.

"The management that took Marine into a money-center mode is gone. The management that is here now is committed to making Marine a strong regional bank," said James H. Cleave, Marine's president and chief executive since November 1992.

That approach is consistent with HSBC operations in other parts of the world, said Mr. Cleave, who previously headed Hongkong Bank of Canada. He noted that while the group does maintain substantial wholesale operations worldwide, retail finance remains its stock in trade.

"It's clearly [a change in] the

Continued on page 8A

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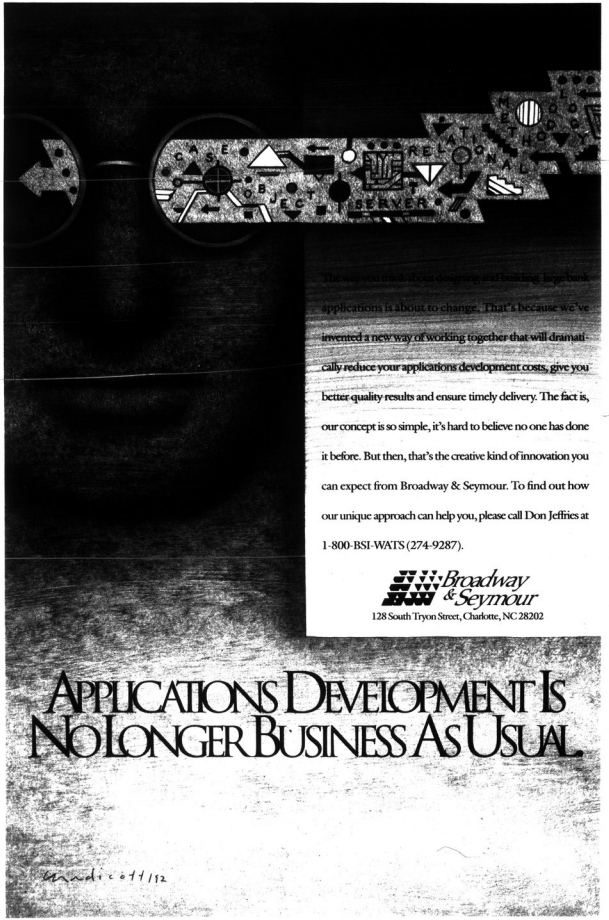

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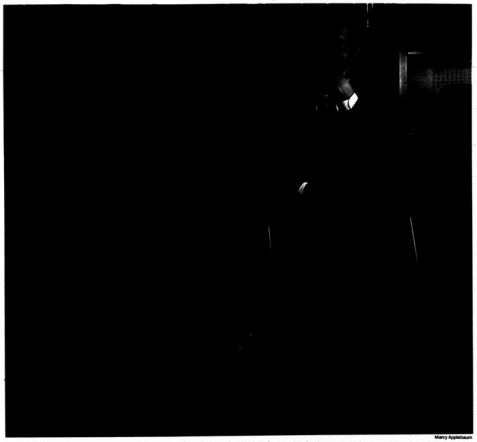
APPLICATIONS DEVELOPMENT IS NO LONGER BUSINESS AS USUAL.

Wendicott/92

Consumer Banking: Customer Service

New Software Lets AT&T Reach In and Touch Its Cardmembers

BY WILLIAM PESEK JR.



Marcy Applebaum

BUILT FOR SPEED: VP James A. Kutsch Jr., foreground, says Universal Windows enables customer service reps at AT&T's credit card unit "to do more things and do it faster than ever in one sitting."

IT'S A FACT OF LIFE: consumers are demanding higher levels of service from the companies with which they do business.

Just ask the American Telephone & Telegraph Co.

When it entered the credit card wars three years ago, AT&T knew it had to find an angle to take on the reigning giants of the industry.

At the time, recalls James A. Kutsch Jr., speedy customer service seemed to be the road less traveled.

"Service wasn't a big priority," said Mr. Kutsch, vice president of Universal Card Services Inc., AT&T's Jacksonville, Fla.-based credit card unit. "We wanted to deliver a level of service that exceeded the expectations of customers when they called."

But AT&T quickly realized that its existing technology could not support its expectations of customer service quality or the anticipated growth of its credit card business, which today ranks sixth in the nation in dollar volume of outstandings with $6.6 billion.

The customer service platform fell short, both at the information level and in terms of the actual human interface with the system.

It was up to AT&T's 35-member computer software development team to come up with a solution. The result was Universal Windows, a Unix-based service delivery platform that improves the way customer service reps deal with customers by allowing faster access to pertinent information.

It establishes a standard interface with the company's other data bases, allowing the employee to consolidate the data on a single screen. The platform is used by every customer-service associate for quick access – in consistent, easy-to-use graphic fashion – to information on prospects, applicants, and cardmembers.

Customer service reps once needed to view at least seven screens to obtain the information they now get on one.

"With a single window that allows access to multiple mainframes, the new system lets customer service associates concentrate on the customer and not on the computer in front of them," said Mr. Kutsch, who relies on special technology in doing his job.

Mr. Kutsch is blind. To meet his unique needs, AT&T reconfigured his work space with braille keyboards and synthesizers that vocalize work he is doing on a computer screen.

The customer service improvements are helping AT&T cement long-term relationships with cardholders.

"Service is more important in retaining customers than it is in getting new customers," said Stephen M. Szekely, vice president of credit card research at Payment Systems Inc., in Tampa. "Each time you handle an inquiry to a customer's satisfaction you're sustaining the decision by the customer to get the card in the first place."

The system works like a relational data base. AT&T has integrated an automatic number identification function so that the system can determine – from an embedded telephone number – the identity of the caller. The result is instantaneous, on-screen information for the customer service associate, including customer name and key facts like social security and account numbers.

AT&T's proprietary software then takes over and determines which mainframe computer contains the needed information. With the touch of a key, the customer service rep instructs the system to pluck that information from the mainframe and display it on the screen.

The real benefit to the customer is faster service. Because Universal Windows grants employees greater access to information about a customer, all questions and concerns can be cleared up in one call. "Our associate can do more things and do it faster than ever in one sitting," Mr. Kutsch said.

AT&T gets greater efficiency from an operations standpoint, and can hold staffing levels down. "We can handle more calls with the same amount of representatives without growing the staff," he said.

"It's helped me be more productive and efficient and I'm handling more calls that ever before," said Eric Irizarry, who as a customer service associate handles between 170 to 200 telephone inquiries each day. "It allows me to bring up windows and information I need without all the clutter we had with the old system."

Before the installation of Universal Windows, employees used standard computer terminals to communicate with AT&T's mainframe. Now, employees use powerful workstations by Sun Microstations Inc., which not only enable them to view information in a user-friendly format, but also put a powerful processor at their fingertips.

Most customers, according to Mr. Kutsch, use AT&T's automated voice response function for simple requests like account balances and credit lines. But when it comes to problems such as lost or stolen cards, balance disputes or complaints, AT&T has found that there's no substitute for the personal touch.

A key advantage of using a workstation, according to Mr. Irizarry, is that it can do complicated account calculations and algorithms.

According to Mr. Irizarry, about 80% of customer calls are for basic account information, such as balance availability or requests for credit line increases. The other 20% of the calls run the gamut from account disputes to detailed questions about how the Universal Card operates.

Given that breakdown, a customer service representative can customize the screen to the tasks at hand. This is helpful at the end of the month when the mailing of balance statements normally prompts a barrage of calls.

Mr. Kutsch said the fact that the system is relatively easy to upgrade should translate into further cost savings down the road. Because most changes take place on the workstations and not in the mainframe, AT&T can add enhancements without spending a bundle.

Universal Windows has even gained the 2,500-employee card unit some national exposure. Last year AT&T's customer service platform was a finalist for the Rochester Institute of Technology/USA Today Quality Cup – awarded annualy to companies that radically improve the quality of their products and services.

"We've found a tool to make life simpler for our employees and benefit the customer at the same time," Mr. Kutsch said, showing that at AT&T, technology has made serving card members easier. □

At a Glance

AT&T Universal Card Services Inc.

[illegible]

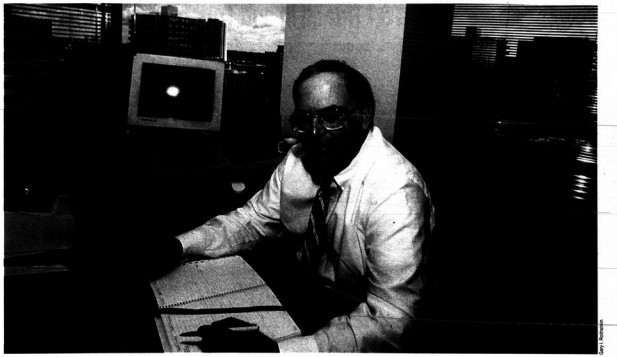
Volume of outstandings:
$6.6 billion

Employees:
2,500

Hardware:
Sun Microstations Inc. workstations

Software:
Universal Windows service delivery software

Corporate Banking: Cash Management



Gary L. Rossman

SMALL WORLD: Bob Ford says Citibanking's advantage over the competition is the ability to "roll everything into one package."

Citicorp's New System Puts the World at Client's Fingertips

BY WILLIAM PESEK JR.

CITICORP IS capitalizing on its technological reach to make the world a smaller place for multinational corporations.

The banking giant is offering a new electronic access system that will give its wholesale banking clients access to account information and the ability to initiate transactions on a global basis.

The system, which updates the Citibanking service, will allow corporate clients in the areas of cash management, trade finance, and securities trading to compete more effectively around the globe.

"Our customer's needs are changing over time and many are moving into new geographic and product areas," said Bob Ford, director of client focus marketing. "Clients these days like [banking] products that roll everything into one package."

The Citibanking system is meant to build fee income by making it easier for companies to manage their cash, make funds transfers, and execute securities trades through Citicorp units worldwide. Clients get a single computerized point of entry into the bank for all the services and products they use.

For the New York-based institution, offering these services to clients is, in itself, a sign of the times. The bank realized that for many large clients, it's no longer good enough to have a single terminal in New York. Clients with offices abroad want access to information on their accounts in Asia and Europe as well.

"Our customers have undergone a basic evolution in the way that they deal with us," said R.C. Leander Jr., vice president of global finance technology development. "Clients are making decisions all over the world and they really need a process to deal with Citibank that reflects the way they are structuring themselves."

"Technology is no longer a barrier when dealing with Citibank's various centers around the world," said Mike Pavey, associate director of operations at Legal and General Investments, a London-based investment firm with $40 billion in assets under management.

Citibank's payoff comes from increases in cash-management and securities processing fees and reductions in operating costs through the elimination of a multitude of older electronic access products for wholesale banking services.

"Clients get all their information from anywhere in the world in one place," Mr. Ford said. "If you can give the customer a cheaper, faster, better way of doing any of his transactions," transaction business is likely to increase.

Industry observers hold the view that for global-minded banks, offering such electronic access services has become the rule rather than the exception.

"Global customers are a main target area for all of the money center banks,", said Donald E. McNees, director of New York financial services consulting -at Towers Perrin. "But because everyone's after them, global cash management systems have become a commodity business."

What makes Citibanking different, Mr. Ford said, is the ability to group and collect vital information from anywhere in the world at any time.

"It's the same stuff you've been able to find in other electronic banking systems but they tended to be focused on individual areas or geographies," he said. "We've taken all that functionality and put it on one platform that delivers all of it."

Mr. Pavey said Citibanking has armed Legal and General with a more efficient way to communicate information on trade instructions, reconciliations, and dividends payments.

Getting a tighter grasp on its customer base is certainly crucial to Citicorp, which returned to the black last year after some heavy losses. The bank reported net income of $722 million for 1992 compared with a $457 million loss in 1991.

Citibanking's update, under development for two years, still has a long way to go. Currently it provides access only to cash management functions, including such garden variety services as reports on transactions and account balances. Mr. Ford expects the securities trading and trade finance modules to be rolled out after the third quarter of this year.

At the foundation of this new component to Citibanking is a message data base that contains all of a customer's transactions. Messages are sent to the data base by the client, by Citicorp, or by third parties over the bank's telecommunications network.

The sum of those parts allows clients to shape data for their own needs for information, transaction initiation, and system access. The reporting functions let users gather and consolidate information from their operations anywhere in the world. Citibanking currently gets information from Citicorp units in 90 countries.

Citicorp is not targeting just the big guys with the latest installment of Citibanking. The service provides customers with a different set of options depending on volume and data security needs and the types of systems they use.

Citicorp designed a personal computer workstation for individual operators, a PC network for multi-users, and a mainframe version for larger companies. The PC systems are based in Microsoft Corp.'s Windows operating system.

Officials at Citicorp would not talk about the cost of developing the latest version of Citibanking. However, analysts agree that the simple fact that the bank has invested time and money in the product is enough to make them think that the expenses were justified.

"Because it's a terrific area of focus for the bank, you have to expect it will generate revenue," said Merrill Lynch analyst Judah S. Kraushaar.

When the 81,000-employee bank put out the word three years ago that it would only concern itself with no-nonsense projects that seemed crucial to its financial success, it dropped some of its more ambitious technology projects.

Citibanking not only survived that initiative, but also got the nod to expand.

"Citibank is one of the major cash management firms in the world and they're looking to protect and defend their market share," Mr. Kraushaar said. "Services for global clients are part of that."

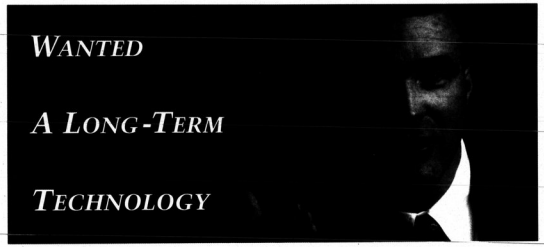
Mr. Ford said that if things go as planned, about 800 clients around the world will be using Citibanking's new electronic access by the end of the year. "The key is creating an environment where it doesn't matter where you are in the world, you can do your banking," he said. □

At a Glance

Citicorp

$317 million
net income
81,000
employees
Citibanking services
Cash management
Trade finance
Securities trading

"WE WANT A LONG-TERM TECHNOLOGY PARTNER."



Jay C. Lent
Exec. Vice President & Chief Financial Officer
The New Milford Bank & Trust Company
New Milford, Connecticut

"There's more to selecting a software system than how well it computes interest rates. We put our trust in a company with financial superiority and a proven commitment to the highest standards of service.

"Systematics' Horizon software, specifically designed for the IBM AS/400 platform, certainly gets the job done, but we were more interested in where they were taking the system. There is no limit to the products we can offer today, and we know that Systematics will grow along with us.

"You expect the salespeople to be good, but we found everyone on the Systematics team to be first-rate.

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Trust and Investments: Quality Assurance

Services Monitor Helps Amsouth Lend an Ear to Its Customers

BY WILLIAM PESEX JR.

WITH NONBANK institutions steadily making inroads, banks no longer have a corner on the trust and investment management market.

That customer erosion has led a number of big trust banks to look for ways to hang on to those clients.

Amsouth Bancorp., Birmingham, Ala., is one institution that faced disintermediation early, and moved to distinguish itself from the competition with customer service before those dollars could be redistributed.

Amsouth's decision two years ago to beef up its trust and upscale-banking area seems to have paid off handsomely. This line of business generated 32% of the bank's noninterest revenues for 1992. Overall, Amsouth posted net income of $102 million in 1992 compared with $80 million in the previous year.

"Wealthy clients have many alternatives for their managed funds and they expect superior service quality," said Lee Weathers, executive vice president of the $9.8 billion-asset bank's trust division. "We needed a way to find out how we were doing from our customers' point of view."

As Mr. Weathers recalled, the choices were either to develop a proprietary method of measuring service quality or to outsource the process. After an extensive cost/benefit analysis, the bank decided to take the outside route.

Amsouth uses a new survey system called the Trust and Investment Management Services Monitor, a joint development of Brittain Associates and SourceOne Consulting Group, both based in Atlanta.

Using a brief questionnaire which is based on previous surveys and focus groups, Brittain Associates feeds the customer evaluations into a data base to compare the responses to industry averages.

The survey, which is tabulated on standard marketing research software, evaluates issues such as frequency of client contact; accessibility to personnel by phone or in person; staff listening and communication skills; investment officers' skills and knowledge; understanding of the client's goals and objectives; value perceptions; clarity of forms, reports, and statements; and convenience.

Specifically, the program evaluates the performance of administrative officers, investment officers, and individual departments.

"It helped us make sure that we were moving in the right direction," Mr. Weathers said.

Industry observers agree that with brokerage firms, private investment management companies, and mutual fund managers all competing for the same market segment, banks are becoming more aggressive in satisfying customers.

"Banks are taking a more defensive stance with firms taking their customers away," said William M. Arnold, a principal and manager of financial institutions consulting at Towers Perrin, Atlanta. "Banks are beginning to ask their customers what they want to buy, why they buy it, and who they want to buy it from."

With the help of the monitor, banks can retain and grow their market share, Mr. Arnold added. Aside from giving institutions the inside track on improving service quality, it can help banks to prop up their image, he said, noting that the survey sends the message that the bank is interested in more than just the client's dollars.

"Banks are trying to make it clear that what their customers have to say is important," Mr. Arnold said.

For Amsouth, the real benefit of the program is candid client feedback. All questionnaires are mailed back directly to Brittain Associates, so clients are more likely to speak their minds in the safe confines of anonymity.

"We're very interested in what the customers really think about us and that we're making the right decisions in our trust area," Mr. Weathers said.

The survey's findings were both good and bad, according to Kathryn W. Miree, vice president of the trust department.

"We found out that what we do well is respond to customer needs and requests," she said. "But what we also found out was that we didn't give customers enough proactive contact. They want to know more about our products and they want us to take a more active role in finding out their needs."

Brittain Associates provides all the necessary draft documents as well as the questionnaires and response envelopes. Banks personalize and mail the survey packet, send out reminder cards a few days later. Once the survey is tabulated, the bank receives clear assessments and recommendations in a written report as well as a personal presentation.

Once all the returns are in, Brittain Associates and SourceOne feed the scores into a data base and compare them with industry averages – thus picking out strengths and weaknesses and laying out recommendations for the bank.

A key selling point for Amsouth was the way the information in the report is presented, Mr. Weathers said.

The report included an executive summary with recommendations, he said. Also included was a clarification of data indicators and best uses of the data along with instructions for further analysis of the survey's findings about Amsouth.

Armed with the results from the survey, Amsouth looked to the Washington-based Advisory Company for help in mapping out its future.

In early May the bank sponsored a one-day forum to come up with strategic plans for the department.

"We took the data and put it into context and practical use," Ms. Miree said.

Looking ahead, Amsouth plans to use the monitor as an annual tracking study to provide management with a periodic report card alerting it to the status of, and achievements in, service quality areas.

"We're going to use this survey as a benchmark for the future so that we can see the progression," Mr. Weathers said.

The program costs include a set annual base fee of $11,500 and a $3.35 charge per contacted client. For example, a department mailing to 500 clients would invest a total of $13,175.

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At a Glance

Amsouth Bank

Assets: $9.8 billion

Employees: 5,400

Service quality tool: Brittain Associates and SourceOne Consulting Group Trust and Investment Management Services Monitor



Lynne Rowley

TRUSTY COMPASS: The Monitor "helped us make sure we were moving in the right direction," said Amsouth executive VP Lee Weathers.

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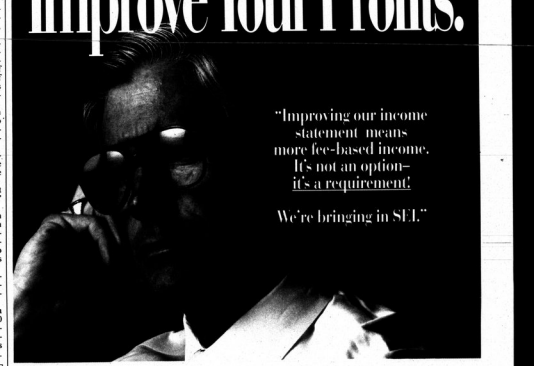

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The Back Office: Systems

Retrenched Marine Midland Builds Globally, Acts Locally

Continued from page 1A

way the management of Marine Midland is approaching the business," Mr. Cleave added.

Since the change in management, Marine has shrunk dramatically. Assets were down to $17.1 billion at the end of 1992 from a high of $27 billion in 1988 and full-time employees to less than 9,500 from 13,000. Nonperforming loans fell to 1.6% of the portfolio in 1992, from 3.5% in 1991.

Accordingly, Marine returned to the black in 1992, posting a $109.2 million profit, and had an additional $34 million gain in the first quarter. But its 1992 return on average assets of 0.48% and return on equity of 7.04%, placed it near the bottom of its peer group, according to recent *American Banker* rankings.

While analysts view Marine's restructuring as almost complete, its near-term profit picture remains hazy. "The banking company is poised to rebuild its presence in New York State. However, earnings growth may be restricted somewhat by strong competition and limited product offerings in the company's primary markets," a recent Fitch Investors Service Inc. report stated.

The changes have reached to the bank's information technology function as well. Ronald F. Lawrence, senior executive vice president of information technology and a 12-year veteran of the department, remained in charge. But the size and mission of his group has changed considerably.

Mr. Lawrence said the previous management structure at Marine called for vertically integrated lines of business.

"We had 22 businesses, and they were all going to have their own human resources, and their own data processing, and their own finance departments. We weren't big enough to do that. So we went through an enormous amount of pain to get to where we are now," he said.

The information technology group, which includes all office automation and telecommunications, once had nearly 1,100 employees and an annual budget of $140 million. Today the budget is $95 million and the head count is 660, and it will eventually dwindle to about 500.

"We're letting attrition take us where we want to go," said Mr. Lawrence. "The downside is, I have an organization which on average is 38 years old. I have no bright, shiny-faced 22-year-olds," he added.

The employees that remain haven't been left adrift, though. At the behest of the group, in 1991 Marine embarked on a five-year plan to reshape the group. That plan includes more than 300 separate projects designed to consolidate and simplify the organization and move all of the operating units within HSBC to common systems.

Some of the steps in that plan were relatively simple. Operations that had been located throughout New York State were moved to Marine's headquarters in Buffalo, leading to what Mr. Lawrence calls a highly centralized organization. Systems that had been developed for businesses that Marine was exiting, such as auto lending and some wholesale lines, were simply shelved.

The bank's telecommunications networks were also merged with those of other HSBC units operating in the United States. That reengineering project, combined with the closing of regional offices that supported businesses that Marine was getting out of, led to Marine's single largest cost savings.

Marine's telecommunications budget has dropped from $36.6 million in 1988 to an estimated $20.5 million this year.

"Nothing makes the cost of geographic diversification clearer to me than telecommunications costs," noted Mr. Lawrence.

His next belt-tightening step was to move what he calls "artificial intelligence, esoteric research, and development types of things" to the back burner. Those resources instead went to actual development work on existing systems. That "enabled us to keep these projects going while we were downsizing," said Mr. Lawrence.

The future status of development efforts was a major concern for the executive. Marine had begun a number projects in the late 1980s, particularly in the areas of branch automation and computer-aided software engineering (CASE), which were considered particularly innovative.

Most of that work was salvaged. "There's very little we started that we threw away, except for the businesses we exited," Mr. Lawrence said.

The CASE project was particularly worth saving because it allows programmers to work more efficiently as the computer itself takes over more the drudgery of organizing and editing thousands of line of programming code.

"What makes this stuff work is the programmers, which is a euphemism for hard-core technologists," he continued. Remaining Marine staff was retrained in the latest CASE and other software development techniques.

Marine's systems development efforts were eventually integrated with those of both Hongkong and Midland Bank. "We have systems that are 20 years old. So do our colleagues," said Mr. Lawrence. The joint development was the most significant component of the five-year plan. "We're taking a leadership role in some of these projects. That's had a positive impact on morale," he added.

The company decided to keep up its computer-aided software development.

The project management role for each application is handed to one of the three banks, but developers at each bank contribute to the design. The groups communicate primarily by electronic mail and video teleconferencing.

All three banks have begun using an existing Digital Equipment Corp.-based money transfer system developed by Marine in the 1980s. Marine is also leading the creation of a new trust and securities processing system, which will run on International Business Machines Corp. AS/400 midrange computers.

Work has also begun on a mainframe-based core banking system, which will eventually encompass most retail deposit and credit products.

Although there is a great deal of systems development going on within the group, Mr. Lawrence said "there's nothing revolutionary here. The real economies of scale are that we are going to build in-house applications that are going to be used in three different parts of the world."

Buying software, he added, was out of the question. "We belong to an organization that believes you must control your own destiny," Mr. Lawrence said. "You don't subcontract to a vendor things that are critical to your success.

"We have the resources to build," he continued. "We're part of a very successful global giant. If there was only Marine Midland, we would be doing some things differently."

The template for future development within the group is probably a cash management product known as Hexagon, which was a joint project of the Hongkong and Midland Banks in the late 1980s. Hexagon facilitates global funds transfers, creation of letters of credit, portfolio management, and a variety of other services from PCs anywhere in the world.

"There's no way we'd have an application like this if we weren't part of a global giant. We'd be buying it from Chase or Chemical or somebody," said Mr. Lawrence.

Mr. Lawrence also said that Marine is benefiting from a focus that it might not have had in the past. "We've been on a steady track for a couple of years. We never had that luxury before."

Although Marine is recommitted to what remains a strong New York retail franchise, the bank is still not totally in the clear. "The economy has helped us contain our credit problems, but they're not completely behind us," Mr. Cleave said. "There are severe credit problems in the bank, from Third World lending to real estate lending to a national automotive finance fiasco."

Nevertheless, Marine is looking to grow through acquisition. Mr. Cleave oversees a due-diligence team that includes other senior management, and is evaluating a number of possible deals within New York State.

"We're looking for market fill-in opportunities across the state. The first acquisition we do will be in New York State," said Mr. Cleave.

Marine also continues to court the small to middle-market companies that have been its traditional commercial lending base. Those companies are driving the bulk of the economic growth within New York, said Mr. Cleave.

Expanding that business won't be easy, however. In addition to strong local competition like Manufacturers and Traders Trust Co., giants like Citicorp and Chemical Banking Corp. are pursuing the middle market with renewed fervor. So, even with increased capital and lowered expectations, Marine Midland will find itself butting heads with many of the same players it saw when it dreamed of being a money-center in the '80s. □

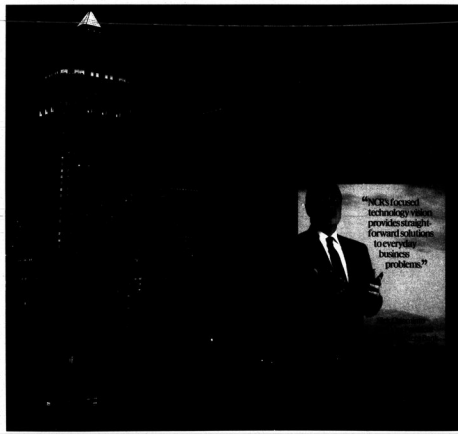
At a Glance

Marine Midland Banks Inc.

Portfolio
Assets
Loans
Deposits
Information technology
1990: $140.4 million
1991: $125.8 million
1992: $107.6 million*
1993: $94.6 million**

*Includes all office automation and telecommunications
**Budgeted

NCR's Financial Enterprise Architecture.



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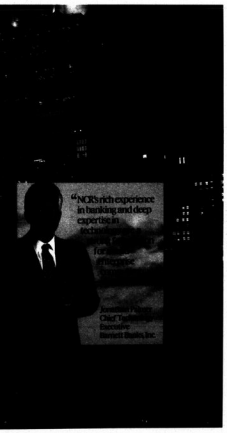

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WHAT TYPES OF BANKING TASKS can now successfully be moved off mainframes and onto personal computers?



JOHN BRECHT
President
First of America Services
Kalamazoo, Mich.

FIRST OF AMERICA HAS TAKEN A business rather than a technically-oriented approach to determine the appropriate platforms for our existing and emerging applications. The major benefit of PC technology, we feel, will be in our ability to provide business applications that could be time constrained or functionally impractical to deliver using mainframe processes.

First of America uses PC technology for new applications as well as for right-sizing applications that currently run on our mainframe.

An example of a new application is our platform automation system, which provides current, comprehensive information about customers and products to our branch personnel.

An example of an application that we recently right-sized to a PC environment is our Farm Management System. This is a financial management system based on present and future agricultural assets of our farming customers. ■



JACK L. WAGNER
Chief information officer
Dime Savings Bank of New York

WE'RE PROBABLY TAKING A different approach from other banks. We're moving all of our processing off the mainframe and onto personal computers in a client-server environment.

Many banks still say big number crunching must be done on a mainframe, but we disagree. It may be because of our size. We're $8 to $9 billion in assets, with about 2,000 employees.

Right now we do have two big Unisys machines that we'll be replacing with PCs over the next few years. Because we're a savings bank, we are already very PC-oriented. All of our tellers and platform personnel already use PCs. We also use PCs in our asset resolution area, where we do foreclosure management. And we just recently signed an agreement to do loan originations in a client-server environment. General ledger and batch overnight processing are the last things that we'll move to the PC, over the next two years. ■



BARRY FRANKLIN
Vice president/general manager
BankAmerica Corp.
San Francisco

WE'RE LOOKING AT MOVING ANY task that looks to be more efficient and cost-effective in a PC environment, rather than on the host.

A lot of our teller operations have already been moved on to PC LANs. We have 1,200 LANs at about 1,000 sites throughout California. Our tellers and branch employees use what we call COIN, for customer on-line information network.

In the loan area, we use a number of purchased packages that run on the mainframe. While we will continue to have these packages running on the host, we want to give the personnel in our loan offices portability and flexibility. So we will be adding functionality at the PC end.

In our portfolio management area, we are setting up worldwide access to a client-server data base, which will help us compete, since it will allow us to update our portfolio on a daily basis and improve accessibility of information. ■



CRAIG GOLDMAN
Chief information officer
Chase Manhattan Corp.
New York

A LOT OF CONVENTIONAL BANKING applications can be moved to client-server technology. But not every application is ready for distributed computing because of the reengineering needed to make it work.

Also, a lot of high-volume applications aren't quite ready yet.

The challenge is to pick and choose applications carefully and to understand the difference in the computing environments and make sure the move to PCs makes business sense.

We've moved a lot of our customer-information and customer-service applications to PCs to take advantage of the capabilities inherent in the PC environment, which give our customer-service representatives the flexibility to address customer queries quickly and efficiently. ■



MICHAEL SIMMONS
Executive vice president
Bank of Boston

TECHNICALLY, YOU COULD MOVE everything to personal computers in a client-server environment. But that would be dumb. The exciting part is deciding which applications are best moved to PCs.

Many of the customer service applications that were written in the 1960s and 1970s for retail service can now very successfully move to PCs. As financial service companies get more integrated products and customers get more sophisticated about what they want, we can move more and more customer-initiated transactions to PCs.

I think we can now realize the dream because distributed processing can be successful in the client-server world. I think it's a very exciting time. ■



JEFFREY S. GRIFFIE
Executive vice president
Midlantic Corp.
Edison, N.J.

THE AREA WHERE TECHNOLOGY IS migrating off host computers to personal computers is the branches. Branch employees need customer information at their fingertips. They need additional information in order to give better service. That's true of many, many banks.

We also offer customers the option of banking from their home, through their own PCs.

Our audit group has a very sophisticated PC network. They also have laptop computers with dial-up capability so they can access the bank even when they're on the road.

We also use PCs for general office needs. We've got 1,200 PCs and our managers are using them more and more. ■



TOM JAGODZINSKI
First vice president
People's Bank
Bridgeport, Conn.

WE MADE THE DECISION TO SHIFT some applications from mainframes to PC networks in 1989. Mainframes continue to be our primary resource for high volume transactions like check processing, but even these systems are being front-ended by PCs.

Since the late 1980s, human resources, budgeting, real estate owned, and profit and loss forecasting have been moved from the mainframe to PCs. The first conversion, human resources, pinpointed the advantages of PC usage. A large backlog of software change requests existed and it was difficult to find programmers with the right expertise. Today this system is managed by non-technical people. ■



THOMAS J. CARDINALE
Senior vice president
Green Point Savings Bank
Brooklyn, N.Y.

OUR MAINFRAME HOUSES THE MAJOR informational data base for the bank.

In the savings area, we've installed local computers at branches that do marketing and cross-selling as well as new-accounts opening. These terminals are linked to the mainframe.

In the loan origination departments, we have installed local systems to handle a loan from the point of application to the loan closing. Upon closing, it is uploaded to our mainframe for the loan servicing process.

If the loan goes into arrears, the information is downloaded to local PCs in our collections area where the collections personnel can call up a screen and get the information they need. ■

Client Server Is Brightest Spot on the Technological Horizon

EXECUTIVE VIEW

By Diogo Teixeira

OF ALL THE NEW technologies available today, the client server is very likely to have the highest impact. This is because the client server is a paradigm, a way of doing things, and not just a new "technology." Paradigms tend to have more impact, because they affect what goes on around them and generally enable new businesses or strategies and disable – or eliminate – old ones.

However, paradigms can also be confusing. There is no exact definition of "client server" or universal agreement on using the phrase at all. (Concepts like "distributed computing" or "network computing" have just as much validity. Many professionals draw distinctions between these concepts, but again, there is no universal agreement.)

Client-server computing is a style of computing in which applications and data reside on multiple computers. There is no host, which in the traditional style of computing would contain the data, the application processing, and the presentation control, with the workstation or terminal responsible only for the display.

Instead, the host would now be called a server, and it would have only some of the data and some of the processing. The workstation or terminal would now be called the client and it would be responsible for the display, the presentation control, some of the processing, and some of the data.

This new paradigm has come about, like most things, because of the economics of hardware. Smaller computers are more cost effective than larger ones by at least two orders of magnitude, but they hold less than larger computers. So instead of cramming everything onto a large computer, where the volumes will fit, and suffer the cost disadvantages, the new paradigm is to break up the work so that it can fit on the smaller computers. Since the "work" consists of applications and data, breaking up the work means breaking up the applications and data.

It is worth noting that this is a fundamental, one-time paradigm shift. We are now in the very early stages of the total development of the computer. With the passage of time, today's mainframe-based architectures will look decidedly archaic, just as the early years of the industrial era look today.

Two hundred years ago, for example, machines were incredibly expensive and big. Early textile factories had thousands of belts running off one large power source just to reach different looms. Cable car technology was for a brief period exactly the same in many American cities: The cars had no power themselves but were pulled by miles of cables run off one huge power source. But the paradigm changed; motors became efficient and tiny, and today the average American home has numerous motors, or sources of power, in it.

It is not hard to see an analogous progression in banking. Microcomputers have penetrated the industry extensively already. Further penetration will occur, and the unit cost of micros will continue to drop faster than the unit cost of large machines. The costs of conversion, and the added infrastructural and overhead costs of the client-server paradigm are high but will not change much. Over time, the cost disadvantage of the large machine paradigm will grow relative to these conversion and new infrastructural costs.

So it is inevitable that the new paradigm will become the rule. The only questions are:

- When?
- What will be the sequence in which work will move from one paradigm to the next?
- What parts of today's large machine infrastructure will continue to exist?
- Will the nightly batch cycle exist forever?
- What will be the impact on the business of banking?

Although the new paradigm is driven by ever-cheaper small computers, there are unlikely to be any net cost savings for banks. Justifying the new paradigm with expected budget reductions would be like chasing a will-o'-the-wisp. The fact is,

Continued on page 13A

Mr. Teixeira is president of the Tower Group, a consulting firm in Dover, Mass.



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The Back Office: Systems Development

Wachovia Puts Its Money on Automated Software Development

BY KENNETH CLINE

WACHOVIA CORP. makes it a rule to avoid what is often called "bleeding edge" technology.

But the North Carolina-based bank doesn't mind running a little bit ahead of the pack when it believes the potential gain is worth the investment.

That is certainly true of Wachovia's commitment to computer-aided software engineering, known as CASE, which promises huge gains in software development productivity.

Wachovia has spent more than $3 million on CASE technology since 1991, confident that it will provide a competitive edge in the design and maintenance of new banking products.

"If CASE delivers even a fraction of what we feel comfortable it will do, this is a very important thing for us over the long haul," said Walter E. Leonard Jr., president of Wachovia Operational Services Inc., the bank's technology subsidiary.

Most major banks, including First Chicago Corp., Norwest Corp., and Banc One Corp., have at least experimented with limited applications of CASE, which was introduced in the mid-1980s.

But Wachovia is one of the few to apply CASE as an across-the-board technical tool, intended to speed up software development and make that software easier to maintain.

The main aspect of CASE technology is the code generator, which automates the writing of computer code.

By simplifying the code-writing process, CASE allows a company to spend more time designing its software and figuring out appropriate business processes.

"You use the power of the personal computer to translate that vision into well-defined, executable code," Mr. Leonard said.

"Most of the effort put into systems development is maintaining old systems," he said. "So when a system is built under a CASE environment, that maintenance cycle is far easier because it is self-documented in terms of how it works. The work flows are visually apparent to a new person looking at that system, and it makes that system much easier to maintain."



Jay Lenton-Atlanta

NO QUICK FIX: Walter E. Leonard Jr., president of Wachovia's technology unit, is well aware that CASE is a long-term effort. But he fully expects a payback in the form of low-cost, competitive products.

Wachovia has spent more than $3 million on CASE since 1991, one of the few banks to use it as an across-the-board tool

Judy Martin-Mitchell, a vice president at First Chicago, said CASE delivers "significant" productivity gains if the user understands its limitations.

"It's certainly not a silver bullet," Ms. Mitchell said. "It's a very difficult way to do systems work. It takes a real commitment to make it work."

First Chicago, which began experimenting with CASE in 1988, is using a version produced by Dallas-based Texas Instruments Inc.

Cecil O. Smith Jr., head of Wachovia's Information Services unit, estimates that building a system from the ground up using CASE produces a 25% productivity gain, though he can't prove that empirically. The real payback, he said, occurs over the entire life cycle of a product, which can be 10 years or more.

The beauty of CASE is that it generates unusually error-free code, which reduces the need for debugging, the bane of most other software development techniques

Wachovia is using the CASE workbench in a major joint development effort with New York-based Financial Technologies International Inc. to enhance its trust system.

An in-house CASE effort will develop a new system for supporting charitable tax-trust funds.

"Developer's workbench" is what Wachovia calls the process of using CASE tools to maintain existing software.

Mr. Smith calculates that this use of CASE, which is actually the most common in the banking industry, produces a lesser productivity boost of 10% to 15%.

Wachovia believes CASE will do more than just make life easier for its applications programmers.

Ultimately, the technology is supposed to enhance the level of service offered by bankers.

"Hopefully, they'll see an ability on Wachovia's part to produce new products more easily and quickly, and have a more competitive product line at lower cost," Mr. Leonard said.

"The quality of our software is the bedrock upon which our product line is built," he said. "Our ability to develop cost-effective, reliable, flexible software will, over the long haul, define our ability to compete in this marketplace. We think CASE is one of the tools that we'll have to use to do that." □

At a Glance

Wachovia Corp.

Assets: $60,108

Hardware: IBM-compatible PCs

Software: Knowledgeware Inc. Applications Development Workbench; Bachman Information Systems Inc. Data Modeling Tool

Client Server Is Brightest Spot on the Technological Horizon

Continued from page 11A

client-server technology is extremely complicated. It is more difficult to build and support than the old paradigm. Moreover, many of the component technologies that must be pieced together are youngish and more risky.

It would be hard even starting from scratch to build a banking technology infrastructure based on the new paradigm. To change from the existing fully featured and highly functional mainframe-concentric paradigm, with which we are all familiar, while never missing a penny on anybody's account, is six times as hard.

Thus, it's no wonder that progress has been slow. For example, most new client-server implementations, in fact, run on LANs, with a desktop machine serving as the client and a powerful workstation or minicomputer serving as the server.

Yet, according to last year's *American Banker*/Ernst & Young survey, only 4% of the industry have even one relatively high volume monetary processing application with a component that runs on a LAN.

Thus, if banks' key applications, which do involve monetary transactions, aren't trusted on LANs, they generally don't run on client-server architecture either.

Another issue intimately related to the new paradigm is open systems. Again, while this phrase has no precise definition, it generally means that each of the many different pieces of the infrastructure, both hardware and software, can be bought from different vendors and still work together. When all the work is done on one box by one system, only one vendor, with a proprietary approach, must do. But when the work is broken up, many different pieces, bought from many different sources, must all work together.

The older, proprietary operating systems (like IBM's mainframe operating system, MVS), which most of the banking industry is currently using, are not "open." A more acceptable definition of an open operating system is Unix.

In my consulting practice, I have found that a very small percentage of today's banking mainframe applications are Unix based. (An estimated less than 10% of the mainframe applications are Unix based.) While some growth in this statistic is expected, the message is that open systems, a necessary corollary to client-server architectures, are not here yet.

Two interesting questions for bankers: Will the high-is-volume transaction processing systems will ever convert to the new paradigm? Will the nightly batch cycle ever be changed? They probably won't be answered in the foreseeable future.

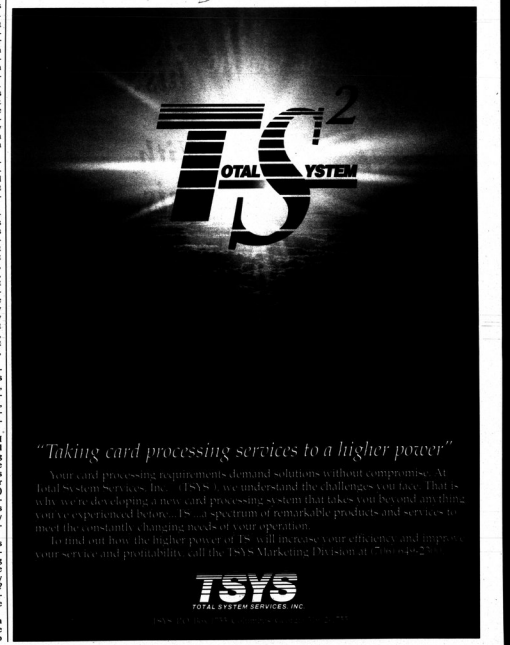
Almost by definition, high volumes dictate use of a large computer. Desktops can't do the job, even if they do have a 50 MIPS rating (more than many mainframes). They are "I-O bound," meaning they can't get data in and out of the data base fast enough to handle the volumes. In essence, having a high transaction volume becomes a business requirement that dictates a computer paradigm of higher-than-minimal cost.

Can these high-volume transaction systems be broken up into many smaller transaction systems? The answer again is, probably not. Like it or not, the costs of computing platforms are only a small part of the overall costs of banking and financial transaction processing – less than 3% at best. Financial, operational, marketing, and risk costs dominate the business of banking. And there is ample evidence that economies of scale do pertain in these areas.

Processing millions of checking accounts per night, hundreds of thousands of automated clearing house transactions, or tens of thousands of money transfers is always going to be done in bulk because of the economics of collecting and controlling the transactions, the advantages in controlling the customers who create those transactions, and managing the associated financial and credit risk. In truth, it's more like the opposite: industry consolidation will create ever larger customer groups, data bases, and even higher volume transaction systems.

In conclusion, major change is always slow, and the banking industry's existing technological infrastructure is no exception. But in those banking areas where new investment is being made, where the cutting edge is, the new paradigm is fully in evidence.

The bottom line is: Employ the new paradigm aggressively on the margin. Bet on the declining costs of this paradigm. But don't go too far ahead. Keep the old paradigm alive and well maintained for the rest of the decade – at least. □



New Products

NCR System Offers Tools For Modeling, Managing

NCR Corp., Dayton, Ohio, introduced software that helps users design, implement, execute, and manage business processes in a client/server environment.

Called the ProcessIT: the system provides a suite of Windows-based tools to model and manage the workflow. It automatically routes work based upon an organization's policies and procedures.

The software is available as a stand-alone package that can then be integrated with any new or existing Windows or Unix application. Applications can be performed locally or launched on existing mainframe systems. A typical 30-user configuration is priced at about $1,245 per user.

Leasing Software From Stockholder

Stockholder Systems Inc. has introduced LeasTrac 2000 lease accounting software.

The LeasTrac 2000 employs client/server architecture. It automates all leasing functions.

Stockholder has headquarters in Norcross, Ga.

First Data Sells Pricing System

First Data Resources, a provider of transaction card processing, introduced a credit card processing system called account-level processing. Clients can change the pricing on an individual account based on its performance, allowing them to set different pricing structures for marginal and high-risk customers. Users can also track profitability trends for their portfolios.

First Data Resources is based in Omaha.

SQN System Gets Signatures via Fax

A system from SQN Inc., Raticocas, N.J., allows bank tellers to access signatures from a central location using an existing fax machine.

By using a touch-tone telephone and keying the customer's account number, a teller can access a central signature file and have any signature printed on the bank's fax machine automatically. As an option, the bank may store and print the entire signature card.

The system is priced at approximately $7,000, plus $750 per branch, for a 30,000 card system. Price includes PC, hard disk, fax server, and software.

Verifone Product Speeds POS Tasks

Verifone Inc., a Redwood City, Calif.-based provider of transaction automation systems, introduced a system for retail point-of-sale applications, such as electronic debit and credit card authorization, draft capture, and settlement.

The OMNI 390 system features a menu-driven interface and color-coded function keys. Like an ATM, the system walks the user through each operation. Merchants can use split dialing, which permits them to directly access both card payment networks from a single system for lower transaction fees and faster settlement times. Until recently, merchants who wanted to use a single system and processor for multiple cards needed to pay the processor additional fees to route the transaction to other card networks.

The system sells from $321 to $402, depending on the quantity ordered and memory options. The 390 system is compatible with other Verifone products, so users can upgrade their transaction systems without making additional investments in other hardware.

AS/400 Platform By Image Network

An imaging system for the AS/400 platform by Image Network Technology Corp. provides check processing, signature verification, and loan document management.

Dubbed the BankFlow 400, the check processing subsystem allows banks to generate a number of reduced-size check images per page. During the scanning process, the magnetic ink character recognition data is read, indexed, and entered into a relational data base.

The product also stores images of customer signatures, driver's licenses, or other information, which can be retrieved by tellers in seconds. Relational codes may be used to link signature cards to other documents pertaining to the customer's accounts.

Security and data codes define which individuals may access a given document at any point.

Prices for the imaging system typically range from $100,000 to $500,000, depending on the customer-specific requirements as well as existing data volumes.

Image Network Technology Corp. is headquartered in El Monte, Calif. □



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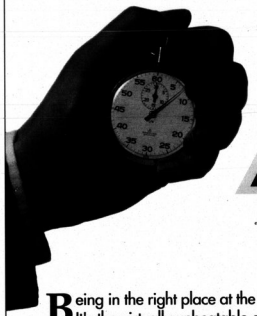

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Contracts

M&I Unit Signs Contract With Wisconsin Bank

M&I Data Sérvices Inc. landed a six-year contract to handle the data processing for Johnson International Inc., a $977 million, six-bank holding company in Racine, Wis. Currently a Mellon service bureau customer, Johnson will convert to M&I's system in November.

M&I will provide Johnson with all core data processing services. Additionally, M&I will support Johnson's Bunker Ramo Aladdin branch automation and teller equipment.

M&I will process four of Johnson's six affiliate banks, including Heritage Bank & Trust, Racine; Heritage Bank Rock County, Janesville; Biltmore Investors Bank, Milwaukee; and Biltmore Investors Bank, Lake Forest, Ill.

M&I Data Servers is a wholly owned affiliate of the Marshall & Ilsley Corp., a $7.8 billion holding company. Both have headquarters in Milwaukee.

S.C. Bank to Use Check Imaging

The Anchor Bank of Myrtle Beach, S.C., will use imaging technology to automate the storage, processing, and retrieval of checks with a system from NCR Corp., Dayton, Ohio, and Document Solutions Inc., Birmingham, Ala.

Customers will receive reduced images of cleared checks printed in sequence on a standard size sheet of paper.

The new system is expected to be implemented in the fourth quarter.

U.S. Bancorp Picks Tandem Package

U.S. Bancorp, a $20 billion bank holding company based in Portland, Ore., has selected a retail banking information system from Tandem Computers Inc.

The company will run a system from Electronic Data Systems Corp. on Tandem online transaction processing computers to manage customer account information, enhance customer service, and market new products and services.

Tandem Computers is located in Cupertino, Calif. EDS has headquarters in Plano, Tex.

Kennsco Acquires Automation Firm

Kennsco Inc., Minneapolis, has acquired Altech Inc., St. Louis. The terms of the deal were undisclosed.

Altech is a provider of automation products for the financial services industry. Kennsco provides a full range of computer products and services. The merged company will be called Kennsco Financial Solutions.

Kennsco first entered the financial market in the late 1980s as a maintenance organization for banking teller terminals. Today, it services more than 50,000 pieces of equipment nationwide.

In addition, the company is a certified reseller, lessor, and service provider for most major brands of hardware and software, including NCR, IBM, Compaq, Hewlett-Packard, Epson, Citus, OnLine Financial, and Novell.

Avdata Satellite At Trans Financial

Trans Financial Bancorp Inc., a Bowling Green, Ky.-based bank holding company, will link 27 branches together via a satellite network from AvData Systems Inc.

The network will eliminate the need for all long-distance lease lines in the bank's network. The full network should be in place and operational in the summer.

Trans Financial Bancorp has $1.2 billion in assets.

Atlanta-based AvData Systems is a full-service data communications company.

Southern Finishes Canadian Project

Southern Computer Systems Inc. of Birmingham, Ala., has completed the development and implementation of a merchant sales draft processing system for the Bank of Nova Scotia in Toronto to process Visa sales drafts.

The bank processes an average of 100,000 transactions per day.

First Chicago Gets Risk Cutting Tool

First National Bank of Chicago is using a deposit risk minimization system from Cincinnati Bell Information Systems Inc. The system will allow the bank to fax high-risk deposit items from remote branches to a centralized team for verification and account review.

The new system features an open system, a client/server environment with Unix-based servers, and intelligent workstations.

First National Bank of Chicago is a subsidiary of First Chicago Corporation. □

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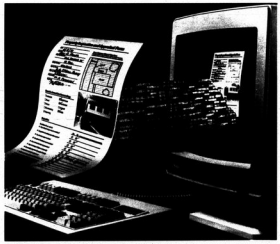

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In Dim Quarter For Bank Stocks, A Handful Shone

By RICHARD LAYNE

Amid a fall in the overall bank stock market in the second quarter, a handful of issues soared.

Leading the gainers was First-tier Financial Corp., Omaha. Its shares ran up 28.3% on news in April that it had accepted a takeover offer from Banc One Corp.

The other stocks with strong showings were MBNA Corp., Huntington Bancshares Inc., Norwest Corp., and Signet Banking Corp. – all of which had answers to investors' questions about the industry's ability to improve earnings. Their shares gained at least 9% in the quarter.

NEWS ANALYSIS

Analysts said other banks have also shown they can boost earnings in the face of weak loan demand and tough competition. But their shares did not rise sharply because of high trading multiples or other factors.

The *American Banker* index – a weighted average of 225 bank stocks – lost 2.9% during the period, according to SNL Securities.

Leading the plunge were shares of Union Bank, which plummeted 30.1%. Other decliners were State Street Boston Corp., Zions Bancorp., Northern Trust Corp., and Bancorp Hawaii.

In the Cards for MBNA, Signet

Late last year, analysts and money managers predicted that this year would be a "stock pickers" market, in which the sector's shares were not likely to outperform the general market. From the second-quarter performance, it appears that banks showing revenue growth are attracting attention.

Both MBNA, whose shares rose 19.4%, and Signet, up 9.3%, have shown dramatic growth in credit-card-related assets.

"Signet is catching a lot of imagination and interest with its asset growth, stemming from credit cards," said Robert Albertson, an analyst with Goldman, Sachs & Co. "They can show growth where others fear to tread."

Outstandings Up 40%

In 1992, Signet's outstanding credit card loans rose 40%. Mr. Albertson estimated that outstanding credit card loans may have reached $2 billion in the second quarter, nearly a third of the bank's assets.

Practically all of MBNA's assets come from credit cards,

See **STOCKS** *talk page*

INSIDE NEWS

INVESTMENT PRODUCTS



Erik Lars Bakke

ALPS SECURITIES founders Arthur J. Lucey and W. Robert Alexander faced skepticism when they set up their mutual fund distribution company. Today, the company brings in $3 million a year. *Page 12*

PHENOMENAL GROWTH in proprietary mutual fund families has become a source of pride for many bankers. But what happens when trust conversions taper off? *Page 14*

COMMUNITY BANKING

ALL EMPLOYEES at tiny Bank of Commerce in Auburn, Calif., know the Community Reinvestment Act inside and out – even the janitors. *Page 8*

MORTGAGES

J.J. KISLAK & CO., a major mortgage bank based in Miami Lakes, Fla., said that it has agreed to merge with Farragut Mortgage Co. of Mansfield, Mass. *Page 11*

TECHNOLOGY

SOUTHSIDE STATE Bank of Tyler, Tex., departing from the strategy used by most institutions its size, has purchased a core banking system that runs on personal computers. *Page 3*

FINANCE

MORGAN ST. JOHN, who recently stepped down as head of Bankers Trust's loan syndication department, has resigned after the bank was unable to find a new post to his liking. *Back page*

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Chemical Buying Texas Trust Firm for $130 Million

By YVETTE D. KANTROW

Seeking to broaden its fee-based revenues, Texas Commerce Bancshares said Tuesday that it will buy a Dallas-based trust company from Cleveland's Society Corp. for about $130 million.

Under the deal, Texas Commerce, a subsidiary of Chemical Banking Corp., will add $5.5 billion of assets under management to its own portfolio of $8.5 billion of trust assets under management.

It also will inherit 11 offices and 590 employees of the unit, Ameritrust Texas Corp.

Texas Commerce officials said they expect Ameritrust's emphasis on personal trust services to mesh well with their own trust efforts. "We believe in the future of the trust business as an important portion of fee revenue," said Marc J. Shapiro, Texas Commerce's chief executive. Ameritrust Texas "is a very significant institution in this business with a long history."

Was Owned by MCorp

Ameritrust Texas was formerly owned by MCorp, a Dallas-based bank company that sold its trust assets to Cleveland's Ameritrust Corp. in 1990 as it was struggling to avoid takeover. When Society, also based in Cleveland, bought Ameritrust in March 1992, the Texas trust unit joined its fold.

Society became a major trust bank through the purchase, with about $67 billion of trust assets and $27 billion under active management. But the company said Tuesday that it had no other major units in the Lone Star State to justify keeping the Ameritrust operation.

"We tried to find a local commercial banking franchise to complement the trust business in Texas but failed to do so," a Society spokesman said.

Society will retain 40 of the Texas unit's 630 employees on its payroll to oversee a few business lines, including shareholder services.

Gain for Society Corp.

The Cleveland-based company, which has $26 billion in assets, said it expects to record a $10.1 million after-tax gain on the sale, which is expected to close before yearend. The transaction will also remove $100 million of intangible assets from Society's balance sheet.

The purchase price will be supplemented by the net equity value of Ameritrust Texas when the deal closes, an amount ana-

See **CHEMICAL** *page* **13**

ABN Amro to Purchase Chicago's Cragin Federal

By JAMES R. KRAUS

Continuing its aggressive expansion in Chicago, ABN Amro Bank said on Tuesday that it has signed an agreement to acquire Cragin Federal Bank for Savings for about $500 million.

ABN Amro will pay $38 in cash for each of Cragin's roughly 13 million outstanding shares.

The price equals about 1.6 times Cragin's book value as of March 31, analysts said.

ABN Amro "has a reputation for buying high-quality merchandise at relatively high prices, and Cragin fits that bill," said Joseph Stieven, director of financial institutions research for Stifel, Nicolaus, & Co., St. Louis.

Stock Skyrockets

Cragin's shares surged on the news. In late trading Tuesday afternoon, they were up $10.25, or 29%, to $35.125.

The proposed acquisition is the latest in a series of Chicago-area purchases by the Dutch bank. The Cragin buyout would be ABN Amro's seventh bank or thrift deal in the area since 1977. Its most recent acquisition took place last year, when it bought Talman Home Federal Savings, now known as LaSalle Talman Bank.

Acquisitions of the Past

ABN Amro's major U.S. acquisitions

		Amount (millions)
'79	LaSalle National Chicago	$0.9
'88	Lease Interfinancial Chicago	1.6
'90	European American New York	0.2
'90	Exchange Bancorp Chicago	3.0
'92	Talman Home Federal Chicago	0.8
'93	Cragin Federal* Chicago	2.8

*Pending

Outside Chicago, ABN Amro owns European American Bancorp in New York and conducts corporate banking activities out of 10 direct U.S. branches of the Dutch bank.

Hitting the Target

The acquisition will boost ABN Amro's U.S. assets to around $40 billion, including $18 billion in the Chicago area. The company has said that $40

See **ABN AMRO** *page* **6**

Community Banks Are Selling Out To Big Rivals in Growing Numbers

By ROBERT B. COX

Community bankers are increasingly selling out to larger players.

In the first half of the year, 92 acquisitions were announced, up from 59 in the same period a year ago.

And the amount of assets acquired soared to $29 billion from $19 billion, according to data compiled for the *American Banker* by SNL Securities, Charlottesville, Va.

Why the selling binge? Community bankers cite a host of reasons, including heightened competition and growing frustration with regulatory red tape.

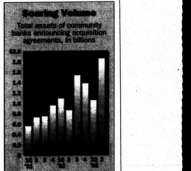
Attractive Bids the Key

But the top factor, most players agree, is extremely attractive bids. Buyers, taking advantage of their lofty stock prices, paid a whopping 1.8 times book value on average in the second quarter, the highest premium in almost four years.

When Pennsylvania giant PNC Bank Corp. offered to pay 1.6 times book, United Federal Savings Bank found the deal too good to pass up, said Charles C. Pearson Jr., chief executive of

Seasonal Variation

Total number of community banks announcing acquisition agreements



the $800 million-asset thrift based in State College, Pa.

For their part, buyers are primarily making in-market acquisitions, so-called fill-in deals. "Banks are building market share in markets already served rather than extending service to new markets," said David Berry, director of research at Keefe, Bruyette & Woods, New York.

While community bankers throughout the nation fell into

See **COMMUNITY** *page* **8**

GRAPEVINE/*Edited by Karen Gullo*

Culture Shock

Bank of Boston Corp. is taking a lesson from its corporate customers by climbing on the "reengineering" bandwagon.

Promising a corporate-wide cultural change, the New England giant is planning to adopt a Total Quality-type management training process to change the way its 16,000 employees approach their jobs. The aim, needless to say, is to focus better on customer service while increasing efficiency.

The idea came from the top after chief executive Ira Stepanian heard high-tech customers, such as Data General and Teradyne, extol Total Quality Management for "reengerizing" their companies, said Ira Jackson, the bank's head of external affairs.


Ira Stepanian

Top Bank of Boston executives are now attending TQM seminars and visiting corporations that have adopted similar programs. Charles K. Gifford, president of the $32 billion-asset company, has already paid a visit to General Electric Co.

Bank of Boston will use some consultants, but the project won't be led by outsiders. "This is a CEO-driven process," Mr. Jackson said.

— Yvette D. Kantrow

* * *

Chemical's Solreos

Chemical Banking Corp. is treating its retail customers to wine, shrimp cakes, and cocktail music this summer.

The New York giant recently began hosting early-evening receptions for customers who are being forced to change branches because of closings related to the Chemical-Manufacturers Hanover Corp. merger.

"We don't want customers to feel alienated," said Barbara Sulkis, a manager who hosted a reception in her midtown Manhattan branch last week. "It's very informal, and there's no proselytizing."

About 200 of 1,200 invitees showed up to meet her employer, listen to a violinist, and leave with a gift umbrella emblazoned with Chemical's logo.

The bank has held about 20 receptions, and plans another 57 before the first quarter of 1994, when the bulk of the 80 branch closings will be complete.

* * *

Glenfed Shuffle

Glenfed Inc. raised some eyebrows on Wall Street when it began circulating details of its capital-raising plan to potential investors last month.

It wasn't the terms of the transaction but the name on the prospectus that drew attention. First Boston Corp., not Goldman, Sachs & Co., is lead manager for the recap. Goldman had been the ailing thrift's chief adviser for much of the past year as it searched for investors.

None of the parties would publicly comment. But people familiar with Glenfed's situation said Goldman, more comfortable with traditional financing methods, pulled out when the thrift opted for a high-wire recapitalization.

First Boston, by contrast, has a restructuring department and knows the ins and outs of financial institution recaps. And officials of Glenfed – which could be seized if the recap fails – no doubt noticed that First Boston pulled off a similar deal for California Federal Bank earlier this year.

— Sam Zuckerman

* * *

Bench Strength

Some hearts skipped a beat at the Bank Administration Institute last month.

The Chicago-based institute abruptly lost the services of Robert B. Hedges, a consultant who was point man on a landmark study of consumer banking. Mr. Hedges recently became an executive vice president of Shawmut National Corp.

But the BAI says the project has kept to its tight schedule, thanks to some fancy substitution work by Mr. Hedges' former firm, First Manhattan Consulting Group. H. Eugene Lockhart, executive vice president of First Manhattan, took charge to ensure that the study is ready for a high-profile release at the BAI's retail delivery systems conference in November.

Mr. Lockhart returned to First Manhattan last year after five years at Midland Bank in London, where he engineered major changes in branches and other delivery channels – the very subjects of the BAI study.

Mr. Hedges will keep a hand in the project because Shawmut will be among the banks providing data to First Manhattan.

— Jeffrey Kutler

Bank of New York Cuts Estimate Of Layoffs in New Jersey Merger

Reuters

NEW YORK — Bank of New York Co. will lay off "substantially" fewer people than the 500 to 700 that it originally estimated when it announced the purchase of New Jersey's National Community Banks.

A Bank of New York spokesman said the company will still attain its projected cost savings of $40 million from the merger in the first year after the acquisition.

The company said it will still attain its projected savings of $40 million in the first year after the acquisition.

Reduction of 25% Seen

He declined to specify the new size of the layoffs. But one source said it could be about 25% lower than the original estimate, or 375 to 525 jobs.

Some layoff notices were handed out last week to National Community employees.

The Bank of New York spokesman said that Bank of New York does not yet have a final number for how many people will lose their jobs in the merger.

He said that the company will experience the same cost savings despite laying off fewer employees because of unforced resignations and retirements at National Community.

Job Openings by Attrition

As jobs open up due to natural attrition, Bank of New York is filling them with people who otherwise might have been laid off, he said.

The merger, which awaits approval from the New York State Banking Department, is likely to be completed in the third quarter.

Shareholders of National Community will receive 0.96 shares of Bank of New York common stock for each of their common shares.

At the time the merger was announced in January, the value of the deal was $650 million. □

American Banker Opens Denver Bureau with The Bond Buyer

American Banker and its sister publication, *The Bond Buyer*, yesterday opened the newspapers' first joint bureau, in Denver.

The new bureau will be headed by Keith Dubay, a business and finance reporter for *The Rocky Mountain News*. Mr. DuBay, a Detroit native, was a business reporter and columnist with the *News* since 1989. Before that, he was a reporter for the *El Paso Herald-Post* and the *Dallas Morning News* in Texas.

"We have long wanted to open a bureau in the Rockies. There is nothing like having a reporter on the scene," said Joe Mysak, editor of both newspapers. "With the opening of the Denver bureau, our expansion plans are almost complete," he said.

The new bureau will be in the landmark century-old Equitable Building in downtown Denver, at 730 17th Street, Suite 712. The telephone number there is 303-446-0625. The facsimile number is 303-446-0619.

The newspaper also announced that John Racine, Southwest bureau chief of *The Bond Buyer*, has joined *American Banker* as Southwest bureau chief. Mr. Racine has been with *The Bond Buyer* since 1990.

COMPANY *index*

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A Texas Bank to Use PCs for Its Core System

By MATT BARTHEL

Departing from the strategy used by most institutions its size, a $377 million-asset Texas bank has purchased a core banking system that runs on personal computers.

Southside State Bank, based in Tyler, will use software from Perot Systems to run a local area network of personal computers, replacing its current system that operates on an NCR Corp. mid-range computer.

The new system is designed to give customer service representatives a comprehensive picture of customers' banking relationships. Bank officials said that added flexibility was the software's most attractive feature.

"The system will allow us to get products to market a lot quicker than we could in the past," said Lee R. Gibson, executive vice president at Southside.

An Expanded Line

Mr. Gibson said the system will enable Southside to expand its range of services. The current system limits the number and complexity of products, such as certificates of deposit and money market accounts, that the bank can offer, Mr. Gibson said.

Despite the performance improvements that Mr. Gibson attributes to personal computer technology, most smaller institutions have yet to move completely to PCs for core banking applications.

According to the American Bankers Association's annual survey of banking automation, banks with between $300 million and $500 million in assets still favor mainframe software for their on-line retail applications.

In fact, despite the rising power of the personal computer, about 60% of financial institutions with less than $1 billion in assets still use a mainframe or midrange to drive "dumb" terminals at the branch.

Complex Setup

The reason: Converting from a host computer LAN can be complex, and many smaller banks have been unable or unwilling to go through the trouble. But there are signs that is changing.

"Southside is a good candidate for the first installation of this software because they already had PC LANs in place when we got there," said a spokesman for Perot Systems, which is based in Dallas.

Southside expects the Perot system to bolster cross-selling and speed responses to customer inquiries.

Opportunities to cross-sell products will grow because of the broader range of customer information available to branch employees.

Relevant Data at Hand

For example, a customer with a large balance in a savings account might be a perfect candidate for a certificate of deposit or money market account.

Quicker responses are possible because the system enables bank employees to view on a single screen demand deposit accounts, CD and individual retirement accounts, loan relationships, and credit history.

Mr. Gibson indicated that the open-systems architecture of the Perot software makes these benefits easy to achieve.

"It's refreshing to find a system that provides product flexibility as a result of its design rather than by retrofitting features, as found in legacy systems," he said.

The system at Southside Bank consists of an NCR server, which supports two 486 personal computers acting as processors. Eventually, 150 terminals will be connected to this nerve center.

Imaging Capability

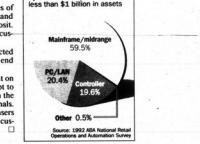
In addition to the applications from the Perot system, Southside Bank will also expect the branch PCs to handle images of signature verification cards and of actual certificates of deposit. The idea, again, is to speed customer service inquiries.

The Perot system is expected to be up and running by the end of September.

Perot declined to comment on the cost of the system, except to say that charges are based on the number of connected terminals. Banks with 100 or more users are considered the target customers. □

How Community Banks Handle Retail Processing

Systems used by banks with less than $1 billion in assets



Source: 1992 ABA National Retail Operations and Automation Survey

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Sale Date: 08/24/83
Total Amount Redeemed : $8.465,000.00
Issue Amount: 9,000,000
Dated Date: 09/01/83

Cusip	Coupon	Maturity	Redeemed Amount	Type	Date	Price
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033267JZ7	9.700	09/01/94	$260,000	Prerefunded	09/01/93	102.00
033267JK4	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
033267JL2	9.700	09/01/96	$315,000	Prerefunded	09/01/93	102.00
033267JM0	10.100	09/01/97	$740,000	Prerefunded	09/01/93	102.00

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Comment

By Paul S. Nadler

Ignore the Doomsday Books! Deficits Won't Bankrupt U.S.

Some observers feel that America's 217th birthday will be one of its last happy ones for a while.

Why? They say our budget deficits are so out of hand that we will soon be bankrupt, unable to pay our debts, and unable to keep foreigners from taking all their money out of the country.

I find this analysis untenable – sheer fiction, a scare tactic that sells doomsday books and attracts listeners to TV shows on the topic.

Now, I hold no great love for the lawmakers who have given us a deficit that will soon reach $4 trillion dollars. The irresponsibility of various administrations and Congresses in allowing government spending to so exceed tax collections that we have reached a deficit of $300 billion a year is unconscionable.

Deficit Feeds on Itself

The financing of this deficit is now the government's third-biggest expenditure – after entitlements and the military – and it will soon be No. 2.

The deficit has led to a crowding out of private borrowing and spending that could have helped the economy recover. And it feeds upon itself by forcing the government to go deeper and deeper into the hole in order to pay the interest on the deficits already on the books.

This may be pretty bad, but it is so terrible that our nation's future is threatened?

Our first evidence that the deficit is not life-threatening comes from the fact that despite 12 years of soaring deficits, we still have the lowest interest rates in two decades and an investing public that trusts U.S. government obligations.

Why is this possible? Don't the huge deficits drain money from the economy, making credit scarce and boosting money rates?

Just a Movement of Deposits

No. For the money has to be somewhere. Dollars just don't leave the country. They are American bank deposits, basically the bulk of the liabilities of our banking system.

All that deficit finance does is move deposits from the banks of the new investors in government securities to the accounts of those who already own government securities and are entitled to interest payments on them.

Sure, heavy inflation would occur if the Federal Reserve financed the huge deficits by creating new reserves and thus allowing the banks to create new deposit money.

THE FINANCING OF *the budget deficit is now the U.S. government's third-biggest expenditure, after entitlements and the military, and it will soon be No. 2.*

But the Fed is not given to creating inflation. Rather it keeps as its goal protecting the value of the dollar. So most of the deficit finance involves this moving of funds from the new buyers of bonds to the holders of previously issued securities on which interest payments are due.

Now, who owns these bonds? More than $300 billion worth are owned by the Fed itself. What does it do with the interest it earns on them? Once it has funded its own operations, the central bank sends the vast bulk of its income right back to the Treasury as a direct transfer. That certainly doesn't hurt the nation.

Keeping the Flow Going

As for the rest of the bonds held domestically, they too are a part of a loop that keeps money here. The bondholders receive interest, pay taxes on it, spend or invest the rest, and thus keep the interest payments they receive flowing through the economy.

Sure there is a transfer of funds from all the taxpayers and those who bought new bonds as interest is paid to holders of outstanding obligations.

But these banks, insurance companies, and all other investors – both individuals and institutions – have sacrificed earlier consumption to buy the bonds. They are entitled to their interest. If they didn't receive it they would be unlikely to invest in U.S. securities again, in which case our economy would really be in a mess.

So domestically paid interest breeds transfer of funds but no actual disaster. The higher the deficit, the more the transfer, but the money stays in the loop.

Nowhere to Run

Even foreign owned dollars do not leave the loop. They can't. They are also merely U.S. bank deposits. As with domestic holdings, foreigners must either spend the interest they earn on American goods and services or reinvest it in other bonds or acquire stock issued by real estate and movie companies. None of these choices should make us unhappy.

The alarmists say "they will take their money and run." Where? When Iran's deposits were unblocked and it pulled billions out of Chase Manhattan Corp., it moved the money down the street to J. P. Morgan & Co.

Sure the budget deficits hurt. But by itself, the deficit will not bankrupt our country unless the Federal Reserve is willing to allow it – a very unlikely prospect. Deficits can squeeze our interest rates but they can't bankrupt us. So despite all the doomsday books that sell so well at airports, we can wish America a happy birthday and expect to be around for many more. □

Comment

By Charles B. Wendel

Do as Secured Lenders Do: Split Up Responsibilities for All Bank Lending

Secured lending areas in many banks are viewed with a mixture of distrust and disdain by the unsecured lenders.

The traditional banker sometimes sees the secured lender as a "bottom fisher," someone dealing with credits that are not bankworthy. Further, the business system for secured lending – that is, how the job is segmented into functional responsibilities – goes against the grain of many bankers.

Nonetheless, the organizational model employed by secured lenders can provide some tips on reengineering the entire bank. The secured lenders' segmented approach may offer banks a way to tighten their marketing focus and increase the cross-selling of products.

Three Distinct Processes

Almost without exception, secured lenders in banks across the United States break up their job into three distinct processes: loan origination, credit underwriting, and account maintenance.

The starting point is the business development officer, who focuses almost exclusively on generating new loans. These officers are constantly in contact with brokers, accountants, investment bankers, and other intermediaries.

Depending on the bank, business development officers also work closely with unsecured lenders, who should be a key source of referrals. Compensation is largely driven by performance – 25% or more is incentive-based.

When the transaction is identified, credit specialists then underwrite and structure the secured loans. Typically, business development officers have no credit authority. What they do possess, however, is a knowledge of what makes a deal acceptable to the market and to their own organizations. Therefore, they act as the first credit screen. They may, of course, write up an initial credit presentation, but after that point, the decision rests with the credit experts.

DUTIES *can be divided into three areas: origination, credit underwriting, and account maintenance.*

Contact Person for Borrower

Account maintenance and monitoring of secured loans is handled by another group of focused professionals. These account executives or account officers make certain that the monitoring procedures are working and that the customers' needs are being met. Once the loan is signed, the account exec-

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Comment

By Charles B. Wendel

Split Up Lending Responsibilities

Continued from *page 4*

sive becomes the main contact person for the borrower.

Contrast this infrastructure with banking's standard approach to unsecured lending.

At most banks, line officers perform multiple tasks: marketing, credit analysis, maintenance, and cross-selling. Tradition has more to do with this arrangement than customer needs.

Additionally, bankers express concern that borrowers will not accept the switch from a business development officer to an account executive. In some bankers' view, the only reason that this trade-off approach to account management works for secured lenders is that they are selling only one product, and it is to clients who may have few options.

Sits Well with Customers

In fact, customers are relatively at ease about their accounts being managed by someone other than the line officer. Customers are primarily interested in seeing that their companies get good service from a lender. They also overwhelmingly prefer one focal point for problem resolution. As long as that contact person performs, the customer is happy.

Line bankers, not customers, offer the greatest resistance to this organizational change. The genuine concern that the client will feel alienated by a hand off of the relationship from the business development officer to the account executive can be prevented by introducing the account executive to the target early in the marketing cycle.

The resistance generated by line bankers who want substantial input into the credit process needs to be resolved within the bank. When the requirements for the banker to produce high return on equity and higher productivity in an increasingly competitive environment are linked directly to incentive compensation, very few lenders will continue to volunteer to be all things to all people.

Too Much for One Person

Expecting one person to juggle multiple roles and manage different internal and external constituencies may result in suboptimal bank performance in all areas of marketing, credit, and account maintenance. Building a high-yielding relationship, which should be every bank officer's primary concern, can become buried under the avalanche of phone calls and document processing.

Indications are that the loan market for the unsecured lender will be either flat or continue to decline. Improved productivity by the banker, higher account retention, and increased cross-selling will all be key factors in maintaining strong profits.

Adopting a tri-part account management approach with the business development officer, the account executive, and the credit specialist working together as a team offers the best chance to enhance productivity in a slow or no growth market.

Given that responsibility for an account is shared, increased productivity may, at first, appear to be an unlikely by-product.

Retaining Accounts

In fact, better productivity can result from a higher degree of job focus and match-up of individual expertise to responsibilities. Similarly, this organizational structure enhances the probability of account retention. Those who maintain the accounts understand how the bank works and, assisted by an administrator, can get issues resolved quickly and with reduced hassle for the customer.

The account executive serves a dual role in this structure. First, that executive can assure that the credit remains strong and the customer stays satisfied with the service provided. Second, the account executive can coordinate the cross-selling effort. The focus is on developing a deeper relationship with the customer.

Contributing to the productivity increase will be a change in personnel requirements.

Linking Compensation

A substantial portion of the business development officer's compensation, for example, can be linked to account profitability. The account executive can handle a significantly increased account load with the assistance of a lower-cost administrator. On an all-in basis, costs per account relationship should decline.

In some ways, it is ironic that a "break the mold" approach to account management has been developed by secured lenders often viewed as outsiders within their own banks.

Nonetheless, the managers of unsecured lending areas should review what their brethren have done for secured lending and weigh its relevance to what they are also trying to accomplish – namely, productivity and profit growth. □

IN CONTRAST *to what traditional bankers assume, customers accept having their accounts managed by someone other than the originator.*

Fed Is Keeping Close Eye On Prices, Phillips Says

WASHINGTON — Federal Reserve Board Governor Susan Phillips said the recent firming of prices is being "carefully monitored" by the Fed "to see if they will stick."

In comments before the National Association of College and University Business Officers, Ms. Phillips said she believes further progress in reducing inflation is "feasible" this year, citing a commitment by businesses to improve efficiency and keep costs down.

But at the same time, Ms. Phillips acknowledged that the Fed is keeping a close eye on recent inflation reports.



Susan Phillips
Says more progress is feasible

Sees Growth Ahead

She said the Fed is "spending a great deal of time trying to assess whether commodity price run-ups are specific or likely to spread throughout the economy."

Ms. Phillips said she believes the economy is still positioned for a period of sustained non-inflationary growth. But she added that "we still have to work through some of these imbalances and drags on the economy" stemming from the 1980s and early 1990s.

Ms. Phillips called the May reports on inflation "encouraging." She said the housing sector remains surprisingly weak despite such strong fundamentals as low mortgage rates and she predicted a pickup in that sector.

She said sales of autos and light trucks remain one of the bright spots in the economy. □

Executive Pay, Performance Compared in Study

CHARLOTTESVILLE, Va. — SNL Securities has published studies comparing executive compensation with the financial performance of banks and thrifts.

The two studies cover the nation's 400 publicly traded commercial banks and thrifts and are based on the companies' 1993 proxy statements.

The studies, based on new disclosures required by the Securities and Exchange Commission, rank the compensation and benefits of top executives according to institutions' asset size, location, and financial performance. SNL is based in Charlottesville. □

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NEWS briefs

Key Bank Acquires Emerald City Assets

TACOMA, Wash.— Key Bank of Washington said it has acquired certain loans and insured deposits of Seattle-based Emerald City Bank. The Tacoma-based banking subsidiary of Keycorp said it will convert an Emerald City office in Seattle into a branch.

Terms of the deal, which Key said was accepted by the Federal Deposit Insurance Corp. on July 2, were not disclosed.

The purchase follows an earlier announcement that Washington State's supervisor of banking had taken possession of Emerald City Bank and had appointed the FDIC as receiver to handle Emerald City's assets.

Key, based in Albany, N.Y., recently dismissed the chief executive of its Tacoma-based banking subsidiary, citing dissatisfaction with its returns. The unit has grown fast through acquisition but has not been embraced by local communities.

Marquette Offers Loans to Flood Victims

MINNEAPOLIS — The 13 Marquette Banks in Minnesota are offering low-interest loans to people whose property was damaged in the recent rains and flooding.

The loans, at one to two percentage points below regular interest rates, are available through July 31. To qualify, individuals must meet the bank's standard underwriting criteria and use the funds specifically to repair damages caused by the rains.

Marquette is a holding company with $1 billion of assets.

NationsBank's McColl to Raise Arts Money

CHARLOTTE, N.C. — The Arts and Science Council, a local fund-raising organization, said NationsBank Corp. chairman Hugh L. McColl Jr. will be chairman of an endowment campaign.

The council said Mr. McColl had not previously headed a major fund-raising campaign in Charlotte, the headquarters of NationsBank.

The goal has not been set, but the council is considering a range of $20 million to $30 million to ensure the long-term health of arts and science organizations, including the N.C. Blumenthal Performing Arts Center, Charlotte Symphony Orchestra, N.C. Dance Theatre, Afro-American Cultural Center, and Charlotte Repertory Theatre.

First Security Creates Small-Business Unit

SALT LAKE CITY — First Security Corp. has formed a subsidiary through which it plans to make direct investments in small businesses.

The subsidiary, First Security Business Investment Corp., is awaiting Small Business Administration designation as a small-business investment company.

The unit was incorporated in First Security's home state of Utah. It will take equity positions in emerging and later-stage small businesses. It will also provide some financing to businesses that do not qualify for traditional bank debt.

Louis O. Alder will be vice president and general manager of the subsidiary.

The briefs were compiled from staff and wire reports.

ABN Amro to Acquire Cragin

Continued from *page 1*

billion is its target for the United States.

Cragin, with $2.8 billion of assets, is the second-largest independent savings bank in Illinois. Its 27 branches are situated mainly on Chicago's northwest side and in the western and northwestern suburbs. The staff totals 600.

The acquisition will give ABN Amro 90 branches in the Chicago metropolitan area. That would be second only to the 102-branch network of First Chicago Corp.

Building market share in Chicago, though, is only part of ABN Amro's motivation in seeking to buy Cragin, according to Harrison F. Tempest, chairman and chief executive officer of ABN Amro North America Inc., the Dutch bank's U.S. holding company. Cost reduction is the other major factor, he said.

Saving of 20% Seen

Mr. Tempest estimated that the merger will reduce Cragin's operating expenses by at least 20%.

Kenneth Puglisi, a banking analyst with the Chicago Corp., noted, "It's an in-market merger, and those kinds make the most sense" in terms of cost savings.

ABN Amro said it has reached agreement with several minority shareholders of Cragin on terms of the offer.

It said the acquisition will be funded partly by an offering of preferred shares by its Chicago commercial banking unit, La-Salle National Corp.

The proposed sale of Cragin represents a bonanza for depositors and investors who bought shares of the thrift when it was taken public in June 1991.

"It's been a tremendous investment for anybody who was able to buy it," Mr. Stieven said.

The shares were sold initially at $10 apiece. A subsequent stock split made the per-share value of that sale $6.67, analysts said. Thus, the purchase price represents about 4.6 times the initial investment.

Person to Person

The proposed acquisition culminates several years of talks between Theodore H. Roberts, chairman of LaSalle Talman Bank, and Adam A. Jahns, chairman and chief executive of Cragin.

"Ted and Adam were talking to each other long before we bought Talman, and this is really one of those people-to-people transactions," Mr. Tempest said.

Cragin and Talman will continue to operate separately, he added.

Mr. Tempest said ABN Amro is not planning any more significant U.S. acquisitions "for the time being." □

Big Deals

Biggest private acquisitions announced in 1993. Dollars in millions

Acquiror/ assets	Acquired/ assets	Deal size
NationsBank Charlotte, N.C. $118,089	MNC Financial Baltimore, Md. $18,928	$1,361
Banc One Columbus $118,089	Flostler Financial Omaha, Neb. $18,928	685
Bank of New York New York City $48,909	National Community West Paterson, N.J. $4,003	652
ABN Amro Holdings PLC Amsterdam $242,000	Cragin Financial Chicago $3,600	500
First Union Charlotte, N.C. $81,327	First American Bankshares Charlotte, N.C. $4,917	453

Soaring Price

Price per common share of Cragin Financial Corp.



Price was $9¢ at 4 p.m. Monday

Sources: American Banker, SNL Securities, Reuters

Bank of Boston Names Griebel to Head Its Connecticut Bank

By YVETTE D. KANTROW

Bank of Boston has appointed R. Nelson "Oze" Griebel as chairman, president, and chief executive officer of its Connecticut bank.

Mr. Griebel will replace James J. Pearl, who is credited with spearheading Bank of Boston's pending acquisition of Connecticut's Society for Savings. Mr. Pearl is returning to Boston as director of mergers and acquisitions.

Mr. Griebel, 44, has been running Bank of Boston's core domestic operations. He has been responsible for check and electronic funds processing, lockbox operations, deposit account management activities, treasury operations, and consumer loan processing and documentation.

A 17-year veteran of the Boston bank, Mr. Griebel will assume his new role on July 9 – the day the Society for Savings acquisition is set to close. Bank of Boston Connecticut will then become a $4.8 billion-asset institution, with 39 retail branches.

In Boston, Mr. Pearl will report to Peter Manning, executive vice president for mergers, acquisitions, and risk review. □

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EXECUTIVE changes

Bank of California Investment Unit Names Mazur to Additional Post

Lake C. Mazur, a managing director of **Merus Capital Management**, has assumed additional responsibilities as chief investment officer for Merus, the investment management division of the **Bank of California**, San Francisco.

He succeeds **Harold C. Warner**, who has left the unit to join an independent investment firm.



Lake C. Mazur

Mr. Mazur has been chief operating officer for Merus, which manages more than $6.2 billion of assets for individuals and businesses.

He came to Bank of California in 1990 as Merus managing director from an equivalent position at Northern Trust Corp., a subsidiary of Northern Trust Co. Mr. Mazur had spent 25 years with Northern Trust in a variety of positions.

Mr. Mazur is a member of the Financial Analysts Federation, the Investment Analysts Society, and the Institute for Quantitative Research in Finance.

— **Franklin Smith**

NEW ENGLAND

FLEET FINANCIAL Group Inc., Providence, R.I., announced the following the appointments:

David L. Potts was named senior vice president and manager of commercial loan services at Fleet Services Corp., the data processing and bank operations subsidiary; **Stephen R. Taylor** was named director of corporate accounting and appointed a senior vice president in the corporate accounting division of Fleet Corporate Administration, the service unit; and **Joanne Hadfield Comeau** was named senior vice president, corporate marketing at Fleet Corporate Administration.

Also, **Patrick J. Wiater** was appointed a vice president in the corporate accounting division; **Gail J. Robinson** was appointed vice president and counsel in the legal division; **Joseph Xavier Jr.** was appointed vice president, corporate accounting operations; and **Alan B. Stewart** was appointed vice president and audit manager in the audit division, Fleet Corporate Administration.

Named at Fleet Bank, Providence, were **Kyle A. Macdonald** to vice president in the managed assets division; **Ronald S. Ohberg** to vice president in the accounting area of the bank's commercial real estate department; **Kevin Tracy** to vice president in the community banking division, and **Donald C. McQueen** to vice president in the corporate banking division.

MIDDLE ATLANTIC

KEYCORP, Albany, N.Y., has appointed **Frederick E. Wolfert** chairman, president, and chief executive of its Key Bank USA unit.

Mr. Wolfert also will retain his presidency of Keycorp Leasing Ltd., Keycorp's equipment leasing company.

He joined Keycorp in 1988 as senior vice president of Key Financial Services Inc.

THE FEDERAL RESERVE Bank of New York has promoted **Howard J. Howe** and **Eli M. Remolona**. Both were named research officer and senior economist.

Mr. Howe will continue in the international research department. He is responsible for research on European economic and monetary union, the independence of U.S. monetary policy, international comparisons of interest rates and profits, and industrial economies outlook.

Mr. Remolona will continue his assignment in the international finance department. His responsibilities include research on financial policy issues and credit policy briefings.

WILMINGTON TRUST Co., Wilmington, Del., said **Donald A. Corkran** will retire at the end of the month after 30 years with the bank.

Mr. Corkran has been a member of the bank's senior management committee since 1979, and since 1991 has managed the Trust Operations and Systems Development Department and oversees the initial phases of the development of trust systems.

SOUTHEAST

WACHOVIA Bank of North Carolina, Greenville, a subsidiary of **Wachovia Corp.**, Winston-Salem, has elected **Charles D. Bryant Jr.** and **Bruce A. Ledwith** senior vice presidents.

Mr. Bryant is regional loan administration manager for the eastern region and Mr. Ledwith is manager of the sales finance center.

In another announcement, **Wachovia Corp.** said **Harry W. Rolison** has retired from Wachovia Trust Services Inc. after a 37-year career in the trust division.

Mr. Rolison, who had been a senior vice president, managed the corporate trust department. He was responsible for stock transfer, bond trustee, registrar, dividend disbursing, and dividend reinvestment services for corporations and governmental units.

WEST

THE FEDERAL RESERVE Bank of San Francisco said **S. Jean Hinrichs** has joined the audit division of the bank as an assistant vice president.

In the newly created position, Ms. Hinrichs will be responsible for overseeing nonelectronic data processing audit activities for operations in the home office of the 12th Federal Reserve District, which serves the nine western states. She reports to General Auditor Robert Gatchell.

Ms. Hinrichs has more than 12 years of audit experience. □



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By DEAN M. NIELSEN
Special to the American Banker

CRA

EVERY EMPLOYEE AT tiny Bank of Commerce knows the Community Reinvestment Act inside and out – even the janitors.

In August 1990, after receiving regulators' second lowest CRA rating, the Auburn, Calif.-based bank set out to turn itself around. In just nine months, the $56 million-asset bank with three branches won an "outstanding" rating after improving in 21 areas.

"This was a massive effort," said John Briner, president and chief executive. "I wasn't surprised at the turnaround – I was gratified."

Mr. Briner didn't hire a consultant to guide him through the turnaround. Rather, he appointed himself as the CRA officer.

"We started with intensive training," he said. "There isn't anybody in this bank who doesn't know what CRA is."

The bank moved quickly to establish a written CRA program with goals and objectives. It also increased its outreach efforts among community leaders, directly and through radio and direct mail advertising.

"Everyone had to take the test," he said. "Everybody – even the janitors."


John Briner

Mr. Briner said every employee was tested because of the bank's corporate commitment to the regulation. "I don't think any program is worthwhile unless everyone is on board," he said.

And the tests are extensive.

The training regimen begins with viewing a training videotape. After employees watch the video, they are tested and have to score a minimum of 75%. They are also required to review the CRA public file, a 21 page report that details the bank's CRA activities, its CRA policies and goals for the year, and the board of directors' CRA committee minutes – all 12 months' worth.

"We don't mess around with this thing," Mr. Briner said. "It's not very meaningful if only one or two people in the bank know what this is about."

Mr. Briner said employees sit down with a supervisor to read the material so questions can be answered quickly.

Commerce originally received a "needs to improve" rating, largely because of documentation shortfalls. Mr. Briner said the bank was, indeed, making loans in low-income and moderate-income areas but never kept a log. He said it spent about $50,000 to overhaul the program.

"It's been a profitable program for the bank," he said. "I can't quantify it, but . . . it's a factor when we loan any dollar."

Kenneth H. Thomas, a Miami-based banking consultant, was so impressed he included the bank's story in his recently published book, "Community Reinvestment Performance."

"They truly did what they set out to do," Mr. Thomas said. "The most important factor was that they really cared, from the top down. These were not just token efforts."

Mr. Thomas said the bank disproved the notion that banks have to be big, and spend a lot of money, to comply.

Mr. Nielsen is an intern at the Institute on Political Journalism.

Community Banks, Lured by Bids, Are Selling Out to Larger Rivals

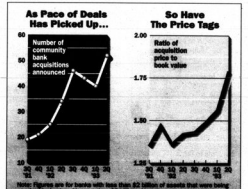
Continued from *page 1*

the arms of acquisitive rivals, the Southeast and Midwest accounted for about two-thirds of the 92 deals announced in the first two quarters.

Eleven banks in Florida alone were snatched up, while seven Oklahoma banks and a half-dozen Pennsylvania banks also sold out.

"Interstate and intrastate banking laws continue to become more and more liberalized – that encourages these transactions," said Joseph A. Stieven, banking analyst at Stifel, Nicolaus & Co., St. Louis.

Kansas, for example, saw six of its community banks sold to regional heavies less than a year after the state was opened to interstate acquisitions.



'Handwriting Is on the Wall'

Tougher competition from larger players and rising costs are common motivations for selling.

"The handwriting is on the wall: If you want the whole customer you have to be able to offer all services," said Elbert R. Strain, chief executive of First Bancorp Indiana, Lafayette.

His $290 million-asset thrift signed an agreement to be acquired by Huntington Bancshares this month. "We just weren't getting there on our own."

"More [community bankers] are questioning the challenging economic and business climate they are going to have to operate in," said Les Biller, executive vice president and head of mergers and acquisitions at Norwest Corp.

"We are having many more conversations" with bankers willing to sell, he added.

Compliance a Full-Time Task

Indeed, many community bankers complain that coping with regulations has become a full-time task that detracts from their ability to make loans.

"We wait on customers as well as deal with regulators," said Russell Lawson, chief executive of Central Banking Group, Oklahoma City. "It is just not possible to be current in all those phases and still do a good job."

Mr. Lawson sold his bank to Banc One Corp. for two times book value in late May. The acquisition was the Columbus, Ohio-based behemoth's first in the Sooner State.

Another sore point for community bankers: paperwork requirements.

In the first half, 92 acquisitions were announced.

"Smaller banks have had it up to their neck and beyond with the regulatory burden," said Kenneth Guenther, executive vice president of the Independent Bankers Association of America. "More are saying the hell with it."

Typically, the superregional banking companies employ full-time compliance officers, freeing up bank officers to drum up business.

"Large companies can create a staff function to deal with these kinds of issues and get on with life," said Mr. Berry of Keefe, Bruyette & Woods.

By joining larger organizations, community banks can also offer products and technology to customers that might have been too costly to provide as an independent bank.

'A Lot of Competition'

"We can allocate our technological innovations over many locations so the cost to us . . . is a lot cheaper than it is for a small community bank," said Mr. Biller of Norwest, which has signed three merger deals for community banks just this year.

Community bankers say that to remain competitive they need to extend products and services such as check imaging and trust that larger banks routinely offer.

"We have a lot of competition here," said Mr. Strain of First Bancorp Indiana. "To get away from strictly thrift services we needed to bring in some expertise."

Bullish Market an Incentive

The bullish market for bank stocks has also coaxed community bankers into joining with regional powerhouses. With their currencies soaring, acquisitive regional bankers are also making it hard for community bankers to rebuff their overtures.

"Because bank stock prices

See **LURED** *next page*

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North Dakota Company Makes Small Acquisitions Pay

Don Mengedoth knows where he and Community First Bankshares have been and, more important, where they are going.

The Fargo, N.D., company was created in 1986 by a group of investors who bought several banks spun off by First Bank System Inc. The founders conducted an initial public offering

Super Community Banking


By ANAT BIRD

and used the capital to launch a unique and successful acquisition program.

"We took acquisition planning seriously and spent a lot of time figuring out what do we want to acquire and how," said Mr. Mengedoth, chief executive of Community First.

A Firm Strategy

The plan was aggressive and specific, in a way that might not be expected of a $1.2 billion-asset super community organization.

Mr. Mengedoth and his people figured out the number of community banks – 3,000 – in the 10-state region anchored by North Dakota.

"The healthy and solid small community bank is our ideal acquisition candidate," Mr. Mengedoth said. "We were not looking for RTC deals or turnaround situations. We do look for companies with solid performance records and good market shares in very small towns."

Tapping a Forgotten Market

The result: Community First doubled its size in the last four years. Return on equity climbed steadily and now exceeds 20%.

Community First, in short, went after the forgotten market of small banks that many people assume cannot be acquired efficiently. This is an acquirer that figured out a way to absorb $20 million to $50 million banks cost effectively, while fostering the locally focused autonomy that distinguishes a super community bank.

Community First Bankshares doubled its size in the last four years. Return on equity has climbed steadily and now exceeds 20%.

The acquisition staff consists only of Mr. Mengedoth and chief financial officer Mark Anderson.

Careful Examination

They delegate due diligence to executives with particular expertise in a given area, because they run that function at Community First.

The North Dakota bank's asset-quality team is the first to examine an acquisition candidate, making a quick assessment of the loan portfolio. If it measures up, the rest of the staff moves in to examine the retail franchise and back-office operations, and develop an integration plan.

Mr. Mengedoth says the super community structure makes sense for the owners of target banks. They can cash in their stock in the buyout but do not necessarily have to step aside or retire. In fact, the minority interests they get are expected to keep them dedicated.

A Win-Win Situation

Community First's process is rigorous, but it clearly defines whether a potential acquisition makes sense financially and strategically. There is a lot of give-and-take in negotiations, but in the end the transaction is friendly and is structured so that both sides are satisfied.

This is a tall order for any bank, and Community First's ability to carry it out sets it apart from its super community peers. □



Kevin Cullen

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J.I. Kislak Agrees to a Merger with Farragut Mortgage

By EDWARD KULKOSKY

J.I. Kislak & Co., a major mortgage bank based in Miami Lakes, Fla., said Tuesday that it has agreed to merge with Farragut Mortgage Co., Mansfield, Mass.

The combined companies will have a mortgage-servicing portfolio of more than $12 billion and origination capability of $5 billion a year, the companies said.

Company Rankings

The new company, which will operate under a variation of the Kislak name, could be within striking distance of becoming one of the nation's 25 largest servicers.

According to the most recent ranking of mortgage companies by the *American Banker*, Kislak was the nation's 38th largest servicer as of June 1992, and Farragut ranked No. 164.

Shares of Farragut, traded on the American Stock Exchange, fell 25 cents Tuesday, to $5.875 a share, following the merger announcement. At that price, Farragut has a market value of about $25 million.

Last year, Farragut acquired Alta Mortgage Co., Martinez, Calif., for $10 million in a deal

With a mortgage-servicing portfolio of more than $12 billion, the merged company will rank near the top 25 of the largest U.S. servicers.

that nearly doubled its servicing portfolio.

Kislak, which has subsidiaries in the mortgage business, real estate brokerage, and insurance, is privately held. It has about 1,200 employees, while Farragut has about 150.

Shareholders of Farragut will own about 11% of Kislak after the deal. One Farragut director will be added to the present board of Kislak.

Approval of stockholders of both companies is still required. A group that holds about 40% of Farragut already has agreed to vote in favor of the deal, as has Jay I. Kislak, the principal stockholder of J.I. Kislak Inc.

Mr. Kislak will continue as chairman of the combined companies. William P. Soper 2d, Kislak's president, will also continue in that capacity.

The companies said the deal was expected to close by the fall.

Farragut operates origination offices in the Northeast, West, and Northwest. Kislak's mortgage business is mainly in Florida, New Jersey, Illinois, and California. ☐

Mortgage-Backed Paper Issued for Low-Cost Homes

By CHRISTOPHER NOBLE

National Cooperative Bank has issued a new kind of mortgage security in an effort to attract capital to the low-income housing market.

The issue, backed by multifamily mortgages, is the first involving low-income projects to be sponsored privately in a market dominated by the government-sponsored housing agencies, said Grace Huebscher, president of the bank's National Cooperative Bank Mortgage Corp.

The securities are being called mortgage investments in low-income communities, or MILC.

The Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. package billions of dollars of securities each year for sale to investors. The securities, backed by the government, are virtually risk-free.

National Cooperative hopes its security will be the start of an additional multibillion-dollar market for affordable-housing loans, said Ms. Huebscher.

William H. Apfel, vice president of United States Trust Co. in Boston, one of the primary investors in the security, said the new bond would introduce "the advantages of the huge and sophisticated institutional investor market for mortgage-backed securities to the generally neglected area of private-market affordable housing financing."

While National Cooperative's $26 million security is not guaranteed, 68% of it -- the top tranche -- is triple-A rated. The other 32%, in five lower-rated tranches, will be the first to absorb portfolio losses.

Investors in the security were Cigna Insurance; UST Co., the investment manager for Calvert Social Investment Fund, and the issuing bank. Standard & Poor's rated the security and National Cooperative was the issuer and responsible for placement. ☐

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Erik Lars Bakke

LOW-COST PROVIDERS: Arthur J. Lucey, left, and W. Robert Alexander charge half the industry average for Alps' mutual fund services.

Alps Securities Prospers by Thinking Small

By KEITH DuBAY

When W. Robert Alexander and Arthur J. Lucey quit First National Bank of Denver in 1986 to set up a mutual fund distribution company called Alps Securities, the competition scoffed.

To big rivals like Lazard Freres & Co., the mid-level bank executives were just "two guys from Denver operating from the trunk of their car," Mr. Alexander, chairman and president of Alps, recalls with relish.

A Pair of Fund Families

Alps has moved up in the world since those days. Today, it brings in $3 million a year by providing servicing and marketing support to mutual funds managed by banks.

Alps serves only two bank mutual fund families: the Westcore Funds, which have $2 billion in assets and are managed by First National's successor, First Interstate Bank of Denver; and Marine Midland Bank's Mariner Funds, with $1.1 billion in assets.

In fact, the business is so small that Alps doesn't even show up on a ranking of the top 15 distributors of bank-related mutual funds compiled by Lipper Analytical Services Inc. Mr. Alexander says that's exactly in keeping with his strategy.

"We think we're small and creative," Mr. Alexander said in an interview. "We want a limited number of relationships."

One of the company's sales pitches to banks is that it will not work for their rivals.

"If Bank of America called and wanted us to distribute their funds, we'd have to say no," Mr. Alexander said. "We don't distribute two banks in the same territory."

The company also emphasizes that it doesn't act as investment adviser to any of the funds it distributes. That role is left to the banks.

By staying small and operating leanly, Alps has been able to position itself as a low-cost provider of mutual fund distribution services.

Half the Usual Fee

Alps' client banks pay fees equal to 0.05% to 0.10% of their mutual fund assets to the distribution company; the industry norm, Mr. Alexander said, is 0.20%.

As a distributor, Alps is responsible for organizing, registering, capitalizing, and promoting mutual funds. Its tasks include preparing prospectuses and annual reports, and managing fund accounting and general administration.

The company employs 31 people in Denver and four sales and support representatives in New York.

Cultural Ties

The focus is on distribution and sales support. Alps doesn't sell mutual funds directly to bank customers; instead, it helps the banks train their sales employees, and supports the sales force by keeping them informed about fund performance, new products, and market trends.

Because the firm's founders came from the banking culture, they believe they have an edge in helping bankers sell mutual funds.

"We have a consultative approach to banks," said Mr. Lucey, marketing director at Alps. "Other competitors come from different backgrounds than banking."

In 1981, when they worked for First National Bank of Denver, Mr. Alexander and Mr. Lucey helped launched the Westcore funds, one of the first bank proprietary mutual funds in the nation.

When they left the bank in 1986 to set up Alps, they took the Westcore account with them. They snared Marine Midland's Mariner Funds as a client in 1992.

Back-Office Development

Recently, Alps has been building its back-office capabilities through strategic alignments with other firms.

It works with Boston-based State Street Bank and Trust Co. to provide mutual fund transfer agency and custody services for Alps clients. And it has formed a joint venture with American Data Services, a New York-based company, to establish a Denver office for the provision of fund accounting services.

These days, Alps is emphasizing ways to help its bank clients expand their sales outlets.

Alps recently picked up a contract with Golden Banks of Colorado, a $275 million-asset holding company with five locations in Jefferson County, just west of Denver.

Under the agreement, Golden Banks is offering First Interstate's Westcore family of mutual funds.

Longtime Relationship

The two banks have longstanding connections to one another. Until recently, Golden was part of the First Interstate of Denver franchise. And First Interstate and its predecessor, First National Bank, had been Golden's lead correspondent banks since 1937, said G. Scott Gagon, Golden's chairman.

"We had a good acquaintance with them and the Westcore funds for a number of years," Mr. Gagon said. "We've known

See **ALPS** *next page*

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Chemical Unit to Purchase Ameritrust Texas

Continued from page 1

lysts said would be small. In total, Texas Commerce said it will pay about 3.25 times the $40 million of revenue recorded by the trust unit last year.

That would represent a slight premium over the market valuation of some trust companies, according to an official at Texas Commerce. For example, she said, Northern Trust Co., a major provider of trust services, trades at about 2.76 times last year's revenues.

Early Tuesday afternoon Society's stock was down 37.5 cents, trading at $34.50 a share. Chemical's shares were changing hands at $40.125, up 25 cents.

Texas Commerce's $8.5 billion of trust assets under management includes $2.5 billion from its acquisition in February of several bank subsidiaries of First City Bancorporation of Texas.

The First City deals transformed the Chemical unit into a major personal trust banker in Texas. Texas Commerce, which has $21 billion of assets, was recently forced to divest some small First City banks to satisfy antitrust objections, but the trust business will not be a problem, a Texas Commerce spokeswoman said.

High Hopes

Mr. Shapiro said he expects the trust area to generate $100 million of revenue for Texas Commerce this year – producing 25% of his company's fee income.

The company is being purchased for $130 million plus net tangible equity.

He added that the new unit complements Texas Commerce's trust strategy by strongly emphasizing personal trust products and services. Ameritrust derives about 60% of its revenues from personal trust, he said, with the remainder split between corporate trust and employee-benefit accounts.

Texas Commerce gets about 50% of its trust revenues from personal accounts, 30% from corporate, and 20% from employee-benefit services.

Susan L. Roth, an analyst at Kidder Peabody & Co., said personal trust is a major focus of most market participants today.

"Right now, the institutional business is so competitive as to be less attractive," Ms. Roth said. "There is less price-sensitivity in the personal business, which is becoming more and more relationship-oriented and generally more lucrative." □

Deal at a Glance

Company:	Ameritrust Texas Corp.
Assets under management:	$5.5 billion
Total trust and custody assets:	$21 billion
'92 revenue:	$40 million
Business mix:	**60%** personal trust, **20%** corporate trust, **20%** employees benefit trust
Seller:	Society Corp., Cleveland
Buyer:	Texas Commerce Bancshares
Purchase price:	$130 million plus net tangible equity of the trust unit
Anticipated after-tax gain:	$10.1 million

Source: Texas Commerce Bancshares, Society Corp.

Republic National Seeking Brokers To Boost Sales

NEW YORK — Republic National Bank of New York is looking for brokers to boost its sales of mutual funds and annuities in the highly competitive New York market.

A recent advertisement in *The New York Times* said the bank was seeking 10 representatives with insurance licenses and Series 6 or Series 7 licenses to sell mutual funds.

In addition, Republic is looking for a back-office manager to oversee compliance reviews, customer service, and trade processing.

Essex Corp., a New York-based investment products marketing firm that runs the Republic program, placed the advertisement. Bank executives declined to comment.

Last year, Republic beefed up its retail investment offerings by adding a range of Dreyfus mutual funds.

Republic National, a unit of Republic New York Corp., has $30 billion of assets and more than 30 branches in the New York metropolitan area.

— **Karen Talley**

Alps Securities Keeps Tight Focus

Continued from page 12

the people for a long time and think they have a pretty good product."

Mr. Gagon says his employees "really don't sell" Westcore funds; they just give out literature and refer customers to Alps. The program has been up and running just six weeks, so he says it's too early to tell what the results will be.

Mr. Alexander and Mr. Lucey believe there is room for growth in the industry, noting that bank-advised assets total around $180 billion.

They are also looking to service and distribute so-called affinity funds. These funds are created by major corporations for their employees or a common bond group, such as a religious organization. □

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As Trust Conversions Dry Up, What's Next?

By MICHAEL O'D. MOORE

Many bankers point with pride to the phenomenal growth of proprietary mutual fund families. But do the numbers really mean that banks are snaring hordes of new customers?

In March, bank proprietary funds had grown to $181 billion, from $79.9 billion at the end of 1990, according to Lipper Analytical Services. However, the majority of the increase may have come from conversions of trust assets rather than sales to new customers.

Just how much of the fund assets came from conversions is hard to gauge. Mark Adorian, a managing partner with Micropal, a mutual fund tracking firm based in London, maintains the figure could be as high as 75%.

Clouding the Issue

Others guess that it could be closer to 50%, but no one knows for sure because many banks are reluctant to disclose the details.

NationsBank, for instance, last week trumpeted in a news release that its Nations Funds have passed the $10 billion-asset mark. But company officials could not be reached for comment on how much came from trust sources.

In a trust conversion, a bank that administers collective trust funds or employee benefit plans exchanges those assets for shares in a mutual fund.

Something to Prove

While most believe that using trust money to build proprietary funds leads to profitability, it clouds the issue of how well banks are doing.

"Banks still have not demonstrated a strong growth potential," said Geoff Bobroff, a Lipper analyst.

As trust sources for asset growth dwindle, bankers and consultants are beginning to consider what level of sales will keep a fund family healthy. "That's the $64,000 question right now," said Rolland Johannsen, senior partner with Furash & Co., a Washington based consulting firm.

To Mr. Johannsen, the first task is to build enough assets so that management fees bring profitability. "You'd like to have it all from trust," he said.

Banks are usually counseled against starting mutual funds unless they have at least $1 billion in trust assets to convert.

Topping $100 Million the Key

"If you can get above $100 million in each fund you're looking at breaking even," said Kurt Cerulli of Cerulli Associates, a Boston consulting firm specializing in mutual funds. "You've essentially gotten through the dangerous phase and as an entity you can survive."

"In this environment if you're not growing sales by 15% or 20% a year, it probably shows that you're not getting the attention of your client base that you should," he added.

Without that sort of growth bank officers may wonder why the bank converted assets and got into the business in the first place, Mr. Cerulli said.

How long a grace period does a bank have before sales need to start growing?

Grace Period of 1-5 Years

Bankers and consultants involved with mutual funds cite periods from one to five years.



Rolland Johannsen
Sees asset base as key

"It should start to happen within the first 15 months," said R. Gregory Knopf, who heads Union Bank's proprietary Union Investor's Funds.

The San Francisco-based subsidiary of the Bank of Tokyo rolled out its funds about a year ago. The bank plowed a total $800 million of trust money into its eight funds, then grew the funds to $1.4 billion through sales. Funds eligible for conversion have been depleted, so sales will have to fuel any future growth, Mr. Knopf said.

"You have to plan how you're going to grow your family or you'll stagnate," he said. "It's business by plan."

Liberty National Corp., in Louisville, Ky., has a blueprint to sell that includes intensive sales training for its employees.

In February, the bank converted $160 million of trust money – most of it from employee benefit accounts – into its four Trademark funds.

Since then, the bank has succeeded in adding an additional $105 million in assets through retail sales. With sales kicking in strongly, the bank has no plans for more block trust conversions, a spokesman said.



W. Christopher Maxwell
Sounds a warning

Shortage of Results Hurts

One impediment to achieving strong retail sales quickly is investors' desire to analyze long-term performance records. Most bank proprietary funds have records that are shorter than five years, whereas many mutual fund companies can show lengthy records.

One of the more established bank fund families is Chase Manhattan Corp.'s Vista funds, which also produced strong performance results. However, retail sales are just now heating up, bank officers said.

That can be a warning to those whose record doesn't sparkle as brightly.

"I would submit that if it takes Chase to develop a good track record in five years, it's going to take the rest of us a lot longer," said W. Christopher Maxwell, executive vice president of Keycorp, Albany, N.Y. □

Pioneer Offers A New York Tax-Free Fund

By KAREN TALLEY

Expanding its tax-exempt offerings the Pioneer Group has introduced a New York triple tax-free mutual fund.

The Boston mutual fund company, which counts banks among its distribution channels, said the fund will invest in bonds with maturities of 15 to 20 years. These include essential-service bonds, such as power and sewer bonds, as well as revenue bonds.

The bonds will have maturities of 10 to 15 years.

Single-state municipal funds are generally exempt from federal, state, and local taxes. That makes them attractive to investors who are worrying about rising tax rates, said Pioneer portfolio manager Kathleen McCluskey.

So far this year, industry-wide sales of single-state muni funds are running 55% higher than last year, Ms. McCluskey said.

* * *

Consumer Pamphlet Explains Bond Funds

The Investment Company Institute has prepared a free booklet to educate consumers about bond mutual funds.

The 20-page booklet, "Eight Essentials of Bond Fund Investing," defines basic terminology and explains how fund prices can fluctuate, among other things.

Numerous Funds Available

There are now about 1,600 bond funds available in the United States, according to the institute, which is the mutual fund industry's leading trade group.

To order the free booklets, write: Bond Funds, Investment Company Institute, P.O. Box 66140, Washington, D.C. 20035-6140.

— **Michael O'D. Moore**

IBAA Blasts Idea of Letting Advertising Replace Prospectuses

By MICHAEL O'D. MOORE

The Independent Bankers Association of America said a proposal to allow investors to buy mutual funds as described in advertisements without first being sent a prospectus would not adequately protect investors' interests.

In a letter to the Securities and Exchange Commission, which proposed the change and is now reviewing comments, IBAA president James R. Lauffer said the change would not serve consumers well and would increase the flow of funds from community banks to mutual funds.

"Permitting the use of off-the-page prospectuses will not ensure that consumers have adequate information to understand their investment choice," Mr. Lauffer wrote.

But Erick Kanter, a spokesman for the Investment Company Institute, which strongly supports the change, said all the key information that consumers use would be in the advertisements.

He likened the situation to buying a car. You don't need to see the owner's manual when you're looking at a car, he said.

The SEC said the proposed change would lower the marketing costs for some funds. It would also level the disparity between direct-marketed funds, which must now send a prospectus before selling shares to an investor, and brokers who may sell without providing a prospectus in advance.

The IBAA doesn't see a disparity because customers can ask questions of brokers before buying a fund, Mr. Lauffer said. But, he added, "The better way to achieve parity between directly marketed and broker-sold funds is to require both to provide a prospectus before the investment is made."

The proposal would increase the flow of funds from community banks to mutual funds, which would hurt small businesses seeking loans, Mr. Lauffer said. □

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Mutual Funds Pose as Many Risks as Opportunities

By MARTIN H. BARNES
IICA Interest Rate Forecast
Montreal

The current investor stampede into mutual funds qualifies as one of the great asset manias of the past 30 years.

Unfortunately, all asset manias end in cataclysmic bear markets. The format is always the same. Greed overcomes prudence as increasing numbers of investors are tempted by the prospect of larger and quick capital gains. The risks associated with deteriorating market value are ignored.

Viewpoint

Eventually, the fundamental forces that started the mania begin to reverse and long-term value reasserts itself. Prices collapse as investors rush for the exit and demand dries up.

Money is pouring into mutual funds at an unprecedented rate. Close to 600 new funds have opened in the past 18 months and incredibly, there are now more mutual funds in existence than there are companies listed on the New York Stock Exchange.

Deposits Drain Off

Net sales of equity and bond mutual funds reached a staggering $87 billion in the first four months of 1993 following record sales of $197 billion in the whole of 1992.

Customers may blame their bank if they lose money in a market correction.

By comparison, the level of savings and time deposits at commercial banks and thrifts dropped by $45 billion in the first four months and by $118 billion during 1992. That represented the first annual decline in bank deposits in the postwar period.

The pressure on banks to get into the mutual fund business are immense. Deposit rates have appeared increasingly unattractive in a world of low short-term interest rates and rising equity and bond markets.

Currently, the move into mutual funds seems like a win-win situation for both investors and banks. Investors have received returns far in excess of the paltry 3% or less available on deposits.

The banks, for their part, are holding on to their customer base, are earning good fee income, and have found another way to diversify away from their traditional but slow-growing and highly regulated business of making loans.

Faulty Logic

Many investors who have switched from deposits into mutual funds probably do not fully understand the increased capital risks that they assumed.

There is a tendency to invest using a rear-view mirror. People typically assume that good past performance will guarantee similar performance in the future.

The stock market has delivered average total returns of about 18% a year in the past 11 years. Annual returns have averaged 12% in the past three years despite a generally gloomy economic backdrop. It is perhaps only natural that investors expect such returns to be maintained or even exceeded in an environment of economic recovery.

A Pricey Market

Investors are in for a rude awakening, because stock market returns will not be maintained at double-digit rates. Worse, a major correction in equity prices is likely during the next 12 months.



Martin H. Barnes

Profit growth is slowing relative to expectations, and interest rates are likely to rise later this year. Meanwhile, the stock market is expensive by most valuation criteria, with prices trading at more than 20 times prospective 1994 earnings.

The increased participation of normally risk-averse investors in the stock market increases the chance that the next correction could be unusually severe.

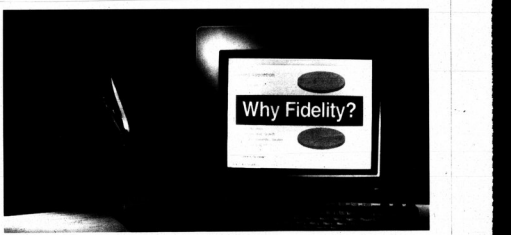
A low tolerance for capital loss is likely to cause more panic selling than normal when market expectations change for the worse.

Returns from bond mutual funds may also disappoint investors. Currently, the unusually steep yield curve provides a powerful incentive to invest in bonds or bond mutual funds rather than in money market assets.

However, interest rates will face upward pressure when the economic recovery gradually strengthens, and bond prices will fall. In the case of a five-year bond, yields would need to rise by only 60 basis points for total 12-month returns to fall short of the 3% available from a bank deposit.

New entrants into the stock and bond markets will get a shock the first time their quar-

See **FUNDS** *next page*



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INVESTMENT PRODUCTS

SEC Lists 42 Banks with Soundalike Mutual Fund Names

How many banks have soundalike names for their mutual funds? The Securities and Exchange Commission came up with 42 examples.

Policymakers fear such names could mislead customers into thinking the investments are covered by deposit insurance.

The SEC has sent the list to House Energy and Commerce Committee Chairman John Dingell. The listed banks, with their fund families:

Ameritrust
AT Fund
Ameritrust Funds

Amsouth
ASO Outlook Funds

Bank of New York
BNY Hamilton Funds

Bankers Trust Co.
BT Institutional Funds
BT Investors Funds
BT Pyramid Funds

BayBanks
BayFunds

Branch Banking and Trust Co.
BB&T Funds

Canandaigua National Corp.
Camandaigua CIT Funds

Central Fidelity Bank
CFB Marketwatch Funds

Chemical Banking Corp.
CBC Cornerstone Funds

Citibank
Citibank IRA-CIT Funds

CoreStates Bank
Corefunds

Crestar Bank
Crestfunds

Deposit Guaranty Trust
DG Investors Funds

First American Trust Co.
Ameristar Funds

First Bank
First American Funds

First Fidelity Bank
FFB Funds

First Michigan Bank
FMB Funds

First National Bank of Omaha
First Omaha Funds

First Security Bank
FSB Funds

First Union Bank
First Union Funds

Glenmede Trust Co.
Glenmede Funds

Great Western Sayings Bank
GW Funds

Harris Trust and Savings Bank
HT Insight Funds

Hawaiian Trust Co.
Hawaiian Funds

Marine Midland Bank
Mariner Funds

Mark Twain Bank
Mark Twain Funds

Marshall & Ilsley Bank
Marshall Funds

Mercantile Safe Deposit and Trust
MSD&T Funds

National City Bank
NCC Funds

NationsBank Trust
Nations Funds

Old Kent Bank and Trust
Kent Funds

Provident National Bank
PNC Funds

Riggs Bank
Rimco Monument Funds

Schroeders PLC
Schroeder Funds

Shawmut Bank
Shawmut Funds

Signet Banking Corp.
Signet Funds

Trust Company of the West
TCW Funds

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Funds Pose Risks Along with New Opportunities

Continued from page 15

terly mutual fund reports show a large drop in asset values. At that point, 3% interest income with no capital risk may not seem like such a bad deal.

The rush into the mutual fund business poses risk for the banks as well as for investors. Many banks perhaps do not realize the cyclical nature of the mutual fund business.

Indeed, too few professionals in the investment community at large have ever experienced a full-fledged bear market in stocks or bonds.

Investors and money managers have become conditioned to believe that price declines represent buying opportunities rather than a cause for concern.

At a recent meeting of the Investment Company Institute, the trade organization of the mutual fund industry, one industry expert expressed concern that bank mutual fund sales volume was too heavily weighted toward fixed-income funds.

He feared that rising interest rates would reduce the value of bond funds and said that "a big challenge for banks is to move investors into equity funds before rates rise."

This is an example of the kind of misleading advice that could get banks into trouble. An adviser who believes that interest rates are going to rise should recommend money market funds, not equity funds. Increased interest rates pose at least as great a threat to the stock market as to the bond market.

There is a danger that many banks are entering the mutual fund business with a lack of seasoned investment personnel that fully comprehend the market risks inherent in mutual fund investing.

In the wake of a stock or bond market decline, many investors may decide to return to the safety of a bank deposit. However, they are unlikely to stay with an institution that failed to warn them about financial market volatility and risks. □

Viewpoint

Comment

By Robert M. Fitzgerald and Ian W. Macoy

Check-Processing Rule Means Efficiency, Competition

In September 1992, the Federal Reserve Board adopted long-debated amendments to Regulation CC, making same-day settlement for checks the law of the land.

For the first time, any depository institution will be able to present checks drawn on any other depository institution, provided the items arrive before 8 a.m. (local time of the paying bank), and demand settlement in same-day funds without having to pay presentment fees.

The same-day settlement regulation followed a couple of proposals and the cooperative effort of an industry task force convened by the Fed to impose a reality check on the rulemaking process.

In fact, the development of the same-day regulation – which has the potential to affect virtually every depository institution and check-processing organization in the country – is a good example of how a law should be written.

Confusion Looms

There may be winners and losers under the regulation, as there usually are with a new law, but the result is a fair law that will result in a more efficient and competitive check-processing environment.

Before we get to this promising conclusion however, much confusion in the banking industry is likely to result.

Depository institutions could begin to receive substantial volumes of "on us" items for payment from institutions with which they have no relationship.

The operational implications could be significant, particularly if the items begin winding up, almost literally, on the paying bank's doorstep.

Built-In Flexibility

The keys to the operational success of same-day settlement will be an open line of communication between paying and presenting banks, flexibility in terms of presentment location, and the ability to negotiate terms of presentment based on the paying and presenting banks' respective business scenarios.

Rather than amending Regulation CC to universally micromanage presentments, the Federal Reserve, in large part because it listened to the banking industry, has accommodated the need for flexibility by permitting individual players to negotiate most of the terms of same-day settlement (including changes to some of the terms imposed by the regulation).

The Fed also listened when the industry demanded that paying banks be permitted to designate their processors as their presentment locations, provided such locations are in the same

Mr. Fitzgerald is president of the Chicago Clearing House. Mr. Macoy is director of the National Organization of Clearing Houses.

NEGOTIATION *and communication among depository institutions will be vital to making same-day settlement work.*

check-processing region as that in which the items are drawn (paying banks can negotiate for alternative locations outside the applicable region).

Where the regulation is silent, or at least whispers, is on the issue of operational requirements. Short of encouraging (but not requiring) presenting banks to contact paying banks in advance of beginning deliveries of cash letters qualifying for same-day settlement, the Fed relies on adherence to "reasonable commercial standards of fair dealing" to enforce fair play in the delivery of same-day settlement cash letters, the handling of resulting adjustments, etc.

Under this umbrella of reasonability, the paying bank may establish "reasonable delivery requirements" to safeguard presentments, and the Uniform Commercial Code's "good faith" standards shall apply to both parties.

Nonetheless, the question remains: What is "reasonable"?

In the highly cost-conscious world of check processing, spending much time and effort chasing down a bank that may be skirting along the edges of good faith would, unless the action were terribly egregious, be entirely uneconomical.

And in most cases where behavior may be in the grey area of Regulation CC and the commercial code, the players will probably not be cognizant that their behavior offends, while such offenses, individually, may be minimal.

Added up however, the efficiencies promised by same-day settlement and the smooth running of check operations by depository institutions would be compromised to a degree.

Toward Guidelines

In response to the highly subjective nature of the term "reasonable," at least so far as it applies to check processing, the banking industry has again come together to hammer out a framework of acceptable behavior under same-day settlement.

Initiated by the National Organization of Clearing Houses, a Same-Day Settlement Task Force of representatives of a diverse group of depository institutions met and reported its recommendations.

Included in the task force's recommendations is an "advanced notification period" of at least 20 business days. During this period, negotiations and the sharing of information necessary to the smooth operation of the presentment relationship are expected to take place.

The task force focused many of its recommendations in the area of adjustments. Taking adjustment procedures as an example, paying and presenting institutions should agree to such procedures in advance.

Timely processing is the goal; the task force recommended that a best effort be made to process adjustments within three business days, if the request is received within five days from forward presentment, and within 20 days if the request is from an older presentment.

Much of the potential confusion from same-day settlement will be alleviated if the banking industry takes to heart the guidelines it has developed for itself. □



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CITATION NOTICE

File No. 3376-1991
CITATION
THE PEOPLE OF THE STATE OF NEW YORK,
BY THE GRACE OF GOD,
FREE AND INDEPENDENT
TO Fabian Guevara Diaz;
Fausto Guevara, on behalf of Fabian Guevara Diaz
Elvira Diaz, if living, and, if dead, her executors, administrators, successors and assigns, whose names and post office addresses are unknown and cannot, after diligent inquiry, be ascertained by the petitioner herein; Alloway Funeral Home; Victor Guevara;

And to the distributees of Rufino Guevara, deceased, whose names and post office addresses are unknown and cannot after diligent inquiry be ascertained by the petitioner herein, being the persons interested as creditors, legatees devisees, beneficiaries, distributees or otherwise in the estate of Rufino Guevara, deceased, who at the time of his death was a resident of 325 West 71st Street, New York, N.Y.

Send Greeting:

Upon the petition of the Public Administrator of the County of New York, having her office at Room 311, in the Surrogate's Court Building, 31 Chambers Street, New York, N.Y.;

You and each of you are hereby cited to show cause before the Surrogate's Court of New York County, 31 Chambers Street, in the County of New York, on AUGUST 11, 1993, at 9:30 a.m., why the account of proceedings of the Public Administrator of the County of New York, as administrator of the goods, chattels and credits of said deceased, should not be judicially settled, why a hearing should not be held to determine who are the next of kin of said deceased, why the entire proceeds from the settlement and administration of the estate of action should not be allocated to the cause of action for the decedent's wrongful death and why the fee of Philip Bekerman, P.C., in the sum of $1,500.00, of which $2,700.00 has been paid, should not be approved and a commission in that amount be fixed and allowed for Philip Bekerman, P.C., for any services rendered by Philip Bekerman, P.C., in connection with proceedings in Family, claims, etc., prior to the entry of a final Decree on this accounting.

Dated, Executed and Sealed, June 16, 1993.

(L.S.) HON. RENEE R. ROTH
A Surrogate, New York County

ROBERT M. REAVES
Chief Clerk

Attorney:Philip Bekerman, P.C.
Address: 291 Broadway
New York, New York, 10007
Tel. No. (212) 732-9400

PARTNERSHIP NOTICE

Notice of formation of limited partnership ("L.P."). Name: ECF REALTY ASSOCIATES, L.P. Certificate filed with Sec. of State of NY Pursuant to 5/1/93, Office location: NY County. The Sec. has been designated as agent of the L.P. upon whom process against it may be served. The Sec. may mail a copy of any process to the L.P., c/o Cedar Management Corp., 20 Vesey St., NYC. Attn: Mr. Harvey Levine. The name and address of each general partner available from the Sec. Latest date to dissolve: 3/30/2023. 0144351

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Gaengemann's Lien sale Andrew O.Judge fn:m946680 sells on 7/23/93 at 8:30am at 46-02 79th St, Elmhurst: 1992 mazda 4dsd #JM1BG2242N0023934 re: Wai K.Chou & Wai K. Chou. At 9am at 910 Rogers Av, Bklyn 1981 olds 4dsd #1G3AX69N7B-M238495 re: Alvin S. Taylor, 1987 olds 4dsd #1G3CX51J3HS4320772 re: Rudolph Vernon & Diamond Fin Co; 1986 acura 4dsd #JH4KA2646GC000301 re:Anthony Morris & Leslie Arthurton. At 10am at 2251-3255 Bronx Park East, NYC 1986 vw 4dsd #1VWFA017GV051474 re:William A. Rodriguez. At 10:15am at 1181 Sherman Av, BX 1984 toyota 2dsd #JT2MA67L3E-0128914 re:Mamie Bate. At 10:30am at 1295 Jerome Av, BX 1988 mitsu 2dr hatch #JA3ELL03J8UA18272 re:Glenn Fuentes Libert. At 11am at 754 Melrose Av,BX 1989 bmw 2dsd #WBABB7310K-8E71641 re: Henry F. Lehmann. At 11:15 am at 640-646 E. 151 St, BX 1985 chrysler 4dsd #1C3BC36D-XFF168620 re: Lee Feld. At 11:30am at 927 E.169 St, BX 1986 toyota 2dr #JT2MA67L7G0174474 re: Gloria Santana & Chemical Bk; 1987 audi 4dsd #WAUFC0446HN069608 re: Okey Ndububa. At 11:45am at 711 E. 140 St,BX 1981 nissan 4dsd #JN1HJ01D3BT217132 re: Oshaldo Bonet. At 12pm at 2929 Bronx Park Ea; 1983 olds 4dsd #1G3AW19-XDG312548 re: Leon J. Geenette Jr & GMAC. At 12:15pm at 2768 Webster Av, BX 1986 buick 4dsd #1GHC95H8XG146-086 re: Lubah Kiraq. At 12:30pm at 3210 Webster Av, BX 1987 chrysler 2dsd #1C3CJ51H8HG114877 Re: Mercier Capital Resource Inc. & Kevin P. Stokes. At 12:45pm at 3260 Webster Av, Bx 1984 ford 4dsd #1FABP39C8EA161379 Re: Ines Diaz. At 1:15pm at 2678 Webster Av, BX 1983 caddy 4dsd #1GDAS0983-D9214540 Re: Southpoint & Lumber; Diallo & Dalanda Bade. At 1:30pm at 1185 Re Rev Av, BX 1977 isuzu 4dsd #JS0192Z0077 Norman L. Gardner, Yolanda E. Thomas & Nini Bk of North America. Lienor may bal. Ad dates 7/7 & 15, 1993.

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Proceto Lien Service, Llc# 869242 Sells on 7/15/93 at 8:00 AM 1589 Macomebs Rd, Bx NY Bi Dania 210 #JN1FB01S6B1162853 Re: J. Doe; 84 Honda 4DSD #1HGAD74-34EA109453 Re: E. Rodriguez; 83 Chevy 4DSD #1G1AW19X2DG104228 Re: A. Contreras; 9 AM 1791 Walton Ave, Bx NY 84 Honda Accord #1HGAD5324EA056-896 Re: J. Doe; 81 Toyot 2DSD #JT2-TE72B6C0043661 Re: T. Sanchez. 10AM 401 W. 203 St NY, NY 84 Chev 2DSD #1G1AY07H9E8136249 Re: B. Torres; 11AM 643 186St Bx NY 84 Dodge Subn #2B4FK21C3ER243139 Re: Z. Kasem; 12PM 1404 Intervale Ave, Bx NY 72 Toyot 2DSD #TE20022270 Re: C. Rivera; 1PM 1104 Webster Ave Bx NY 84 Nissan 2DSD #JN1AD05E4EM031691 Re: C. Mateo; 82 Chev Van #1GAGG35M1C7102824 Re: R. Wilson. 2:30PM 1600 Sheridan Av NY 87 GMC Town TrK #1GDHR38K2HJ20-1916 Re: J. Doe; 3PM 1225-27 Nelson Ave Bx NY 76 Dodge Van #B21BEK300114-1703 Re: V. Holder; 3:30 PM 1117 Intervale Bx NY 77 GMC Van #TCE617Y603301 Re: Safeguard Chemical Corp. Published 6/30 & 7/7/93.

Lien Services Inc. Sells For Cash on July 15, 1993 9:00 A.M. at 565 W. Mountain Hwy., Lindenhurst, NY 1992 Galaxy #2MEBM39F2NH-192 Re: General Marine ; 1992 Galaxy #GMETR0026U192 Re: General Marine, 1985 Regal #RGM11327E585 Re: J.C. Kalodimos/ Chemical Bank/ Citibank. 9:15 A.M. at 72-14 73rd Pl., Glendale, NY 1953 Packard #24652153 Re: J. Hafer. 9:30 A.M. at 103-06 219th St., Queens Village, NY 1980 Chevy #1Z3-TL6411411E Re:A. Walz. 9:45 A.M. at 130-28 Merrick Blvd. Springfield Gardens, NY 1987 Nissan #JN1HU11H7HT212873 Re: Geico/R. Kawinsky. 10:00 A.M. at 115-15 170th Pl. So. Ozone Pk., NY 1987 Ford #1FTJE34Y5HHB78846 Re: Castor; 1989 Nissan Inc./Pat's Warehouse & Lumber USA. D.Munoz Actor #841590. Lienor May Bal.

Proceto Lien Service Lic# 869242 Sells on 7/23/93 at 8AM 1589 Macomebs Rd, Bx NY 79 Buick RLM #4464768U2396536 Re: W. Velazquez, 83 Olds Delta 88 #1G3-AN69Y7DM306139 Re: E. Reyes, 88 Dodge 2 DSD #1B3BW52F4JG306194 Re: J. Guzman; 9AM 31 W Tremont Av, Bx NY 83 Cadi Sevile #1G6AS69B3D80-7568 Re: R. Hernandez. Published 7/7 & 7/14/93.

C.Laudio & Assocs. Inc. DCA#0696654 asscr's est Sulli 22, 1993 at 9 AM at 880 So. Oyster Bay Rd., Hicksville 1985 Mack Van #VG6M11128#B066425 Acct. D.J. Auctions, 10 AM at 170-20 Jamaica Ave., Qns 1988 Ford 4 dr. #1FABP30DXJG225402 Acct. C.M. Tobar and/or S.C. Yong; 1987 Acura 2 dr. #JH4DA3349HH032264 Acct. B.H. Hall; 12:30 PM at 70-11 50 Ave., Qns. 1988 Olds 4 dr. #6J8BE51C3J6116678 Acct. F. McCarthy; 1PM at 57-11 79 Ave., Qns. 1989 Chev Van #1GBCM15Z2KB-242577 Acct. I. Ballie and/or D. Ballie; 1:30PM at 420 E. 91 St., NYC 1984 Ford S/W #2FABP44F7EX129863 Acct. C. Hernandez; 2 PM at 515 Bruckner Blvd., Bx 1983 Buick 4 dr. #1G4AS69PXDK-27368 Acct. Jose Arabe Dor-mat; 2 PM at 50 Bank St., White Plains 1986 M/B 4 dr. #WDBEA30D9GA170867 Acct. Toyota Imports Inc. and/or M. Camaj. Published July 7th & July 14th, 1993.

Lien Services Inc. Sells For Cash on July 15, 1993 9:00 A.M. at 565 W. Mountain Hwy., Lindenhurst, NY 1992 Galaxy #2MEBM39F2NH-192 Re: General Marine ; 1992 Galaxy #GMETR0026U192 Re: General Marine, 1985 Regal #RGM11327E585 Re: J.C. Kalodimos/ Chemical Bank/ Citibank. 9:15 A.M. at 72-14 73rd Pl., Glendale, NY 1953 Packard #24652153 Re: J. Hafer. 9:30 A.M. at 103-06 219th St., Queens Village, NY 1980 Chevy #1Z3-TL6411411E Re:A. Walz. 9:45 A.M. at 130-28 Merrick Blvd. Springfield Gardens, NY 1987 Nissan #JN1HU11H7HT212873 Re: Geico/R. Kawinsky. 10:00 A.M. at 115-15 170th Pl. So. Ozone Pk., NY 1987 Ford #1FTJE34Y5HHB78846 Re: Castor; 1989 Nissan Inc./Pat's Warehouse & Lumber USA. D.Munoz Actor #841590. Lienor May Bal.

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J.A. Pope, Auct'r, DCA Lic# 794209 sells 7/22/93 at 9AM at 319B Skidmore Rd Deer Park NY 1989 Chev Blazer S10 #1GNCT18Z9K0167769 Re: D. Centrone, Chemical Bank; 10AM 600 Westbridge Rd East Meadow NY 1984 Toy Tercel #JT2AL32V1E3449843 Re: J. Jones, 1981 Olds Cutlass #2G3AR47A5B2491098 Re: R.Cuniddo, 1985 Jeep Cherokee #1CUJ-T733FT014727 Re: C. Kendall; 11AM 229 E.Montauk Rd Valley Stream NY 1987 Isuzu Trooper #JACUS55G8H7-J00-1620 Re: K.Rafferty,Town of Hempstead/Engr FCU; 11:30AM 63-27 99 Av Forest Hills 1988 Chev Camaro #1G1FP21E6JL183-964 Re: A. Igbinoba, Island Seneca #1J4GB32A3MC174979 Re: E. Guberite, Nissan Mot.Acpt; 12PM 1600 Sheridan Av Emmanuis Ave Qns,NY 1987 Ford Tmus Ambl #1GJFS31H3HJ-W1-7-0-0-0

Union of Switzerland in Envirotest Credit

TUCSON, Ariz. — Envirotest Systems Corp. said it has signed a commitment letter for a $100 million, three-year revolving credit facility from Union Bank of Switzerland.

The facility is to replace a $30 million credit. On the third year after the closing date, the new credit will be convertible, under certain conditions, into a term loan maturing on the sixth anniversary of the closing.

Envirotest now tests car emissions in eight states.

June 1993

CNB Financial Corporation
Kansas City, Kansas

has been acquired through a merger with

UMB United Missouri Bancshares, Inc.

The undersigned acted on financial advisor to CNB Financial Corporation.

THE CHICAGO CORPORATION

THE MARKETS
Rates Up as Commodity Prices Soar

There was a particularly sharp rise on the short end, amid rumors that the Fed had voted to tighten credit to stop the price rises.

Interest rates rose on Tuesday as a surge in commodity prices pounded government securities.

The increase was particularly sharp on the short end, amid rumors that Federal Reserve policymakers had voted to tighten credit to stop the price rises.

The bond-equivalent yield on one-year Treasury bills rose to 3.40% from 3.31% last Friday. The yield on the two-year note rose to 4.01% from 3.91%.

The yield on the 30-year Treasury bond went up to 6.68% from 6.67% and that on the 10-year note rose to 5.79% from 5.74%.

The bond market initially opened on a strong note, propelled by Japanese buying on last Friday's worse-than-expected employment report for June.

But there was little follow-through demand for Treasuries in the United States.

"The bond market lost some support because of the sharp rise in commodity prices," said William Sullivan, money market economist for Dean Witter Reynolds Inc.

Driven by weather-related increases in soybean and other grain prices, the Commodity Research Bureau's index shot up 5.29 points, or 2.5%, to 217.30. The index measures 21 commodity futures prices.

Gold Rallies

But bad weather in the Midwest was not the only reason for the rise in the index. The price of gold surged $6.80 to $393.50 on the New York Commodity Exchange.

The rise in prices came at an inopportune time for economists and others hoping for a change in Federal Reserve policy.

The Federal Open Market Committee is scheduled today to continue its two-day meeting on monetary policy. On the heels of last week's grim employment news, the panel was widely expected to switch from the pro-tightening stance adopted in May to a neutral stance.

"My inclination is that Alan Greenspan would like to have a neutral policy," said Astrid Adolfson, an economist at MCM MoneyWatch. "But the rise in commodity prices makes that difficult."

Stocks were hammered by the interest rate fears. The Dow Jones industrial average lost 34.04 points to 3,449.93.

But the rumors of a Fed tightening helped the dollar. It finished at 1.7042 German marks and 108.80 yen, up from 1.6965 marks and 108.58 yen on Friday.

At its regular weekly auction, the Treasury sold a total of $24 billion of three- and six-month bills. The average rates were 3.01% and 3.10%, respectively, down from 3.05% and 3.14% the week before. — Bart Fraust

NEW ISSUE June 3, 1993

12,716,813 Shares

CITY NATIONAL CORPORATION

Common Stock
($1.00 par value)

A Rights Offering to holders of common stock with Standby Purchase Commitments together with an offering to management was successfully completed and raised $81,069,683.

The undersigned acted as financial advisor and as agent for the arrangement of Standby Purchasers for the shares of City National Corporation.

The First Boston Corporation

The undersigned acted as Dealer Managers for the Rights Offering.

The First Boston Corporation — Wertheim Schroder & Co. Incorporated

CREDIT RATINGS
Moody's Considers Upgrading Barnett

Moody's Investors Service Inc. said Tuesday it may upgrade Barnett Banks Inc., citing stronger capital and asset quality.

Moody's said it will review Barnett's strength and future profitability as well as its prospects for improved efficiency in light of the company's in-market acquisition of First Florida Banks.

Under review are the Jacksonville, Fla.-based company's Baa1 senior debt grade and Baa2 subordinated debt and preferred stock ratings.

The A2 long-term deposit ratings of Barnett's bank subsidiaries are also being reviewed. But their short-term deposit ratings were confirmed at Prime-1. □

SouthTrust to Acquire BMR Financial Group

ATLANTA — BMR Financial Group Inc. said it completed a definitive agreement to be acquired by SouthTrust Corp. of Birmingham, Ala.

SouthTrust agreed to pay $6.30 in cash for each outstanding BMR common share, or $16 million.

After selling other subsidiaries, BMR is left with Ameribank in Clearwater, Fla., and Community Bank of Central Florida, Winter Garden, with combined assets of $97.4 million and shareholders' equity of $14.5 million.

BMR and SouthTrust, which has $13.4 billion in assets and banking operations in six states, said they expect the transaction to close by yearend. □

Highlights for Tuesday, July 6

Top 10 Gainers %

Liberty National Bancorp, Inc.	10.0
First Eastern Corp.	7.1
First United Corporation	5.8
Whitney Holding Corp.	5.1
Mid-America Bancorp	5.1
Central Jersey Bancorp	5.0
F&M Bancorp	4.8
First Colonial Bankshares	4.4
Irwin Financial Corporation	4.1
Omega Financial Corporation	4.0

Top 10 Losers %

Keystone Financial, Inc.	-7.1
Chemical Financial Corporation	-5.8
Iowa National Bankshares Corp	-4.9
BT Financial Corporation	-4.6
Citizens First Bancorp, Inc.	-3.8
Sterling Bancorp	-3.6
United National Bancorp	-3.1
Marshall & Ilsley Corporation	-3.0
Mountaineer Bankshares	-2.8
Farmers Capital Bank Corp.	-2.8

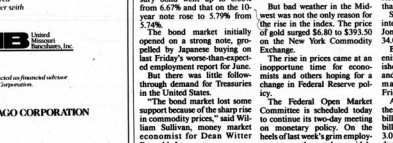
Most Shares Traded

Citicorp	1644400
Chemical Banking Corp.	1065300
BankAmerica Corporation	837500
Chase Manhattan Corporation	754500
Midlantic Corporation	527600

Volume as % of Average

United National Bancorp	1197.2
National City Bancshares	910.8
S&T Bancorp	799.4
Valley National Bancorp	526.5
First Commonwealth Financial	491.9

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts 1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.98	-2.27	-2.69	0.42	-0.13	6.66	0.61	0.77	4.33

Top 225 Banks

52 Wk Hi	Lo	Name	PE	Mkt to bk	Chg.	Chg.
26¾	18¾	1stSouthCorp(NY)	10.5	142.8	22	--
27¼	18	1stUnionCp	11.0	172.4	23	--
17½	8¼	AlliedBcshrs Gd	15.8	264.7	18¾	¼
35¾	28¾	AmSouthBancorp A	12.1	175.9	32	--
38½	29¾	AssociatedBanc W	12.4	179.0	30¼	¼
35¾	27¾	BB&T FinCorpVA	12.1	195.0	30¾	¼
37½	10¾	BOKFinancial Cp	12.4	250.0	20¾	¼
51	37¼	BT Fin Corp PA	11.7	143.8	51¼	-2¼
9¾	6¼	BancFirstOK	9.1	114.3	9¾	--
35¼	24¾	BarPoorCorpPR	12.5	154.3	27	¼
61	45¼	BancOneCp Gd	15.7	270.1	55¾	¼
53½	40¾	BancorpHawaii H	9.7	148.4	44½	--
40¾	27¾	BancorpSouthMS	11.7	147.2	39	¼
54¾	41	BankAmericaCp CA	10.8	122.8	45¾	¼
30½	24¼	BankAmericaNC	16.9	297.1	28¾	¼
14¾	9¼	BankSouthCorpGA	12.9	156.1	12¾	¼
19¾	13¾	BankTrustCorp	8.6	168.8	14	¼
19½	12½	BankersHlnsvcVT	43.1	93.2	17¼	¼
28¾	18¾	BankersTrustMD	12.3	114.0	24¾	¼
61¾	39¾	BanknthFl Gp	12.9	154.1	59¾	¼
31¼	23¾	BarnettBanksFL	11.4	183.5	27¾	¼
52¾	38¾	BayBanksMA	12.1	126.1	44½	--
54¼	49¾	BostonBcshrs MD	12.7	161.1	51¾	¼
18¾	13½	BrokenHillInc A	29.3	132.3	17	--
31¼	23¾	CBT Corp(Conn)	13.2	137.4	30¼	¼
31¼	23¾	CBT Corp(Ga)	13.2	137.4	30¼	¼
45¾	35¼	CCB Financial	12.9	148.9	38¼	¼
33¾	23¾	CNB Bancshrs IN	16.3	190.3	32¾	¼
29¼	22¼	CPB Inc HI	8.6	139.2	29¼	¼
13¾	7¾	CVB Fincp CA	8.8	147.1	12	--
14	9¾	CalFedBancorpCA	14.3	103.7	13¾	--
25	13¾	CalhqBancorp CA	10.0	132.9	13¾	--
26½	19	CapitalBancorp K	11.8	184.6	25¾	¼
34½	25¾	CentralFlaInfr H	12.3	183.7	29¾	¼
34¾	25¾	CentralFidelty H	14.3	148.2	29	--
24½	16¾	CenturaBanks NC	12.0	164.4	20¾	¼
27¾	21	ChemBankNwYk NY	9.7	155.1	23¾	¼
44	30¼	ChemicalBanking NY	9.5	139.2	40¾	¼
47¾	33¼	ChemicalFinCorp MI	13.6	172.8	44¾	¼
32	13¾	CitizensBancorp VT	11.3	104.5	19¾	¼
39¾	14¾	CitizensFirst	14.2	132.2	20¾	¼
39¾	29¾	CitizensBancorp MI	11.4	128.6	29¾	¼
39¾	29¾	CitizensBancorp VA	11.4	125.4	29¾	¼
7¾	3¾	CitizensFirstInc	7.4	39.2	4¾	¼
39¼	17¾	CitytrstBcp(Cal)	14.8	173.1	26	¼
11¾	4¾	CityNatCorp CA	9.8	117.6	7¾	¼
18¾	13¾	ColoradoBancp AL	9.5	136.0	21	--
34¾	27¾	ComericaInc MI	14.9	164.5	29¾	¼
25¾	13¾	CommercialBncr MO	18.0	189.2	25¾	--
47¾	37¾	CommercialNatl MO	14.2	164.5	155	--
33¾	24¾	CommercialBcshrs MO	11.1	134.8	28¼	¼
45¾	34¼	CommercialFed NE	11.5	213.8	44¼	¼
15	11¼	CommunityFirstBO	10.3	142.3	13¾	--
8¾	3¾	CommunityTrust	NM	155.1	6¾	--
28½	15¾	Continental A	4.8	90.7	23¾	¼
60¾	47¾	CoreStatesFinCpPA	12.4	197.5	55	¼
40½	25¾	CrestarFincpVA	15.3	162.8	42	¼
30¾	21¾	CullenFrost TX	13.5	202.6	28¾	¼
37¾	25¾	DauphinDeposit PA	12.8	176.4	29¾	¼
39¾	25¾	DepositGuaranty MS	9.9	146.5	29¾	¼
17¾	12¾	F & M NatlCorp PA	11.4	148.4	14¾	¼
22	16¾	FAMSincorp MD	11.0	153.2	22	--
19¾	8¾	FBS Fincp DE	11.0	197.1	19¾	--
39¾	24	FarmersCapital KY	14.4	114.1	26¾	¼
48¾	40¾	FifthThirdBancp OH	13.2	304.7	53¾	¼
37	31¼	FinancialTrustTN	13.2	174.5	37	--
55	33¾	FirstTennNB TN	14.3	224.8	53¾	¼
36¾	27¾	FirstAlabamaAL	12.8	192.8	34¾	¼
18	13¾	FirstBancsIn TX	5.4	146.0	18	¼
33¾	20¾	FirstBancorpCo TN	14.1	157.8	29¾	¼
50¾	39¾	FirstBancorpPR	11.2	158.3	49¾	¼
33¾	22¾	FirstBkSystem MN	19.9	168.3	30¾	¼
28¾	23¾	FirstChicagoIL	NM	115.2	41¾	¼
62½	35¼	FirstCitizens NC	8.5	133.0	48	--
20¾	16¾	FirstCmtyBcshrs LA	10.6	164.8	18¾	¼
42¾	29¾	FirstCommerce LA	10.2	152.1	39¾	¼
42¾	29¾	FirstCommerce NE	10.2	152.1	39¾	¼
34¼	25¾	FirstCommerce OK	10.9	183.8	31	¼
31¾	24¾	FirstCommBk PA	11.3	148.4	27¾	¼
31	20¾	FirstEssexBcp MA	NM	139.8	18¾	¼
157½	127	FirstEmpire NY	11.0	155.1	137½	¼
51¼	34	FirstFidelity NJ	11.9	173.1	44¾	¼
44¼	27¼	FirstFidelity OH	14.9	194.5	44¼	¼
53¾	38	FirstFncCpIN	11.2	146.5	53¾	--
30¾	23½	FirstHawaiian H	10.2	157.0	27¾	--
64	36¾	FirstInterstateCA	9.9	161.8	62¾	¼
26¾	19¾	FirstMichBankCpMI	12.9	175.7	26¼	¼
24½	14¾	FirstMissCorp	16.7	139.2	24¼	¼
22¾	15½	FirstNatBancp GA	12.6	190.8	20¾	¼
29¾	22¾	FirstNatBkCp NM	12.2	189.6	28¾	¼
47	33¾	FirstNewHaven CT	11.7	182.5	40	¼
24¾	14¾	FirstOhioBncp OH	11.8	137.4	24¾	¼
22¾	17¾	FirstPennBancp PA	9.2	125.2	22¾	¼
23¾	17	FirstUnionNC	13.6	193.3	23¾	¼
39¾	30	FirstVaBnkshsCp MN	13.6	174.1	29	¼
39¾	30	FirstVirginia VA	11.0	184.1	39¾	¼
39¾	30	FirstWisconsin WI	13.6	187.1	29	¼
39¾	34	FirstbankN.A.	12.3	171.1	37½	¼
41¾	30¾	FirstofAmerica MI	13.3	172.3	39¾	¼
37¾	26¾	FleetFinancial RI	15.8	156.6	33¼	¼
44¾	32¾	FortWayneNatCp IN	13.6	174.6	37¾	¼
31½	24	FourthFinCpKS	12.7	179.1	30¾	¼
28	20¾	FranklinCorp TN	10.8	156.2	27	¼
30¾	24	FrstMarinBancpCA	11.8	145.5	28	¼
24¾	24¾	FrstNorthernBcp PA	12.2	186.5	30¾	¼
24	18¾	FultonFinCorpPA	13.5	167.9	22¾	¼
17¾	12¾	GBC Bancorp CA	9.5	123.3	16¾	¼
29¾	15¾	GreatAmBcshrs MI	10.8	139.8	23¾	--
29¾	15¾	GreatAmBcshrs MI	10.8	139.8	23¾	--
19¾	12¾	HarborBancpFL	11.7	188.4	16¾	¼
19¾	12¾	HarleysvilleGrp PA	11.9	159.7	19¾	¼
19¾	12¾	HarleysvilleNtnl PA	12.7	175.3	19¾	¼
8¼	4¼	HiberniaCp LA	NM	149.5	6¾	--
22¾	15¾	HubcoNJ	12.1	153.6	22¾	¼
27¾	18½	HuntingtonBcshs OH	13.8	216.8	27¾	¼
25¾	19¾	IndependenceCp PA	12.9	69.9	11	--
29	21¾	IndependentBcp MI	37.0	136.9	25¾	--
32¾	22¾	IrwinFincpIN	10.9	198.6	47¾	1¾
18	12¾	IsbancorpInc IL	11.4	142.0	15¾	--
47	37¾	JeffersonBkshrs SC	10.5	119.7	44	2¼
54¾	36¾	KeyCorpNY	9.2	215.7	44	1¾
24¾	18¾	LSB Bancp NC	9.9	186.2	19¾	¼
22	15¾	LaPeyrereBcshrs IN	13.0	171.8	21¼	¼
19¾	12¾	LakelandFinCp IN	11.9	159.7	19¾	¼
19¾	12¾	LakelandFinCp IN	12.4	165.3	19¾	2¼
8¼	4¼	LibertyNatBancp LA	10.7	149.2	6¾	¼
27¾	18¾	LincolnBancp IN	14.0	190.3	27¾	2¼
14¾	10	MNC Financial MD	12.3	124.0	14¾	--
18¾	12¾	MagnaGroup MO	12.0	137.0	17¾	--
28¾	17¾	MahtTrustFedNtnc MO	13.4	208.8	28¾	1
25¾	19¾	MarshallBcshrs WI	14.8	205.5	19¾	¼
66¾	40	MellonBankCorp PA	9.8	148.6	58¾	¼
39¾	28¾	MercantileBcshrs MD	12.6	161.7	39¾	¼
39¾	27	MercantileBkshrs MO	11.9	152.0	39¾	¼
62	44¼	MerchantsBncsh NY	10.9	183.6	55	--
39	72	UnitedCounties NJ	8.2	126.2	86½	--
41¾	30¼	UnitedMissouri MO	13.8	130.2	39½	-½
33¼	17	UnitedNatBncp NJ	12.1	186.8	31½	-½
45¾	33¼	ValleyNatlBancp MI	13.6	177.3	44	¼
21¾	18¾	ValleyNatlBancp NJ	11.8	277.5	20¾	--
27¾	19½	VictoriaBkshrs TX	6.8	114.2	22¾	-¼
45¾	25	WachoviaCorpNC	13.5	210.1	34¾	--
120	61¾	WellsFargo CA	26.8	186.5	109½	1¼
34¾	24¾	WestBancorp RI	14.1	178.1	31¾	--
54½	38¾	WestDistrictcp GU	12.2	158.3	49¾	½
39¾	27¾	WestAmericaCp CA	11.3	158.3	37	¼
37¾	29¾	WestBancorp NH	12.1	138.6	37¼	--
32¾	21¾	WhitneyHolding LA	12.4	165.5	30¾	1½
27¾	20¾	WilmTrustCp DE	13.4	183.6	27¾	¼
27¾	20¾	WorthenBanking AR	8.7	144.4	23¾	-¼
49	30¾	ZionsBancorp UT	10.9	194.9	39¾	¼

Top 25 Thrifts

52 Wk Hi	Lo	Name	PE	Mkt to bk	Chg.	Chg.
17¼	12	ALSAMNIncorp MI	10.3	80.0	17¼	¼
21¼	13¾	AmericanFed FL	10.0	98.0	21¼	¼
23½	6¾	CalFedBancFD CA	NM	36.9	14	¼
32¾	21¾	CenFedBancp VA	9.1	100.2	32¾	¼
18¾	8¼	CoastalBancpTX	14.1	78.7	17¼	¼
35¾	19¾	CollectiveBcp NJ	9.3	182.2	30¼	--
27¼	11¼	EnterpriseFedCp MD	12.1	136.6	27¼	¼
35¼	25¾	CraigAmFinCp IL	12.5	158.7	35	5¾
13¾	11¾	DowneyGroupCp CA	9.1	113.6	11¾	¼
15¾	7¾	FirstFinCorp WI	11.1	176.9	15¼	¼
34	17¾	FstFedMichCp MI	11.6	178.9	34	17¾
50	35¼	GoldenWestFn CA	9.2	146.1	41	¾
19¼	13	HarborFedInc CA	73.3	97.4	18¾	--
26¾	17¾	JSB FinancialNY	10.0	95.1	25¼	¼
15¼	11	MemitFinCpPA	10.1	98.0	15¼	¼
31½	18¼	NBB Bancorp MA	10.8	111.8	30¼	¼
32¾	21¾	NSBancorp IL	10.6	111.8	32¾	¼
48¼	18¼	HousewrthFinCp MO	11.8	180.6	42¼	¼
32¾	21¾	PeoplesFinCp MS	10.1	111.8	32¾	¼
32¾	21¾	PeoplesFinCp MS	10.1	111.8	32¾	¼
29	20¾	StandrdFedBk MI	7.7	116.3	29¼	--
30¾	24¾	StarrGasBancp IL	13.3	158.9	34¼	¼
36¾	26¾	SocietyCorp OH	11.7	215.4	34¾	--
24¾	14¾	SouthTrustCorp AL	12.4	178.0	21¾	¼
23¾	15¼	SouthernNatlCp NC	12.2	183.8	22¾	¼
27	24¾	SouthernNatlCp VA	11.0	138.3	32¾	¼
39	29¾	Star Banc Corp OH	13.2	176.8	36¾	¼
37¾	25¾	StateStBancCorp MI	15.5	253.2	33¾	¼
44¾	27¼	SuburbanBancorp IL	9.9	180.1	42¾	1¼
8¾	3¾	SuntrustBanc CA	7.3	78.0	8¾	¼
23	15¼	SunwestBancorp NJ	16.2	184.9	21¼	¼
49¾	37¼	SunwestBancorp NM	14.4	212.0	49¾	¼
33¾	24	SunwestInvestCo IN	11.8	144.4	32	--
33¾	24	SunwestInvestCo IN	11.8	144.4	32	--
23¾	14¾	TransFinancialNY	14.2	203.8	19¾	--
23¾	12¾	TransFinancialNY	14.2	203.8	19¾	--
18¾	11	TrustcompanyNJ	17.1	196.6	15¾	--
18¾	11	TrustcompanyNJ	9.9	134.0	15¾	--
26	21¼	U.S.BancorpOR	11.6	162.9	25	¼
23¾	15¼	UBI FinancialNJ	13.9	154.0	19¾	¼
29¾	16¼	UBI FinancialNJ	19.9	143.7	25¾	¼
20	20	USBNCORP PA	9.7	97.5	20	--
12	7¾	UST Corp MA	NM	73.5	7¾	--
9¾	6¾	UnionBancFd CA	8.8	90.4	7¾	¼
29¼	0	UnionPartnersTN	11.3	153.6	26¾	¼
27¾	19	UnitedBancshrs IN	10.0	180.0	23	¼
23¾	18¾	UnitedCarolina NC	10.7	138.1	22¾	¼

Stock Table Explained: The table lists in alphabetical order daily comments since prices of 225 banks and 25 thrifts. Names otherwise noted for the 225 largest publicly traded commercial banking firms and the 25 largest publicly traded thrifts. Ranked according to the market value of all common shares outstanding as of June 30, 1993, the banks are listed in the following order: Bank of New York, $244.2B mil; Bank of Boston, $22.9B mil; Bankers Trust, $4.2B mil. The closing prices for the stock, PE, the price-earnings ratio. It is the current stock price divided by the trailing four-quarter earnings per share adjusted for latest announced earnings. The ratio is annualized for companies reporting quarterly earnings. Mkt to bk, the ratio of the current day's closing price to the stock's book value, expressed as a percentage. **Book value** is adjusted for announced earnings and dividends. **Last:** The price at which the stock last traded. If no trades for the day, the latest bid. **Bill Bank and Thrift Indices:** A weighted average of the top 225 banks in market value and the top 25 thrifts in market value, respectively. **Weighting:** Each bank's or thrift's contribution to the index is in proportion to its market capitalization. Small banks and thrifts have a percentage of average shares traded daily over the past year.

Sources: SNL Securities, Charlottesville, Va. 804/977-1600, produced the tables. Financial News Network, Fairfax, Va. provides DNI, the with day prices.

Key Loan Activity

(Dollar amounts in millions)

June 28 - July 2

Working Cap./Gen'l corp. purposes		Debt repayment	
Countrywide Funding Corp.	$1,855.0	Freeport-McMoran Inc.	$800.0
Triton Industries	700.0	Hilhaven Corp.	400.0
Compaq Computer Corp.	300.0	Geon Co.	210.0
Hamilton Financial Corp.	200.0	Carr-Gottstein	137.5
Donna Karan	110.0	M.I Schottenstein Homes	111.0
Imperial Holly Corp.	80.0	Philips-Van Heusen Corp.	69.0
Analog Devices	80.0		
Calton Inc.	73.5	**Recapitalization**	
Mastor Corp.	70.0	Borg Warner Automotive	$350.0
Wabash National Corp.	30.0	Bell & Howell Co.	195.0
Rymer Foods	23.7		
		CP backup	
Project finance		AFCO Credit Corp.	$75.0
Cogeneration	$262.0		

Description: This table tracks new corporate loan activity and financial filings made weekly with the SEC.
Data Source: Loan Pricing Corp., New York (212) 489-5455

Key Rates•

(July 6, 1993)

	7/6	7/2	7/6/92
Federal Funds domestic range:	3%-3⅛	2⅞%-3⅛	3%-3⅛
Prime Rate - Top 25 Banks	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00
Certificates of Deposit•			
3 Month Posted	2.73	2.73	3.10
6 Month Posted	2.92	2.92	3.00
1 Year Posted	3.10	3.15	3.30
Eurodollar deposits•			
3 Month	3⅛	3⅛	3⅛
6 Month	3⅛	3⅛	3⅛
1 Year	3⅛	3⅛	3⅛
Dealer Commercial Paper•			
1 Month	3.10	3.10	3.19
3 Month	3.14	3.13	3.34
6 Month	3.23	3.22	3.34

(•)— Late afternoon quotes, New York market. (%— Highest offering rates (except % yield) at selected NYC money center banks. (♦)— Late London bid. (♦♦)— AA rating or the equivalent.

STOCKS
In Dim Quarter, a Few Bright Lights

Continued from page 1

mostly with upscale affinity groups.

Thomas P. Facciola, an analyst with S.G. Warburg, said the bank added 1.1 million accounts in the second quarter after bringing on 600,000 new customers in the first quarter.

NEWS ANALYSIS

When investors' fears about rising rates subsided in early June, MBNA's stock looked attractively priced at 11.5 times earnings, Mr. Facciola said. He predicted the bank will increase annual earnings 15% in each of the next two years.

The Word Is Out

Norwest and Huntington, analysts said, are good earnings stories that have gotten out.

Huntington earned 1.41% on assets in the first quarter, versus 1.04% a year before. Operating expenses as a percentage of revenues – the efficiency ratio – fell to 60% from 65%. And asset quality improved, with nonperforming loans falling to 0.88% of total loans from 1.65% a year earlier. The shares gained 11.3% last quarter.

"The market is beginning to recognize that the performance has improved," said Kenneth F. Puglisi, an analyst with the Chicago Corp.

Norwest a Fast Grower

Investors have come to recognize that Norwest is a fast-growing company. The bank predicts 13% to 15% annual earnings growth for the next three years. At the end of the second quarter, shares were trading at $27.375, a 9.8% gain in three months, and about 17 times trailing earnings – one of the industry's highest multiples.

The sharp decline in Union Bank's share price came after a disappointing first quarter and a stock offering, which doubled the number of outstanding shares and put pressure on the stock price, said analysts. □

The Results Are In
Top winners and losers among 100 largest bank stocks

	Percentage change in second quarter		Percentage change in second quarter
WINNERS		**LOSERS**	
Firstier	+28.3%	Union Bank	-30.1%
MBNA	+19.4	State Street	-25.6
Huntington	+11.3	Zions Bancorp	-16.7
Norwest	+9.8	Northern Trust	-15.4
Fleet Fin.	+9.1	Bancorp Hawaii	-14.9

St. John Leaves Bankers Trust

By WILLIAM GOODWIN

Morgan St. John, who recently stepped down as head of Bankers Trust's loan syndication department, resigned last week after the bank was unable to find a new post to his liking.

Bankers Trust spokesman Thomas Parisi described the parting as "extremely amicable."

Mr. St. John had been running loan syndications for less than a year when he quit the post in May for personal reasons.

Old Job Was a Possibility

There had been speculation within the bank that Mr. St. John would return to his former job as co-head of structured finance in Bankers Trust's Los Angeles office.

Mr. St. John could not be reached for comment. His resignation is effective July 31.

The 39-year-old executive was well regarded within the bank. He was a member of an elite group of about 70 officers, informally known as partners, who receive a substantial part of their compensation in the form of Bankers Trust stock.

Under the bank's partnership equity plan, annual stock awards are made in January and vest at the end of the year, so Mr. St. John will forfeit his stock payment for this year.

Bankers Trust, meanwhile, still has not picked a replacement for Mr. St. John in syndications. The department is being run on an interim basis by three managing directors who had been Mr. St. John's key subordinates.



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AMERICAN BANKER
VOL. CLVIII NO. 129 Thursday, July 8, 1993 158th year

Citi's Motive To Join NYCE: Point of Sale

By MATT BARTHEL

Why, after years of holding out, is Citicorp close to joining the NYCE electronic banking network?

The answer: to be a big player in point-of-sale transactions, Citi has no other choice.

Indeed, the factors in its decision are far different from those involved eight year ago, when a group of regional banks formed NYCE in order to share automated teller machines.

Then Citicorp defiantly decided to go it alone, concluding that its massive fleet of ATMs would only provide effective service but also differentiate the giant bank in the marketplace. And many observers think that rationale has been proved right.

NEWS ANALYSIS

But now consumers are expected to increasingly use their ATM cards for purchases at grocery stores and gas stations. For Citicorp's cardholders to participate, it seems clear the bank must join NYCE, which promises to be the dominant point-of-sale network in the Northeast.

"One of the reasons that Citi is reputed to be joining NYCE is because they want to have access" to NYCE's point-of-sale network, said David Dove, president of Dove & Associates, an electronic banking consultancy based in Boston.

The Debit Route

Citicorp does have alternatives, namely the two national debit-card networks – Visa U.S.A.'s Internet and MasterCard International's Maestro. "But neither of these is a particularly strong brand in the Northeast," Mr. Dove noted.

The *American Banker* reported last month that Citicorp is in the final stages of negotiations to take a stake in NYCE, a decision that would be interesting for a number of reasons.

First, it would be the capitulation of the last of the go-it-alone players in the ATM business.

Vast Majority in Networks

In the past few years, every other large bank that had once tried to operate a proprietary ATM network – including Bank-America Corp. and NBD Bancorp – has joined a regional network.

But even if Citicorp has some things in common with NBD and BankAmerica, it is also a unique case.

By most accounts, Citicorp

See CITI page 3

INSIDE NEWS

REGIONAL BANKING

THE CHAIRMAN and chief executive of Chemical New Jersey Holdings, William H. Turner, likes to shop. But after almost a year of intensive searching, he has yet to find the bargain he seeks. *Page 6*

COMMUNITY BANKING

SHESHUNOFF Information Services is leading a group of four vendors in an effort to develop products to help banks comply with complex new regulatory and accounting rules. *Page 8*

MORTGAGES

AMERICAN RESIDENTIAL Mortgage Corp. of La Jolla, Calif., reasons that places with affordable homes are good places to lend. *Page 10*

INVESTMENT PRODUCTS

TO HEAR James K. Mitchell describe it, you'd think he runs a boot camp, not a successful investment products marketing firm. *Page 11*

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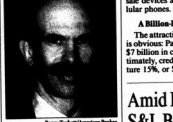

Peggy Turkett/American Banker

RONALD I. MANDLE, a Sanford C. Bernstein & Co. analyst, initiated coverage of credit card New Co., but he rated the stock neutral in the wake of a recent upswing. *Back page*

CREDIT CARDS

VISA INTERNATIONAL, amid skepticism, is claiming progress in the battle against credit card counterfeiters, saying a new program has stopped $3.4 million in fraudulent sales. *Page 13*

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MasterCard Hailing Taxis With Pilot Program in N.Y.

By MICKEY MEECE

NEW YORK — If MasterCard International has its way, some taxi riders here will soon be able to pay their fares with the swipe of a credit card.

The giant card organization, searching for new markets, hopes to piggyback on a six-month test that will put mobile phones in several hundred cabs.

Starting this month, passengers will be able to charge phone calls on all major credit cards. By September, they should be able to pay fares via point-of-sale devices attached to the cellular phones.

A Billion-Dollar Business

The attraction for MasterCard is obvious: Passengers pay about $7 billion in cab fares a year. Ultimately, credit cards might capture 15%, or $1 billion, of those payments, MasterCard believes.

"It is a cash market that has an excellent opportunity to be a card market," said Scott Carter, manager of small-ticket items at MasterCard.

Indeed, taxi payments are just one of many types of cash transactions being lured by credit card companies. Other targets: supermarkets, fast-food outlets, and post offices.

Authorization Problem

Credit cards have already made some inroads into the taxi market, but their use has been held back by the absence of a way to authorize transactions immediately.

Cardholders typically have received authorization from a dispatcher when calling for the cab. Drivers then imprint the card

See MASTERCARD page 12

Amid Battling, S&L Bailout Bill Slips Through

By ROBERT M. GARSON

WASHINGTON — While the House Banking Committee's plan to fund the thrift bailout remains mired in controversy, the full House has quietly approved legislation to provide $2.7 billion or more for the cleanup effort.

An appropriations bill, which passed last week without a murmur of dissent, would authorize the Treasury Department to disburse "such sums as may be necessary" for the fledgling Savings Association Insurance Fund, or SAIF, under authority from the 1989 thrift bailout law. The money would be available after Oct. 1.

For budget purposes, the House Appropriations Committee estimated that the funding would amount to about $2.7 billion.

See HOUSE next page

Hanson May Refinance $6.5 Billion Of Its Debt

By WILLIAM GOODWIN

In what could be one of the biggest loan syndications this year, the U.S. arm of Britain's Hanson PLC is expected to refinance as much as $6.5 billion of debt in the bank loan market, sources said.

Included in that amount is $2.5 billion of nonbank debt that will be assumed by Hanson as part of its planned acquisition of New York-based Quantum Chemical Corp., a loss-plagued maker of plastics.

Chemical Led Credit

The U.S. unit, known as Hanson Industries, also has some $4 billion of existing debt under a 1991 credit agreement with a group of banks led by Chemical Bank and five co-agents – ABN Amro Bank, Citibank, Hongkong and Shanghai Bank, Swiss Bank, and Toronto-Dominion Bank.

National Westminster Bank is the lead bank for a separate 1991 credit for the parent company in London.

While Hanson has not spelled out its plans yet, banking sources said it is likely that much of the combined debt will be refinanced under a new credit agreement. That has been Hanson's practice in past acquisi-

See HANSON back page

Boston Bank Exits Public Finance, Trims Commercial Loan Servicing

By JED HOROWITZ

Bank of Boston Corp. has sold a large part of its commercial mortgage servicing portfolio and closed its public finance unit, saying it will divest businesses where it does not have expertise.

New England's second-largest bank company confirmed Wednesday that it had sold approximately half of the commercial mortgage servicing rights of Bancp-Boston Mortgage Corp., its Jacksonville, Fla.-based servicing subsidiary, to a mortgage company owned by Legg Mason Inc., a Baltimore-based investment bank.

REGIONAL BANKING

Legg Mason said Wednesday that the transaction closed on July 2.

Neither party disclosed the purchase price for the $830 million commercial servicing portfolio.

Constance Hubbell, a spokeswoman for Bank of Boston, said the transaction "will not have a material impact on us."

'Break-Even Business'

Servicing commercial mortgages for institutional investors was a "break-even type of business," Ms. Hubbell said, adding, "It is part of our strategic planning process to exit businesses which we are not in for the long haul and where we are not experts."

Ms. Hubbell also said that Bank of Boston decided in mid-June to close its small public-finance unit, which included about five professionals.

"We will no longer pursue opportunities to serve as senior manager on tax-exempt bond issues," she said, citing increasing competition, declining fees, and "the dominant role played by large investment banking firms in public finance."

She said the bank will honor

See BOSTON page 6

NEWS *briefs*

Shawmut Names Berger to Mergers Post

HARTFORD — Shawmut National Corp., signaling more consolidation in New England, has appointed John R. Berger to a new position as director of mergers and acquisitions.

The company, which has $25 billion of assets and is New England's third-largest bank, said Mr. Berger will focus on strategic opportunities for growth, including alliances and asset purchases as well as consolidation opportunities.

Mr. Berger, 49, is an executive vice president who has been with Shawmut for 20 years, most recently as head of bank investments and funds management. He will report to Bharat Bhatt, the bank's chief financial officer. Thomas D. Wren, 41, will assume Mr. Berger's duties as head of bank investments and funds management, reporting to Shawmut chairman Joel Alvord.

Charter's Net Surged Fourfold Last Quarter

WASHINGTON — Charter Federal Savings Bank announced earnings of $2.2 million for the quarter ending June 30, up from a net income of $513,000 a year earlier.

The Bristol, Va.-based thrift is attempting to raise its capital levels by offering stockholders the right to buy $18 million in new stock. The thrift hopes to begin the offering later this month.

BankAmerica Unit Leads Lechmere Loan

NEW YORK — BankAmerica Business Credit, a unit of BankAmerica Corp., said it is the agent and lead lender on a new $140 million revolving credit facility for Lechmere Inc., a retailer based in Woburn, Mass.

The co-agents, Fleet Bank of Massachusetts and BayBank, are participants in the credit facility, BankAmerica said.

Lechmere operates 23 stores in New England and upstate New York. "The credit facility was structured to meet working capital requirements as well as growth objectives of [Lechmere], which includes establishing new stores," BankAmerica said.

Plaza Home Mortgage Sets Loan Record

SANTA ANA, Calif. — Plaza Home Mortgage Corp. reported June loan originations rose to a record $798 million, compared with $750 million in May and $404 million in June a year ago.

Plaza cited production growth at its loan offices outside California.

New loan applications in June improved to $1.1 billion from $1 billion in May and $541 million a year earlier. The month-end pipeline of loans in progress decreased to $1 billion from $1.1 billion a month earlier and $473 million a year ago.

"Our record June results are directly attributable to our loan offices outside California doing an excellent job gaining market share, which has been pushing our overall production to new levels," said chairman Jack French.

In June, Plaza loan offices outside California contributed 32% of loan originations, up from 28% in May and 17% in January.

2 Brokerages Downgrade Cragin to 'Hold'

NEW YORK — Advest Inc. and Chicago Corp. lowered their investment ratings on Cragin Financial Corp. to "hold" from "buy."

As reported Wednesday, ABN Amro Holding said it intends to acquire Cragin for $38 a share, or an aggregate $510 million.

Cragin was trading at $35.125 Wednesday morning, and both Advest and Chicago Corp. said it was likely the acquisition would be approved by regulators. Therefore, they recommended holding the stock for the remaining 2% points.

The briefs were compiled from staff and wire reports.

Corrections

In a June 30 listing of the top 100 banks in managed trust assets in 1992, the figures listed for Society Corp. were incorrect. Although *American Banker* restated the 1991 data to account for Society's acquisition of Ameritrust Corp., Ameritrust had misreported its 1991 assets. As a result, Society appeared erroneously on a list of banks with large losses in managed assets. For 1991, Society's restated managed trust assets were $27.7 billion and its total trust assets were $62.6 billion. The company's percentage decline in managed assets in 1992 was 0.9%.

* * *

A July 2 article previewing second-quarter earnings results incorrectly reported the per-share projection made for Bank of Boston Corp. by Anthony Davis, an analyst with Dean Witter Reynolds Inc. He predicted a 40% earnings rise to 68.5 cents a share for the bank.

Gonzalez Urges Speedy Disclosure To Thwart Leaks of Fed Policy

By ROBERT M. GARSON

WASHINGTON — Legislation requiring the Federal Reserve to disclose monetary policy changes more quickly may be necessary to stem the flow of leaked information to "a chosen few" by the central bank, a key lawmaker said this week.

House Banking Committee chairman Henry B. Gonzalez, D-Tex., charged in a letter to Fed chairman Alan Greenspan that such leaks "cause instability in the financial markets and general economic uncertainty that reduces real investment."

Citing a number of examples in which he said journalists were leaked information about decisions of the Federal Open Market Committee's deliberations, Rep. Gonzalez said legislation "would be justified" if the leaks aren't halted.

"Besides the possible financial gain for those who benefit from these leaks there is also the issue of equity," Rep. Gonzalez said.

"I find it unfair and indeed undemocratic that the Federal



Henry B. Gonzalez
Says leaks cause "instability"

Reserve, through leaks and statements by Federal Reserve officials, favors its friends while the American public is officially told, 'wait six weeks before you hear anything — and then only in truncated form.'"

The banking committee chairman has introduced legislation that would require the Fed to release the minutes of FOMC meetings within 60 days.

Rep. Gonzalez said the House Banking Committee had received a complaint that U.S. traders are often at a disadvantage when the Fed leaks information to newspapers with overseas editions.

The result is that traders in other countries can take advantage of the difference in time zones to trade before U.S. markets open.

Examples Cited

In his letter to Mr. Greenspan, Rep. Gonzalez cited a number of examples he said support his charges.

The *Wall Street Journal*, for example, reported on May 21 that Fed policy makers had decided that week against any immediate cut in interest rates. The story cited "people familiar with the Fed's deliberations."

Similarly, the May 31 issue of *Barrons* said the Fed had made its intentions known "merely by leaking its intentions, in this column and elsewhere."

Joseph Coyne, a spokesman for the Federal Reserve, said the Fed "would have a response in due course." □

House Passes Funding Bill for Thrift Bailout

Continued from *page 1*

tion for fiscal 1994, which begins on Oct. 1. However, the 1989 bailout law appears to permit larger borrowings — perhaps as much as $4 billion – for the year.

Two-Step Process

The federal government provides money in a two-step process of authorization and appropriation. The 1989 law authorized up to $32 billion in two separate pools, subject to annual limits. How those limits are interpreted would determine how much money SAIF could receive if the House-passed appropriation is enacted into law.

The Senate has not yet taken up the appropriations bill.

Although the funding provided by the appropriation is less than the amount approved by the banking committee, it would come without any of the tough restrictions imposed by the banking panel. As a result, it could provide more money that would actually be available under the banking committee version.

It is unclear, however, what would happen if both bills are enacted into law. If the appropriations bill is signed first, the money it provides could be made available without regard to the restrictions in the banking committee bill, said Paul A. Schoberg, president of the Savings and Community Bankers of America.

Looking for Votes

But the Clinton administration is still searching for the votes it will need to pass the banking committee bill on the House floor, and many observers think a vote on the bill could be delayed until late July or even September.

In that case, the appropriations bill approved last week could be the only funding mechanism available when the new fiscal year starts.

Ironically, the SAIF measure could provide funds for institutions managed by the Resolution Trust Corp., according to one congressional source.

"The big question is whether the SAIF money could be used for RTC conservatorships, since they are paying SAIF premiums," said a Republican congressional source, who asked not to be named.

The funding measure passed by the House Banking Committee provides $18.3 billion for the RTC, and permits the agency to transfer unused amounts to SAIF.

The appropriation, if enacted into law, could take pressure off efforts to pass the RTC funding measure. Some thrifts, bitterly disappointed by the restrictions on SAIF funding, are opposing the bill, according to congressional and industry sources. □

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TECHNOLOGY/OPERATIONS

Citi May Have to Join NYCE

Continued from *page 1*

made the automated teller machine.

The nation's largest financial institution was not the first to install the self-service banking terminals. But in the 1980s, it embraced the technology like no other financial institution, saturating the New York market with sophisticated touch-sensitive screen terminals that are still the envy of many competitors.

Once the ATMs were deployed, the bank proved more adept than any other financial institution at persuading customers to use them. More than 80% of Citicorp's basic banking transactions are now handled by ATMs, versus the industry average of less than 40%.

NEWS ANALYSIS

Inspiration for NYCE

In fact, Citicorp's ATM program was so successful that the other banks in the region banded together and formed NYCE as a way to compete.

But while the ATM continues to be an innovative delivery mechanism, the two most common ways to increase ATM revenue – adding new machines and increasing transaction fees – are slowly becoming obsolete.

Fewer banks are increasing the size of their ATM fleets because the machines have almost saturated the U.S. market. And many banks are hesitant to raise transaction fees any further.

Therefore, most bankers view the nascent debit point-of-sale business as the best source of transaction-based revenue growth in the next decade.

Transactions Mushrooming

There are currently almost 100,000 point-of-sale terminals in the United States that accept ATM cards for purchases, and the number of POS debit transactions has grown steadily from three million in 1987 to more than 23 million in 1992.

Most experts agree that if Citicorp expects to catch the wave of POS transactions while it is still breaking, the bank must join NYCE soon.

Not surprisingly, the sticking point in the negotiations between Citicorp and the seven financial institutions that own NYCE appears to be the price Citi will pay for a stake.

"The real problem is that if Citi has an 18% to 20% share of the New York [electronic banking] market, it would probably want a share of the company that's comparable to that," said Richard Speer, chairman of Speer & Associates an electronic banking consulting firm based in Atlanta.

Expensive Share

"Twenty percent of NYCE can be pretty expensive right now – particularly if the other owners don't want to give it up in the first place."

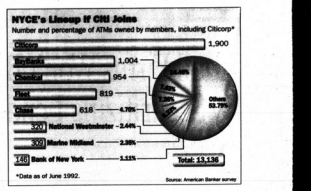
Mr. Speer noted that NYCE has appreciated significantly in value since Bipin Shah, a former CoreStates Financial Corp. executive and one of the architects of the MAC network, offered to buy NYCE for $125 million almost two years ago.

Thus Mr. Speer estimates that an equity position could cost Citibank up to $50 million.

Complicating the Citi-NYCE negotiations are overtures from the Electronic Payments Services Inc., the Delaware-based network whose MAC ATM brand competes with NYCE in several northeast states.

Some experts believe Citicorp is unlikely to join that network because MAC's POS mark is never likely to be much of a presence in New York as long as NYCE is around. Still, NYCE must still take the threat of having Citi go to MAC seriously.

As one ATM network boss put it, a Citi-EPS deal would "parachute the enemy into a strong position right in NYCE's backyard." Citi operates almost 2,000 ATMs, which represents about 15% of NYCE's total ATMs. □



Credito Italiano S.p.A. 1992 results

FINANCIAL HIGHLIGHTS FOR THE YEAR

	Lit. in billions	U.S. dollars in millions
LOANS & ADVANCES	**45,466**	30,911
CUSTOMER DEPOSITS	**41,391**	28,141
SHAREHOLDERS EQUITY & PROVISIONS (after distribution of profit)	**5,597**	3,805
TOTAL ASSETS	**102,874**	69,941
GROSS PROFIT	**1,123.3**	764
plus: Extraordinary items	**62.2**	42
less: Taxation	**260.1**	177
Write-downs	**243.0**	165
Depreciation & Provisions	**474.1**	322
NET PROFIT	**208.3**	142

The year ended December 31, 1992 closed with a net profit of Lit 208.3 billion. Lit 68 billion has been appropriated to Reserves.

The dividend for the year on ordinary shares will be Lit 85, while the dividend paid on savings shares will be Lit 100.

The countervalues in U.S. dollars have been calculated applying the reference rate determined by Banca d'Italia on December 31, 1992, i.e., U.S.$ 1.00 = Lit 1,470.86.

Credito Italiano

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AMERICAN BANKER

Opinion

Comment

By Anat Bird

Small Firms Won't Be Helped By Securitizing Lending

One of the big ideas being batted around in Washington to stimulate small-business lending is securitization.

The assumption is that banks are reluctant to lend, as reflected in low loan-to-deposit ratios, and that one way to resolve this is to securitize the loans. Proponents seem to think that the risk attendant to small-business lending is what makes banks reluctant, and that getting the loans off the books would rectify the situation.

But the bankers I know are looking for loans, not trying to sell them.

Top Priority

They realize that their business is to serve as intermediaries in risk - first and foremost credit risk. Extending credit is a top priority. Many banks, of all sizes and stripes, are looking for quality small-business credits.

Ms. Bird is national director of the financial institutions consulting group at BDO Seidman, New York.

These loans are the highest objective for super community banks that emphasize relationship-oriented lending, and for many other banks attracted to the loans' profitability.

Owners of small businesses are not as sensitive to prices as are larger corporate borrowers. They value the time and effort that bankers take to build a relationship and to understand the ins and outs of their business. And since small businesses do not have ready access to capital markets, they are willing and prepared to pay a premium for bank credit.

Banks continue to view small-business lending as a primary activity. If they have not extended enough credit to small businesses, then it may have more to do with the examination process and the weakness of demand.

Securitizing small-business loans is not going to answer the banks' needs. They do not want to offload credit; they want to keep it.

Securitization may actually have the opposite impact than

BANKS VIEW *small-business lending as a primary activity. If they have not extended enough credit, it may have more to do with the examination process and the weakness of demand.*

what proponents intend. Examining the securitization market for mortgages, one observes that the spreads in that business have narrowed sharply.

Government Competition

Many thrifts have complained about having to compete with the government-sponsored secondary-market agencies, which have implicit guarantees and economies of scale that the individual thrifts lack. The profitability of mortgages - the thrifts' core product - has declined to the point where many institutions are seeking another strategic anchor for their business.

This scenario may repeat itself in small-business lending if securitization proceeds along the lines being proposed. Margins will shrink and banks will search for other places to extend credit.

If President Clinton is right in suggesting that banks are withholding credit from worthy small businesses, then the securitization solution may be appropriate.

But if the reasons for the perceived credit crunch are different, small-business loan securitization may be a disaster for commercial banks and for the many thrifts moving into community banking, without conferring a significant benefit on the borrowers.

Let relationship banking continue and let the free market determine the best path for meeting borrowers' needs. This is not an appropriate time or place for government intervention. □

Comment

By Alex J. Pollock

No Need to Reinvent the Wheel For a Community Reinvestment Bank

Numerous politicians and banking theorists have recently tried and failed to say what a "community development bank" is supposed to be and how it's supposed to work. They ran into the following problems:

The organizations envisioned will probably not be profitable enough to attract equity capital.

If these organizations are to be banks, not welfare programs, they must engage in credit, not grants. The earnings on the loan portfolios must cover all losses and expenses if the institution is to be a sustainable entity.

Self-help is the best kind of help. But the question remains of how to combine this with productive public support.

Rediscovering Mutuality

Also, such organizations should be owned and managed by local people. Yet at the same time, the federal government is to be involved.

Mr. Pollock is president and chief executive officer of the Federal Home Loan Bank of Chicago.

All these problems can be successfully addressed by the rediscovery of a very old financial idea – mutuality. This concept was historically considered inseparable from local thrift institutions, and reflected the community ideals of cooperation and self-help.

The mutual savings and loan association, which enjoyed decades of growth and success, had key characteristics.

It was an association, not a stock corporation, and it's purpose was not maximum profits, but the mutual financial progress of its members. It was considered by contemporary supporters as part of a movement for individual and social improvement, and as "a great character-building and community-building business."

It was a local organization, often started as a neighborhood club. It was also, as one historian put it, "generally patronized by persons in what we now call low income categories."

It gathered and cared for the savings of the local community, and its mission, according to a

THE MUTUAL *savings and loan association, which enjoyed decades of success, provides a perfect blueprint for a community development bank.*

backer, was to promote "thrift, self-denial, temperance, simple living, success and independence." These federal associations were especially to be organized in communities that lacked a local thrift institution.

Its credits were to be sound, always based on first liens on property close to the association and thus known to its management and board. It was to be a self-sustaining economic organization. A confirmation of the theory comes from a recent Office of Thrift Supervision research report, which concludes that during the 1980s, mutual institutions were significantly less risky than those in stock form.

It was a commitment of the local community to help itself. Funds invested in the association were equity or "shares," not debt and not deposits (a surprising notion to us now).

Each Member a Part Owner

Savings shares were equity investment in the creditworthiness of local people. Although the idea subsequently became blurred and then lost, the historic and ideal thrift must mutuality was very clear on this point.

A classic text stated: "The building and loan association pays all the profits to its members. Each member is part owner of the business, assuming an ownership risk. In building and loan associations, the risk is negligible, it is true, but no emphasis on this fact should be allowed to cloud the issue. The building and loan member is an owner of the business."

Also, its management was lo-

See **MODEL** *page 5*

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Thursday, July 8, 1993 AMERICAN BANKER 5

Comment

By Alex J. Pollock

Model Exists for Community Banks

Continued from *page 4*

cal. Training and development of local management was a key requirement in the 1930s and would be again today.

Government Investment

It could be helped by the federal government investing on a matching basis by the purchase of preferred shares in an amount up to the investment mined locally. These shares had to be retired beginning five years later. Such matching preferred investments were made in sizable amounts (a total of $225 million, which is equal to about $2.3 billion today) and with notable success. After deducting the losses that inevitably occurred, in total the Treasury recovered its entire principal plus a yield of 3%.

Finally, the institution was exempt from federal taxes.

These points provide an excellent outline of a coherent design for a community development bank.

Blueprint for Success

That this design worked is amply demonstrated by history. The notorious class of savings and loans of the 1980s, which

THE INSTITUTIONS *reflected the community ideals of cooperation and self-help.*

have made the very term suspicious to us of short memory, bore little or no relation to the successful social design of preceding decades. To return to the original concept, we need to return to something very like the original form of the Home Owners' Loan Act of 1933.

This law created the charter of federal savings and loan associations.

Here, in excerpts quoted from the original 1933 Act, is an attractive structure that could be used for community development banks. (To correct for the depreciation of the currency, the amounts specified should be multiplied by 10.)

• "The purpose is to provide local mutual thrift institutions in which people may invest their funds."

• "Such associations shall raise their capital only in the form of payments on such shares as are authorized in their charter. No deposits shall be accepted and no certificates of indebtedness shall be issued."

• "Such associations shall lend their funds only on the security of first shares or on the security of first liens upon homes or combination of homes and business property within 50 miles of their home office. Not more than $20,000 shall be loaned on the security of a first lien upon, any one such property."

• "The board shall have full power to provide for the reorganization, consolidation, merger, or liquidation of such associations, including the power to appoint a conservator or a receiver."

• "No charter shall be granted except to persons of good character and responsibility, nor unless necessity exists for such an institution in the community to be served."

• "Each such association shall become a member of the Federal Home Loan Bank of the district in which it is located."

• "The secretary of the Treasury is authorized on behalf of the United States to subscribe for preferred shares in such associations which shall be preferred as to the assets of the association and which shall be entitled to a dividend, if earned, to the same extent as other shareholders.

"Subscription to the preferred shares of any one association shall not exceed $100,000, and no such subscription shall be called for unless the funds are necessary for the encouragement of financing in the community to be served. The amount paid in by the secretary of the Treasury shall at no time exceed the amount paid in by all other shareholders.

"To enable the secretary of the Treasury to make such subscriptions there is hereby authorized to be appropriated the sum of $100 million."

• "Such associations, including their franchises, capital, reserves, and surplus, and their loans and income, shall be exempt from all taxation now or hereafter imposed by the United States."

In Current Dollars

When we adjust the amounts from 1933 to current dollars, we find that the lending limit against any individual property is $200,000; the matching preferred stock investment available from the Treasury is up to $1 million per association; and the total appropriation for such matching investments is $1 billion.

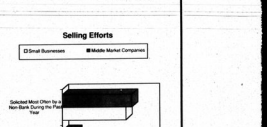
Note that this would result in enough appropriation for 1,000 associations.

A number of implications and variations on the theme, of course, need consideration. Membership in the Federal Home Loan Bank System might be voluntary, not mandatory. An appropriate regulatory design is required. Government-guaranteed loans, such as Small Business Administration loans, might be allowable assets. All detailed issues can be settled when there is a framework.

We suggest the basic framework to create what could be called "federal community development banking associations," is logically articulated in the original 1933 version of the Home Owners' Loan Act and is available to reenact, mutatis mutandis. □

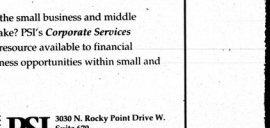
How Much More Corporate Business Will You Lose to Non-Banks?

Small businesses use many services in addition to credit, particularly depository and investment products. The business potential is significant and taking these companies' business for granted would be a mistake.



Non-banks now market aggressively to small businesses and middle market companies. And their products and services often are rated as superior to or better priced than those offered by banks.

In fact, 80% of middle market companies that chose a new provider last year selected a non-bank.



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Binkley, 2 Ex-Bof A Colleagues Form Own Venture Capital Fund

By SAM ZUCKERMAN

SAN FRANCISCO — Former BankAmerica Corp. vice chairman Nicholas B. Binkley and two of his associates at the San Francisco company have gone into the venture capital business.

Mr. Binkley's partners are Gregory J. Forrest, 45, who was chairman and president of BankAmerica's venture capital subsidiary before resigning last month, and Jeffrey J. Brown, 32, a senior vice president in the unit. The three, who will operate out of Newport Beach, Calif., worked for Security Pacific Corp. before BankAmerica acquired it in 1992.



Nicholas B. Binkley
Left after losing board seat

Bass brothers was not disclosed.

The fund will specialize in Small Business Administration investment programs, financing growth companies in financial services and other industries.

Forrest Binkley & Brown, as the firm is known, said it will have more than $100 million to invest, including funding from the SBA, once it is licensed to operate a small-business investment limited partnership.

At Security Pacific, Mr. Binkley 47, was a vice chairman and head of nonbanking subsidiaries. He retained those roles after the merger and was one of three Security Pacific executives given seats on BankAmerica's board.

Reportedly Taken off Board

But chairman and chief executive Richard M. Rosenberg removed him from the board earlier this year, people familiar with the situation said.

Mr. Binkley resigned abruptly from the company, although he had been named only weeks earlier to run California commercial banking and commercial real estate activities. He collected a separation package valued at an estimated $2 million.

BankAmerica and a Binkley spokeswoman declined to comment on the circumstances of his departure. □

SBA Investments

The partners said in a statement Wednesday they will manage a venture capital fund, with Sid R. and Lee M. Bass of Fort Worth as limited partners. The amount to be contributed by the

Bank of Boston Corp. Exits Public Finance

Continued from page 1

existing contractual relations, which are expected to run out within 12 months.

Bank of Boston, which has not been a major player in the municipal market for years, will continue to serve some local clients by underwriting general obligation bonds but will abstain from pursuing more lucrative revenue bond business, Ms. Hubbell said.

Most of the commercial mortgage servicing rights the unit is selling were inherited from Stockton Whatley & Davin, a commercial mortgage company Bank of Boston bought in 1983. Ms. Hubbell said the bank will continue to service commercial mortgages that it originates for its own customers. It currently has about $1 billion of such servicing rights on its books.

Servicing involves recordkeeping on mortgages and funneling payments from the borrower to the lender and to buyers of commercial mortgage-backed securities.

Legg Mason said that its Latimer & Buck subsidiary will consolidate the BancBoston portfolio into its Franklin operation, which, with the new purchase, services about $2.37 billion of commercial mortgages.

The company will divest where it does not have expertise.

Small Group to Move

William G. Loving, a senior vice president and manager of BancBoston Mortgage's commercial unit, is moving to Latimer & Buck as an executive vice president in charge of the newly acquired regional mortgage banking office in Jacksonville. Five other Bank of Boston employees will join him.

Bank of Boston, which has $32 billion of assets, continues to be active in the residential mortgage market. It services $22 billion of home mortgages, ranking it as the 18th-largest service company in the nation, Ms. Hubbell said. □

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Chemical's N.J. Chief Waiting for Right Deal

By KAREN GULLO

People in the News

New Jersey is awash with discount outlet malls, and William H. Turner likes to shop.

But after almost a year of intensive searching, the chairman and chief executive of Chemical New Jersey Holdings has yet to find the bargain he seeks.

Mr. Turner, a senior vice president of Chemical Banking Corp., has a mandate to catapult the nation's third-largest bank from an also-run to a competitor in the Garden State. The New York-based company entered the neighboring state in 1989 by purchasing Horizon Bancorp, but has been stuck with a fifth-place market share ever since.

"We don't have as many branches as we'd like to have," Mr. Turner acknowledged in a recent interview. "The right deal just hasn't come along for us." But Mr. Turner, 53, continues to assert that he wants to double the bank's New Jersey assets of $5.6 billion in three to five years.

The New Jersey native, who started his banking career at Chemical 31 years ago, has done a credible job with profits at the 130-branch New Jersey operation in recent months.

Chemical does not break out its New Jersey results. But the subsidiary earned $71.2 million in 1992, after losing $9.7 million in 1991 and $79.8 million in 1990, according to Ferguson & Co.

With return on average common equity at 22% and return on assets of 1.37%, it is now one of the most profitable banks in the state.



William H. Turner

But the executive knows that his bosses want more.

John McGillicuddy, Chemical's chairman and chief executive, has said that Chemical should rank among the top three in each of its banking markets.

In New Jersey, Chemical lags behind First Fidelity Bancorp., UJB Financial Corp., Midlantic Corp., and National Westminster Bancorp Inc.

But Mr. Turner also has the confidence of his bosses. He was put in charge of Chemical's branch banking network in 1982, after stints in consumer, corporate, and international banking.

Later in the decade, he ran the bank's Middle East and Africa group out of Beirut.

He returned to New Jersey with the Horizon purchase in 1989, but it mostly served a small part of his empire. Mr. Turner also oversees Chemical's large and highly profitable middle-market business, its New York retail business, and private banking, which includes a trust bank in Princeton, N.J.

Mr. Turner, noting that experience has given him the discipline to wait, said that he walked from a few small acquisitions in northern New Jersey that were priced too high.

And he adds that he has no regrets about losing some deals. Sources said he was referring to Howard Savings Bank, which was acquired by First Fidelity for $73.5 million.

Mr. Turner declines to talk about specific banks. But a year ago an internal memo listed about a dozen New Jersey banks as potential acquisition targets. They ranged in size from the state's largest, such as First Fidelity, to small savings banks.

He said the ultimate decision – whether to make fill-in acquisitions or join forces with a regional bank to become a northeastern giant well beyond New York City – has not been made.

"If you're looking predominantly at New Jersey, that would have a lot of appeal because you get the cost savings of overlapping branches," said Mr. Turner.

"On the other hand, you don't want to spend all your efforts on New Jersey if there's something that would give you coverage in a few states."

Meanwhile, Mr. Turner isn't standing still. Chemical has opened 11 branches from scratch since 1989, including one last month in affluent Bergen County. "If the right thing doesn't come along, we're looking at opening three to five de novo branches a year," he says.

Glenfed Asks Holders to Back Restructuring

GLENDALE, Calif. — Glenfed Inc. said it has started stockholder solicitation for approval of a reorganization plan that has been recommended by its board.

The proposal, unveiled last month, includes a plan to merge Glenfed into an existing wholly owned unit of Glendale Federal Bank.

— Don Jones

For Chase's Community Development Chief, a Balancing Act

By FRANKLIN SMITH

Running a community development corporation can be like preparing a volatile mixture: One misstep and a banker can end up with a disaster.

Mark A. Willis, president of Chase Manhattan Corp.'s community lending effort, said that communicating frequently with the myriad parties involved in a bank's inner-city lending effort is a vital part of the mix.

Among those who must constantly be updated and consulted – and occasionally reassured – are community residents, politicians, the media, and people inside the bank.

Role of 'Mediator'

"In addition to being a partner, you also act as a mediator and arbitrator when things fall apart and assist in negotiating a deal," said Mr. Willis, who set up the Chase Community Development Corp. in 1989.

For example, he said, if even one of the parties involved in a project does not have a full understanding of the many government programs affecting the deal, there can be trouble.

Communicating with the myriad parties involved is a vital part of the mix.

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Mark A. Willis
"We do a range of things"

and with the South Bronx Overall Economic Development Corp.

Serafin Mariel, the president and chief executive of New York National, praised Mr. Willis for overcoming inertia at Chase about such ventures.

A Turnaround

"A few years ago, Chase, like a lot of the other giant banks that were closing branches, seemed to have written off the South Bronx," he said. "That's changed. We probably won't see many branches reopening, but Chase seems to be leading the way in recognizing that this South Bronx community needs the financing and capital resources of the giant banks in much the same as the developing countries."

Lloyd Williams, president of the Greater Harlem Chamber of Commerce, had a similar view.

Chase had been ineffective in the community for a number of years, Mr. Williams said. Now, through the community development corporation under Mr. Willis, things have begun to change, he said.

Mr. Williams described Mr. Willis, who serves on the board of directors of the chamber of commerce, as a "bottom-line, practical person, who comes to you with a business attitude and concern for all parties involved. He is concerned with who benefits, who manages, and who are the developers." □

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Sheshunoff Offers Help With Complex New Rules

Compliance

By PHIL ZAHODIAKIN

FOUR VENDORS HAVE banded together to develop products aimed at helping banks comply with complex new regulatory and accounting rules.

Under the changes, banks will be required to determine the market value of their assets and liabilities, as well as calculate how interest rate swings would affect capital levels.

The vendors, led by Sheshunoff Information Services Inc., said they have come up with two low-cost tools tailored to help community banks navigate their way through the regulations, which are to be phased in over the next few years.

"These rules will be a sea change for banks," said Con A. Rusling, president of Sheshunoff. "The old ways of managing the balance sheet aren't going to fly anymore."

Similar services are likely to spring up, said Ed Furash, president of Furash & Co., a consulting firm in Washington. The rules will make life "infinitely more complicated for banks that don't have the expertise and resources to deal with them," he said. "Many small banks won't be able to comply with the new rules if they don't have help with the mechanics involved."

Information Analyzed

Here's how the Sheshunoff products work: Customers supply information about loans, securities, and deposits each quarter on a diskette to Sheshunoff, which analyzes the data and supplies printed reports containing the figures needed for regulatory filings.

One product, the Sheshunoff Market Volatility Service, determines how changes in interest rates would affect capital levels and analyzes the market value of investment portfolios.

The other one, Sheshunoff FAS 107 "Fair Value" Service, calculates the current value of all assets and liabilities.

Sheshunoff will charge $3,000 a year for either service or $4,000 for both. It plans to market the products primarily to banks with assets of less than $1 billion, but said larger banks have also been interest. Mr. Rusling said the relatively low prices reflect that fact that Sheshunoff and its partners think there will be heavy demand for the services.

The other participants, which will help analyze the data, are RAF Financial Corp. of Denver, an analytical firm; Trepp & Co., which is based in New York and specializes in asset-backed financing; and Asset Backed Securities Group, a New York unit of Thomson Financial Services.

Sheshunoff, based in Austin, Tex., and Asset Backed Securities Group are affiliates of the *American Banker*.

The revisions to bank accounting rules were required by the Financial Accounting Standards Board and the Federal Deposit Insurance Corp. Improvement Act of 1991.

Fair-Value Requirement

Financial Accounting Standard (FAS) 107 requires banks to disclose in financial statements an estimate of the fair value of all assets, liabilities, and off-balance-sheet items. Banks with assets of more than $150 million must comply with the rule by Dec. 15; others have until Dec. 1, 1995.

Regulations implementing the '91 law are expected to require banks to report most, and possibly all, of the FAS 107 information in call reports.

A second accounting rule, FAS 115, requires banks to put securities in one of three accounts: available for sale, trading, and held to maturity. Securities in the first two accounts must be marked to market value. The rule applies to all banks and is effective for fiscal years starting after Dec. 15.

The law also will require banks to project in call reports the impact of interest rate swings on earnings and equity value. The provision is slated to take effect on Dec. 31, but implementing regulations have not yet been adopted.

FDICIA also requires all banks to establish operational and managerial standards relating to interest rate risk. Banks are required to determine the minimum amount of earnings needed to absorb losses without impairing capital, and a minimum ratio of market to book value. The implementing regulations must be issued by the end of the year.

Mr. Furash, the consultant, said that "there's a pervasive fear among bankers at the smaller institutions that they will be guilty of technical violations because they overlooked a detail or turned in inappropriate calculations."

However, he warned that chief executives should not assume they are off the hook just because outside firms are performing the required calculations. "No bank should rely on the assurances of a third-party vendor, because none will assume responsibility for a bank being in error," he said.

Focus on: NEW MEXICO

Profit Leaders

The state's top 10 commercial banks* in profitability

	Return on assets	Assets (millions)
First National Bank of Las Vegas	2.68	549
Bank of Las Vegas	2.04	82
Western Bank Roswell	1.95	66
Bank of the Southwest Truth or Consequences	1.78	56
First National Bank in Alamogordo	1.78	125
Western Bank Las Vegas	1.77	50
Ranchers State Bank Belen	1.75	74
Valley Bank of Commerce Roswell	1.75	50
Western Commerce Bank Carlsbad	1.70	184
Western Bank Farmington	1.64	37

*Banks with assets of less than $10 million, including banks owned by holding companies with more than $10 billion of assets



Areas of Growth
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- Housing
- Tourism

Areas of Decline
- Oil, gas, and coal
- Copper
- Defense manufacturing

Vital Statistics



Community Banks in New Mexico Thrive Despite the Influx of Out-of-State Rivals

By ROBERT B. COX

New Mexicans are loyal to their community banks.

Though out-of-state banks have staked out widespread territory there, the state's 80 community banks are thriving.

Witness the arrival of BankAmerica Corp., which picked up two failed Albuquerque thrifts with combined assets of $1.872 billion from the Resolution Trust Corp. in March 1991.

Although it is common for a bank buying failed thrifts to lose some deposits, Bank America's deposits at the two thrifts declined a whopping 60%, to only $749 million at the end of the first quarter of 1993.

To avoid a similar fate, St. Louis-based Boatmen's Bancshares broke with tradition following last year's acquisition of Sunwest Financial Services. Instead of putting up Boatmen's signs, the company preserved the Sunwest name.

Profiting from Runoffs

"I don't think the population in general likes the big-time banking operations," says Dick Bailie, senior vice president of Ranchers State Bank of Belen.

Ranchers has grown its assets by 58% in the past three years, to $73 million, largely due to runoff from BankAmerica branches in four common towns. That compares with 16% growth for all U.S. community banks, according to data supplied by W.C. Ferguson & Co., Irving, Tex.

Outside banks are attracted by New Mexico's strong economy. In addition to incursions by BankAmerica and Boatmen's, First National Bank in Albuquerque recently agreed to be acquired by Salt Lake City-based First Security Corp.

Problem Loans Above National Average

Still, New Mexico community banks are not trouble free. As of March 31, problem loans represented 3.63% of gross loans, higher than the average of 3.38% for all U.S. community banks.

That kept returns on average assets for the state's banks at 1.15%, compared to 1.26% for all U.S community banks.

However, the state's agricultural bankers are expecting stronger returns in 1993, as cattle prices have buoyed earnings for livestock producers.

"Generally speaking the economic climate is fairly good throughout New Mexico," said Kent Carruthers, CEO at the Citizens Bank of Clovis. □

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EXECUTIVE *changes*

Independence of Pennsylvania Taps Spratt as Bucks County CEO

T. Alexander Spratt has been named president and chief executive of **Bucks County Bank**, Doylestown, Pa., a unit of the Perkasie-based **Independence Bancorp.**

Mr. Spratt is currently group executive vice president, chief credit officer, and head of strategic planning for the parent company.

He succeeds **John C. Spier,** who has assumed full-time duties as group vice president at Independence Bancorp, overseeing marketing, mergers and acquisitions, and retail banking strategy.


T. Alexander Spratt

Mr. Spratt, who joined Independence in 1992, is a former senior vice president at CoreStates Financial Corp. He later founded Ardmore Capital Advisors. He has 26 years of commercial lending experience.

— Franklin Smith

IROQUOIS BANCORP, Auburn, N.Y., said **Richard J. Notebaert Jr.,** president and chief executive of its Homestead Savings of Utica unit, has been elected vice president of the parent company.

JOHNSTOWN SAVINGS Bank, Johnstown, Pa., said **Kevin J. O'Neil** has been appointed executive vice president and chief operating officer of its **Standard Mortgage Corp. of Georgia** subsidiary.

Mr. O'Neil was formerly president and chief executive of Embanque Capital Corp., New York.

He previously was president and chief executive of Goldome Realty Credit Corp., Buffalo, and NVR Mortgage, McLean, Va.

INDEPENDENCE Bank of New Jersey has named **Stephen C. Novak** assistant vice president of commercial lending in the bank's Ramsey headquarters. Mr. Novak, who joined the bank in 1983 as a part-time teller, was most recently assistant secretary of commercial lending in Ramsey.


Stephen C. Novak

NEW ENGLAND

MID MAINE Savings Bank, Auburn, Maine, has promoted **JoAnne P. Campbell** to assistant treasurer, commercial loan officer.

MIDWEST

BANK OF Bloomfield Hills, Mich., has appointed **Kimberly D. Nancarrow** a mortgage specialist.

Ms. Nancarrow will originate mortgages and direct the bank's marketing efforts to real estate agents and financial planners.

NBD BANK, Fort Wayne, Ind., has named **Lori Benninghoff Chokenes** mortgage loan originator in the mortgage banking division. She is responsible for generating new mortgage loans.

Jill Winebrenner was named mortgage loan officer, mortgage banking division.

MIDDLE ATLANTIC

S&T BANK, Indiana, Pa., said **Leonard Knell** and **John Schuster** have joined the bank's commercial lending group as vice presidents of asset-based lending.

S&T's asset-based lending division specializes in lending primarily to mid-size businesses in western Pennsylvania.

Mr. Knell, who is responsible for overseeing the asset-based lending group, specializes in business development.

He was most recently employed by Westinghouse Credit Corp., Pittsburgh, as vice president, credit policy and administration.

Mr. Schuster is responsible for credit and operations in the asset-based lending group.

Mr. Schuster, who also was most recently employed by Westinghouse Credit Corp., was a senior investment manager, corporate finance.

WEST

SILICON VALLEY BANK, San Jose, Calif., has promoted **Allyn C. Woodward Jr.** to chief operating officer.

Mr. Woodward is responsible for managing all of the bank's lending divisions, including technology, commercial, real estate, and factoring.

He brings 29 years of banking experience, primarily in technology banking, to the position.

Mr. Woodward has been with Silicon Valley Bank for three years as executive vice president and manager of the bank's loan production office in Wellesley, Mass.

BANK OF THE WEST, Walnut Creek, Calif., said **Katherine Holtzapple** has joined the bank as vice president, mortgage operations manager.

Ms. Holtzapple was formerly vice president, mortgage operations at American Savings Bank.

Also joining the bank is **Richard D. Arendt** as vice president, chief loan examiner, and **William N. Ogden** as vice president, regional commercial loan officer in the East Bay region.

Mr. Arendt was formerly credit examiner for national banks at the Office of the Comptroller of the Currency in San Francisco.

Mr. Ogden was previously vice president, treasurer of a subsidiary of United States Leasing International in San Francisco.

Promoted were **Peggy S. Turney,** to vice president, employment manager, human resources department, and **Donna M. Woodson,** to vice president, facilities manager, bank properties department. □



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American Residential Looks to the Midwest

By EDWARD KULKOSKY

The best place to buy a home is also a pretty good place to make home loans. So reasons American Residential Mortgage Corp. of La Jolla, Calif.

The mortgage bank has announced it is opening a Midwest division to take advantage of what it expects to be a robust housing market in the region.

The company points to figures from the National Association of Home Builders of America showing that 20 of the 25 metro areas with the most affordable housing are in the Midwest.

California dominates the list of least-affordable metro areas.

Cincinnati Headquarters

The company already operates in five western states, eight states in the Northeast, and in Ohio. The new division will be based in Cincinnati and will also do business in Indiana, Illinois, and Missouri.

"Our recent branch openings in this region are part of our ongoing strategy to expand into new geographic markets," said James Gilcrest, an executive vice president. "It's clear that consumer confidence is stable in these areas. Housing starts have risen by 10.2% in the Midwest."

The division will be headed by Anthony C. Neal, senior vice president. Earlier, he was a senior vice president with Cincinnati's Star Banc Corp. and with PNC/Central Banc Corp. He will report to Mr. Gilcrest.

Most Affordable

American Residential originated $5.5 billion in home loans in 1992 and had a servicing portfolio of $9.7 billion.

A report from the builders' group, covering the fourth quarter of 1992, listed the Saginaw-Bay City-Midland area of Michigan as No. 1 in affordability. Others in the top 10 were Peoria, Ill.; Muskegon, Mich.; Lincoln, Neb.; Rockford, Ill.; Jackson, Mich.; and Springfield, Ill.

Outside the Midwest, Beaxoria and Amarillo in Texas were in the top 10, as was Manchester, N.H. The only other areas outside the Midwest in the top 25 were Binghamton, N.Y., and Nashua, N.H.

The California-based mortgage bank wants to take advantage of what it expects to be a robust housing market in the region.

New Lending Unit

The rankings are based on the percentage of houses sold in the area that could have been purchased by families earning the area's median income.

In a separate development, American Residential has announced formation of a multifamily lending division and named an executive to run it.

The move opens a new market for American Residential, which had previously restricted itself to single-family loans.

The new division will offer loan financing to apartment owners who want to refinance and to apartment-complex buyers seeking acquisition financing. All the loans will be sold into the secondary market on a non-recourse basis, the company said.

Tony Scholl, named vice president of multifamily lending, will run the division. Mr. Scholl came to American Residential from Southwest Capital Corp. in San Diego, a real estate syndication and consulting firm. □

Washington State Fights To Save Loan Program

Officials of Washington State are mounting a campaign to save a program that has financed 21,000 low-interest mortgages over the past 10 years.

The U.S. House of Representatives has reauthorized the mortgage revenue bond program as part of the budget bill, but the Senate has not. The final decision is up to a Senate-House committee.

"We're going to move heaven and earth to save the MRB program," said Skip Chilberg, chairman of the Washington State Housing Finance Commission.

For First-Time Buyers

The state's plan requires congressional approval because interest paid to investors buying the bonds, which finance loans for first-time homebuyers, is exempt from federal income tax.

Congress voted last year to permanently extend the program as part of the tax bill President Bush vetoed. This year, President Clinton proposed making the program permanent. The House again voted in favor, but the Senate decided to use the money for other programs.

— Christopher Noble

Marching Orders Pay Off for Mitchell & Co.

By DEBRA COPE

To hear James K. Mitchell describe it, you'd think he runs a boot camp instead of an investment products marketing firm.

Job applicants have to endure a battery of psychological tests and clear 11 reference checks just to get a second look from his San Diego-based firm, James Mitchell & Co.

And once on board, employees must adhere to a strict dress code and check in with their supervisors by phone at appointed times throughout the day.

"Growing up, I went to a Baptist military school," Mr. Mitchell said. "I think it stuck."

Healthy Market Share

Mr. Mitchell's highly regimented approach to marketing mutual funds and annuities is unusual, but it certainly seems to get the job done.

Last year, his firm booked $584 million in annuity sales at five banks and thrifts. That's a healthy chunk of the market: $12 billion in annuities were sold through hundreds of banks in 1992, according to Kehrer Associates, a Princeton, N.J., firm that tracks the business.

This year, Mr. Mitchell says, his company's annuity sales are on track to reach $800 million. A new mutual fund program at Central Fidelity Bank in Richmond, Va., should bring in another $70 million in sales.

Mr. Mitchell, who entered the annuities business in his native Texas in 1965, launched the company in 1984.

Since 1988, the company had been part of Spear Financial Services, San Diego. But last month, after selling off discount and full-service brokerage units to focus on Mitchell & Co.'s marketing activities, Spear renamed the slimmed-down company JMC Group Inc.

Mr. Mitchell struck out on his own at a time when most states prohibited banks from getting into the insurance business. Because the ban included annuities – which are insurance contracts that invest in a portfolio of securities to provide a steady stream of income to owners – he had to find some innovative ways to sell them through banks.



James K. Mitchell
Runs a taut ship

Skirting the Ban

To get around the ban, he hit upon the idea of creating trusts to hold the annuities, with banks as trustees. "A bank has every right in the world to promote a trust account," Mr. Mitchell said. Under the arrangement, Mitchell & Co. pays trust fees rather than commissions to institutions using its services.

"I went to a Baptist military school."
James K. Mitchell

Today that group numbers six. Last month, Mitchell & Co. signed up San Francisco-based Sumitomo Bank of California as a client. Its roster also includes Central Fidelity, First Tennessee Bank, Barnett Banks, and two California thrifts, Sacramento Federal Savings and Hemet Savings.

"We're talking to about 15 banks now, but we will only add one or two a year," he said.

The company employs nearly 300 people, 150 of whom are sales representatives. By administering the psychological tests, Mr. Mitchell says, he can screen out pushy salespeople.

Riding Shotgun Once a Week

The company also has 30 regional vice presidents, each supervising five salespeople.

"They ride shotgun with them once a week," Mr. Mitchell said. Spending a full day with each of their charges helps the vice presidents ensure that compliance is up to snuff, he added.

"Mystery shoppers" are sent out to make sure customers are treated courteously and aren't urged to consider investments that may be unsuitable.

Mr. Mitchell says his salespeople booked 110,000 appointments last year and received only 34 consumer complaints.

The company also keeps close tabs on the six insurance companies that underwrite the annuities it sells. Due diligence is performed every 90 days, and detailed reports are sent to its bank clients. "We're in a fishbowl with these banks," Mr. Mitchell said. "We can't afford to take a risk." □

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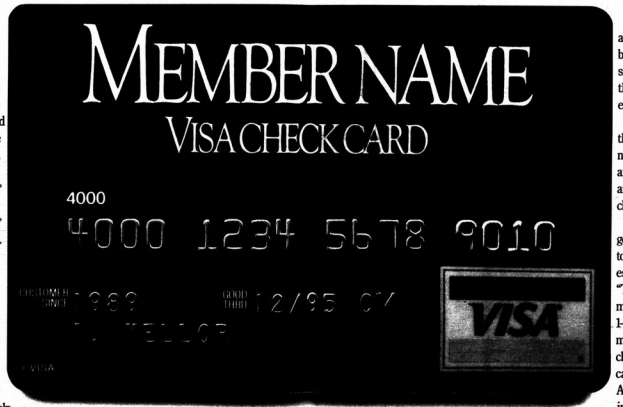
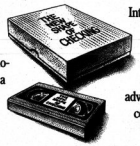


And second, we're introducing "The New Shape of Checking" a comprehensive nationwide consumer education initiative. Simply put, this program is designed to help you educate your customers about the what, where, why and how of the Visa check card and Interlink® service.

A blend of public relations and promotional efforts, the program will feature a consumer handbook on responsible use of the Visa check card and Interlink, new modules of our Choices and Decisions educational materials which focus on Visa check card and Interlink, and consumer advocacy forums to advance consumers' awareness and understanding of how these services work.



We're also helping members educate their customers on a local level.

To achieve that goal, we've created "The New Shape of Checking" member kit.

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When your customers discover through this program how convenient Visa check card and Interlink are to use, they will seem as simple and indispensable as the common checkbook.

So, to help get your customers interested, order "The New Shape of Checking" member kit today—just call 1-800-VISA-311. Or, for more information on how to become a Visa check card or Interlink issuer, call your Visa Member Relations Account Executive at 703-827-8404 in McLean, Virginia, or at 415-570-2120 in San Mateo, California.

Either way, take advantage of "The New Shape of Checking" program. Both you and your customers will find it very convincing.

INTERLINK

VISA

MasterCard Reaches for Taxi Fares with Test in N.Y.

Continued from page 1

and give customers a receipt. Cabbies sometimes accept cards without authorization at their own risk.

Some recent tests have used FM radio bands and two-way radios as links into the card authorization systems. But MasterCard thinks the availability of

Cellular phones will facilitate authorizations.

mobile phones could provide a breakthrough.

Easy Linkup

"What's nice about cellular," Mr. Carter said, "is it has its own function as a car-based pay phone. Bringing a dial tone to the cab makes it easy to attach fairly standard point-of-sale equipment."

The pilot is being run by New York City Taxi and Limousine Commission. The vendors include Nynex Corp., Cellular Pay Phones Inc., and other phone providers, and MasterCard will do the marketing.

To accept cards, cab owners must go through a standard application process with a bank and arrange through Cellular Pay Phones for point-of-sale equipment to be installed.

Cabdriver's Costs

But there are possible drawbacks. Cab owners must pay for the point-of-sale equipment – about $300 per taxi. What's more, they have to surrender 1.3% of each fare to cover processing charges. Those charges may leave some drivers balking.

"The cab owner will incur some expense," Mr. Carter acknowledged. "But we feel that is more than compensated for by larger tips and longer rides."

MasterCard is also developing card-swiper applications with some Chicago taxicab companies.

Amex Gets a Jump

While the major card players do not yet use on-line authorizations for cab fares in the United States, they have dipped their toes in the taxi market.

Almost 1,000 New York cabs have accepted the American Express card for a year and a half, according to Marcos Rada, director of public affairs at American Express Travel Related Services Co.

American Express captures transaction data on a magnetic stripe attached to the cab's meter. Mr. Rada said taxicabs in Chicago, London, and Stockholm are accepting Amex cards as well.

Visa Sees Growth

Visa U.S.A. said cabs across the country have been accepting its cards for years, using dispatchers to obtain authorization for cardholders. Visa uses on-line authorizations in Japan and Singapore via cellular phones.

Bruce Schaller, director of policy development for the New York City Taxi and Limousine Commission, said a number of taxi fleets should have a total of several hundred cellular phones installed by next month.

"If it works out well, you could easily see a majority" of the city's 11,787 cabs equipped with phones eventually, Mr. Schaller said.

Free Phone Installation

As an incentive, phone installation will be free. And cab owners will receive a monthly stipend from the phone provider based on the number of calls made each month.

Starting this month, passengers will be able to charge phone calls.

Will that be enough motivation? "I don't think the drivers are going to go for it," said Willie Bly, managing director of the League of Mutual Taxi Owners, an association of 5,000 cab owners that encompasses New York's five boroughs.

"It's going to be up to the individual if he wants it," Mr. Bly said. "These drivers like to do a cash business." And, they will resent paying the transaction fees, he added.

But Mr. Schaller thinks the cabbies can be won over. Card users tend to ride farther and tip more, he pointed out. And the phones will have a distress button for emergencies calls, an attractive feature for crime-wary drivers.

Although the point-of-sale equipment will accommodate any credit card, MasterCard will be promoted by the use of its logo on the phones, Mr. Carter said. MasterCard is working with Nynex to develop a cone-shaped antenna for the cab's roof that can be recognized by riders looking for a phone and the option to pay by credit card.

New York "will be the proving ground," Mr. Carter said. "If it works here, it will work anywhere." □

The New Frontier for Cards

Seven card markets targeted by credit cards. Figures and estimates supplied by MasterCard. Dollars in billions

Market	Annual volume	Potential card volume	Potential share
Supermarket	$300	5%	$15
Government	300	10	30
Fast food	45	3	1.5
Post office	24	10	2
Parking	13	10	2
Taxicab	7	14	1
Movie theater	6	8	0.5
Total	695	8%	53

Credit cards might capture $1 billion of cab fares annually.

Last year, passengers paid $70 million in taxi and limousine fares with Visa cards, said Gregory Holmes, a Visa spokesman, and another $19 million in this year's first quarter. "It's a market that's growing," he said.

MasterCard, using off-line authorizations, reported volume of $31 million last year and $10 million in the first quarter of this year.

The biggest potential new markets for credit cards are government and supermarket payments, which could eventually bring $45 billion in transaction volume, MasterCard estimated. Taxicabs, at $1 billion, and fast food outlets, at $1.5 billion, hold less promise.

Still, with the growth of cardholders slowing and new issuers entering the market every day, the card organizations are eager to entice customers to use their cards more frequently. That's why they are trying to make any inroads they can into transactions normally made by cash.

Ad Blitz Planned

To introduce its taxi program, MasterCard will launch a marketing and advertising campaign with Nynex and the other phone companies this summer, Mr. Carter said. □

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Visa Says It's Gaining on Counterfeiters

By STEPHEN KLEEGE

Amid skepticism, Visa International is claiming progress in the battle against credit card counterfeiters.

The San Francisco-based bank card association said its card verification value program, rolled out worldwide in April after a test in Asia, stopped $3.4 million of fraudulent credit card sales in its first two months.

The initiative, known as the CVV program, will prevent $20 million in fraud losses this year, Visa estimated.

Skeptics Have Their Doubts

Visa officials said these statistics represent only a fraction of the actual impact of the program because they include only the transactions being rejected. Additional purchases a criminal might make if his card were not shut off by CVV were not included in the totals, they said.



Jerome Svigals
Skeptical of Visa's claim

But skeptics noted that the program addresses only a small corner of the industry's fraud problem. Besides, they said, criminals inevitably adjust to new technology.

"Fighting fraud is like punching on a balloon. You push in one place and it pops out someplace else," said Jerome Svigals, an electronic banking consultant in Redwood City, Calif.

Special Number Encoded

The CVV is an individual code number on the magnetic stripe on the back of a card. More than 230 million of the 304 million Visa cards now carry the numbers.

And special terminals enabling merchants to fulfill the CVV requirements have been placed at 10,000 locations such as jewelers, electronics stores, and cash machines, where counterfeiters are considered likely to attempt to use their cards.

"As our merchants bolts all over the world move toward fully electronic payment services, we will see even greater counterfeit reductions," said Robert Heller, president of Visa U.S.A.

MasterCard International has a similar program called CVC, for card verification code.

The code number encodes the issuer to verify that the piece of plastic being used in a store is the same one that was issued to the legitimate cardholder.

If not, the transaction is rejected.

Mr. Heller said the program would eventually wipe out counterfeiting.

Visa estimated that its members lost $125 million to counterfeiters last year, or about 2.7 cents per $100 of sales.

Overall, fraud has cost issuers 16 cents for every $100 in sales, with different types of fraud predominating at any given time, said H. Spencer Nilson, who publishes *The Nilson Report*.

"Fraud as a percent of volume isn't high enough to justify most of the systems being developed to deter it," Mr. Nilson said. "You can't crack it on all fronts at the same time. There's never going to be a point where [the card associations] have control of all types of fraud."

As for CVV and CVC, Mr. Svigals said crooks already may be one step ahead of the game. The systems will stop so-called shoulder surfers and dumpster divers from eavesdropping at checkout counters and sifting through trash for legitimate account numbers and expiration dates to place on fake cards.

The company cites success with a program to verify card authenticity.

But Mr. Svigals said the new systems do not prevent an increasingly popular practice known as skimming. Criminals use easily obtained electronic devices to copy the magnetic stripes -- including the secret code -- from legitimate cards.

In one widely publicized case, he pointed out, skimmers were able to collect electronic stripe information on ATM cards by installing a cash machine fitted with a copying device at a Connecticut mall.

Mr. Heller shrugged off the criticism, saying that with CVV crooks will now have to collude with merchants in order to copy the magnetic stripes. That, he argued, will make it easier to zero in on counterfeiting centers. □

AT&T Unveils Moves To Guard Calling Card

BASKING RIDGE, N.J.— In a strong move to bolster its corporate calling card, American Telephone and Telegraph Co. announced a raft of new antifraud benefits.

The package includes a written guarantee that businesses will not pay for calls by people they do not know.

AT&T also lets companies set limits on the use of the cards by employees, and to monitor calls more closely.

AT&T appears to be responding to competition, said Robert B. McKinley of Ram Research Corp.

— Stephen Kleege

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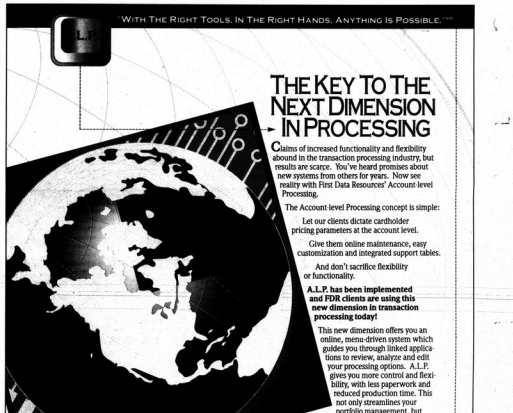

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Day 1

PRELIMINARY PROGRAM

8:00 – 9:00 Registration

8:00 – 9:00 Continental Breakfast
Sponsored by: **BHC Securities Inc.**

9:00 – 9:15 1993 Conference Chair
Debra McGinty-Poteet, *Senior Vice President and Director, Bank of America*

9:15 – 9:45 The Role Banks Are Playing in the Mutual Fund Explosion
A. Michael Lipper, *President Lipper Analytical Services*

9:45 – 10:45 How Banks Can Build a Profitable Mutual Fund Business
PROPRIETARY: Paul Klug, *Vice President Vista Capital Management*
NON-PROPRIETARY: J. Edward Diamond, *Senior Vice President Dime Savings Bank*

10:45 – 11:00 Coffee Break
Sponsored by: **Fidelity Investments**

11:00 – 11:45 Banks and Mutual Funds: Risks and Opportunites
Matthew P. Fink, *President Investment Company Institute*

11:45 – 1:00 Lunch

1:15 – 2:30 Your Funds or Mine: The Advantages and Disadvantages of Starting Your Own Fund, Working with a Third Party Provider or Entering into a Private Label Agreement
Moderator: Joy P. Montgomery, *President Money Marketing Initiatives*
W. Christopher Maxwell, *Executive Vice President, KeyTrust*

2:30 – 2:45 Coffee Break
Sponsored by: **GE Investments**

2:45 – 3:15 Taking the Plunge: What Do Customers Want? A Look at Customer Attitudes
Marcia Selz, *President & CEO Marketing Matrix*

3:15 – 4:15 Building a Mutual Fund Business: Marketing to Your Customer Base, Cross Selling Opportunities
Moderator: Debra Cope *Investment Products Editor, American Banker*
Eugene Purcell, *Vice President Branch Banking & Trust*
Richard Davies, *President First Chicago Investment Services*

4:15 – 5:00 And the Walls Come Tumbling Down: A Look at What State/National Banks and State/Federal Thrifts Can & Cannot Do
Moderator: Melanie Fein, *Partner Arnold & Porter*
Laurie Schaffer, *Senior Attorney Federal Reserve Board*
Thomas Harman, *Chief Counsel Division of Investment Management Securities and Exchange Commission*

5:00 Cocktail Reception

Day 2

8:00 – 9:00 Continental Breakfast

9:00 – 9:30 Mutual Fund vs. Deposits: The Impact on the Banking Industry
Lawrence Kudlow, *Chief Economist Bear Stearns & Co.*

9:30 – 10:30 Pricing the Product: The Load, No Load Question
Moderator: Fred Werblow, *Partner Price Waterhouse*
Marc Lieberman, *Director, Mutual Funds First Union Corporation*
Peter Herlihy, *Vice President Fleet Investment Service*

10:30 – 11:00 Managing Compliance in an Aggressive Sales Environment
Rainey Gray, *Senior Vice President Boatmen's National Bank*

11:00 – 11:45 Banks and Mutual Funds: The Next Generation
L. William Seidman *Chairman of the Board, Com Mac Former Chairman, FDIC*

11:45 Conference Adjourns

Space is extremely limited, please register early!

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Garagemen's lien sale & Andrew O. Judge Inc#644680 sells on 7/16/93 at 8:30am at 1474 Ralph Ave Brklyn NY 1986 vw 4dsd WVWGB0166GW587596 rte. Fabian J. Diaz. to have as 355 W 57 St NYC 1989 Ford 4dsd 1FABP5345KA233138 rte: Prieela Barrera & Ford Motor Cred. At 9:15am at 3281 Bailey Jnt Flr NYC 1986 olds 4dsd 3M69NA2438436 rte:Guillermo Maldonado & ElizabethAnn Trends. At 9:45am at 904 Ogden Av.Jct 1981 cadi 2dsd 1G6AG6789B6 rte: Christopher Brian & Gertrude Brian. At 10am at 1412 Bedford Ave Brklyn NY 1988 honda 2dsd JHMAB1153J40 rte:Orange Limo Inc. 1993Chevy 3GCEK648.2GG500705 Rte: Liberty Mutual Ins Co. 11:15AM 883 BEDFORD AVE BKLYN 1986 TOYOTA Corolla 4T2AE82EG3390541 Re: State Farm Ins & Richard Gonz. At 11am at 857 E 169 St 1999 toyota 2dsd JT2SJ03W0L0 20664 rte: Jose Gamez & Bk of NY. At 11:15am at 711 E.19N St. 1991 honda 4dsd 1G1AW19R1DA681126 re:Albert T. Morgan & Deborah A. Simpson. At 12:30pm at 1474 Ralph Ave Brklyn NY 1992 dodge trk 1D3EG20D1FJCY594432 re:Ruben D.Perez. 1980 intrnatl trac 1HTLDF2C7BGR21407 re:Anna J.Perez. 1978 caddy 4dsd 6L47S8Q260911 re:Fred A. Brown & Lafayette Rel Assn Sls. At 11:45am at 1831 Bergen Ave. 130PM at 32ND AVE bet QNS 1952 FORD F1 #F1DZC61583 Re: Ford Motor Credit Assoc Inc. 2:30PM at 63-02 QUEENS BLVD QNS 1981 CHEVRO Re: Gloria F. Bernstein. At #1G1AZ87R2BE 480 Rte: Ke Dong Lee. 2:30PM No 2B1GP5138BC 1984 dodge ram 150 wgn 1979 honda mcy NC0120053 rt:Angel San-Diego. At 10:30am at 1900 Bergen St Brklyn 3205 Andrews Av. BX 1986 pontiac 2dr hatch 1G2JB1179G7511 rte:Lloyd J. Ford Vagrancy&Fund H. Vagreyan. At 1pm at 119-74 Merrick Blvd, Jamaica 1991 volvo 4dsd YV1VA9213M1 rte:Nissan Motor Commercial Un Ins Co. At 2pm at 150 Jericho Tpke Mineola NY 1988 Pontiac 2dsd 1G2LC5B12J4953 rte:Casey A.Jgan. At 2:30pm at 1108 Phillips Ave Bx 1985 chevy van 1GBDM15N0FB129167 re: Ford Motor Credit Co. At 3pm at 1966 austin healey 2dsd BMK41910 re: Lenoe may bd. Ad dates 6/30 & 7/8/93.

Garagemen's Lien Sale S. Superbee DCA LLC # 769437 Sells 7/27/93 @2:00PM 251 Bergen Blvd Ridgefield Park NJ 07660 Re: Bruce 1980 4WDBD82D2HF301622 Re: Moses Lewis, Sells 7/27/93 @10:00AM 34 Bergen Blvd Ridgefield Park NJ 07660 Re: OTBD #SKM00160112 Re: Potter, Moses Lewis, Sells 7/27/93 @10:00AM 34 Bergen Blvd Ridgefield Park NJ 07660 Re: OTBD #SKM00160112 Re: Potter, Housing, Nigel, Sells 7/27/93 @10:00AM 498 Rt Wilmer, Edmund: 10:45PM 521 DG1G5C1241411 Re: Lend Lease Trk Inc; 1:30PM 319 Pennsylvania Ave Hempstead Cross County, Sells 7/28/93 @10:00AM 68043 Re: Milton, Melvin; 2:00PM 112-45SpringfieldBlvd Qns 1985 Mercedes-Benz 4JNU1013F2F704341 Re: Harris-Carlos; 11:45AM 790 UNION ST BKLYN 1986 HONDA Accord #1HGBA5648GA036 Re: Schoenfeld, Edward: 12:15PM 1984 Ford F-250 VIN 1FTHF25H4EPA41 Re: Sol St 1991 Mitsubishi Precise #KJPW0S1C4MC000 Re: Lopez, Jose; 2:45PM 1410 AST St BKLYN 1991 MERCEDES BENZ 420SEL #WDBCA35E4MA530795 Re: Vaross-Michael; Sells 7/28/93 10:00AM 4332 Industrial Island Park 1981 Jeep Cherokee VIN 1J4FJ28S3BL 1986 Chevrolet Van G20 VIN 1GCGG25H4G1 AM 162-05 Rockaway Blvd Qns 1987 Sterling 8235 #SAXX5A4H3HDH11 Re: Dube, Glenn; 10:30AM 206-20 Jamaica Ave Queens 1985 BKLYN 1979 BUICK #Y87G8446929 Re: Jackson,Brenda; 10:45 AM 206-12 Jamaica Ave Queens 1985 Honda #WDBDB26D2HF301622 Re: Moses Lewis, Sells 7/27/93 @10:00AM 34 CASEYMASSEY Re: Criscuolo Bart'Ltd Inc; 3:45PM 302 AVENUE P BKLYN 1979 FORD Mustang #9F08F107320 Re: Teisner, George.

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Lien Sale 7/22/93 9:00AM 18-27 27th Ave Astoria 1986 Chev #1GCGG33M3G1171630 Re: Angela Gen Con. Corp. 83 GMC #2GDHG31M8D4151421 Re: Camero Fin & Assoc. Comm. Corp. Publ. 7/8 & 7/15/93.

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Garagemen's Lien Sale & Superbee DCA LLC # 794803 and/or S. Superbee DCA LIC # 794387 Sells 7/26/93 @10:00AM 10-20 9TH ST-MARGINAL ST NYC 1979 TOYOTA CRESSIDA #JT4MX2203436 Re: Thomas, Bernice; 9:00AM 441 WEST 37TH ST NYC 1984 BUICK Century #1G4AH53-5E9E610169 Re: Rutherford, TE; 9:30AM WEST 23RD ST & 11TH AVE NYC 1986 PLYMOUTH Colt #JP3-BA20C4GU077928 Re: Sousa, Robert; 10:00AM 441 WEST 37TH ST NYC 1971 VOLKSWAGON Rabbit #1773530963 Re: Rutherford, TE; 10:30AM 644-648 10TH AVE NYC 1980 DATSUN 210 #WHB15-014803 7 Re: Environmental Lands; 10:45AM 251 WEST 407H ST NYC 1980 CHEVROLET Citation #1G1AV8737AG111540 Re: Jones, Jeffrey; 11:30AM 422 WEST 57TH ST NYC 1983 MAZDA RX7 #JM1FB3313D7100787 Re: Richardson, Cornell; 1983 AUDI 4000 VIN #AUFAB0854DA138021 Re: Ogunsola, Joel; 11:30AM 1-15 WEST END AVE NYC 1983 CHEVROLET Cavalier #1G1JD06PXC7102426 Re: Swanson, Janice; 12:15PM 633-639 WEST 131ST ST NYC 1981 Volkswagon Dasher #WVWCC0337BW020102 Re: Pepper, P.O. Box; 12:45PM 160 WEST 124TH ST NYC 1991 HONDA Accord #1HGBC7262MA027276 Re: Rubin, Ralph; 1:15PM 1 WEST 131ST-135TH ST N YC 1986 PLYMOUTH Reliant #1P3BP26G3GN 1 Re: Nunez, Nelson; Willie 101; 1981 DODGE 350 #2B5-H35D4BS 1 Re: SVS Interagency; 1:45PM Pool; 1:20PM 304 WEST 135TH ST NYC 1985 BUICK Somerset #1G4AG19R2F-H231080 Re: Ayi#9000972 Re: Anderson, Paula; 2:30PM 600 ATLANTIC AVE #11P3BL 1986 7B0321164 Re: Tranquada, Hilary; 1:45 PM 673-87 ATLANTIC AVE BKLYN 1982 CHEVROLET Camaro #1G1AP8-7AXC-E-1 1AA1 Re: Chrisanthopoulos, Nick; 2:15PM 2123 AMSTERDAM AVE NYC 1982 Re: Sanson,Anna; 3:00PM 19-117 EAST HOUSTON ST NYC 1986 Ford Thunderbird #1FABP90FOGV161714 Re: Mantz, Magdala; SELLS 7/22/93 9:00AM 310 EAST 23RD ST NYC 1987 CHEVROLET Spectrum #1B-P-BG3CW6932143013 Re: Colon, Tomasa; 10:30AM 189 WEST 230TH ST BX 1977 FORDJim #9F15G1A1 Re: Rinson, Reid; 10:45AM 3936 10TH AVE NYC 1987 NISSAN Maxima #JN1HU11P1HT015 36939 Re: Jones, Naomi; 1990 BUICK Lesabre #1G4HP54L1LH436944 Re: Buckley, Enid or Leander; 11:45AM 1979 TOYOTA Tercel #JT2EL31D7J0137 Re: Hoang, Ngoc; 9:45AM 1877 ATLANTIC AVE BKLYN 1982 CADILLAC Seville #1G6AS6907C0 Re: Ramsaran, Ramdeo; 10:15 AM 1673 DEAN ST BKLYN 1987 NISSAN #JN1HU11P1HT015 36939 Re: Wilmer, Edmund: 10:45PM 521 DG1G5C1241411 Re: Lend Lease Trk Inc; 1:30PM 319 Pennsylvania Ave Hempstead Cross County, Sells 7/28/93 @10:00AM 68043 Re: Milton, Melvin; 2:00PM 112-45SpringfieldBlvd Qns 1985 Mercedes-Benz 4JNU1013F2F704341 Re: Harris-Carlos; 11:45AM 790 UNION ST BKLYN 1986 HONDA Accord #1HGBA5648GA036 Re: Schoenfeld, Edward: 12:15PM 1984 Ford F-250 VIN 1FTHF25H4EPA41 Re: Sol St 1991 Mitsubishi Precise #KJPW0S1C4MC000 Re: Lopez, Jose; 2:45PM 1410 AST St BKLYN 1991 MERCEDES BENZ 420SEL #WDBCA35E4MA530795 Re: Vaross-Michael; Sells 7/28/93 10:00AM 4332 Industrial Island Park 1981 Jeep Cherokee VIN 1J4FJ28S3BL 1986 Chevrolet Van G20 VIN 1GCGG25H4G1 AM 162-05 Rockaway Blvd Qns 1987 Sterling 8235 #SAXX5A4H3HDH11 Re: Dube, Glenn; 10:30AM 206-20 Jamaica Ave Queens 1985 BKLYN 1979 BUICK #Y87G8446929 Re: Jackson,Brenda; 10:45 AM 206-12 Jamaica Ave Queens 1985 Honda #WDBDB26D2HF301622 Re: Moses Lewis, Sells 7/27/93 @10:00AM 34 CASEYMASSEY Re: Criscuolo Bart'Ltd Inc; 3:45PM 302 AVENUE P BKLYN 1979 FORD Mustang #9F08F107320 Re: Teisner, George.

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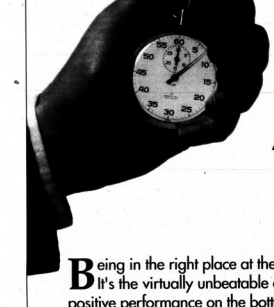

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BANK AND THRIFT STOCKS

Highlights for Wednesday, July 7

TOP 10 GAINERS %

FNB Corporation	9.3
Chemical Financial Corporation	6.2
Central Jersey Bancorp	5.4
Pikeville National Corporation	5.3
Commerce Bancshares, Inc.	4.9
Citizens Banking Corporation	4.7
Mark Twain Bancshares, Inc.	4.7
Republic Bancorp Inc.	4.4
Boulevard Bancorp, Inc.	4.4
Grenada Sunburst System Corp.	4.4

TOP 10 LOSERS %

Bank of Granite Corp.	-5.7
Imperial Bancorp	-4.6
BT Financial Corporation	-4.0
First Bancorporation of Ohio	-3.8
Hibernia Corporation	-3.6
CBT Corporation	-3.6
First Merchants Corp	-3.6
Commonwealth Bancshares	-3.4
F & M National Corporation	-3.4
Tompkins County Trust Company	-3.3

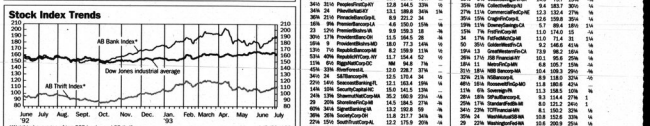
MOST SHARES TRADED

Citicorp	2082700
Chemical Banking Corp.	1007700
Norwest Corporation	768600
Chase Manhattan Corporation	750000
NationsBank Corporation	599800

VOLUME AS % OF AVERAGE

Cathay Bancorp	1016.9
United National Bancorp	537.4
Citizens Bancorp	422.1
Colonial BancGroup, Inc.	401.9
National Bancorp of Alaska	395.0

Stock Index Trends



Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.75	-1.23	-1.60	0.36	0.96	9.92	0.93	2.24	7.63

Top 225 Banks

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg.
26¼	18¾	1stAmerica Bancorp VA	10.7	144.4	22¾	¼
17½	12¼	AMCORE Fin'l.	10.1	144.9	17¼	¼
17¼	8¼	Allied Bancshs.Cl A	12.1	180.2	17¼	¼
35¾	26¾	AmSouthBancorp AL	12.1	180.2	33¾	¼
36½	26¾	AmeribancInc Wash	12.3	180.2	36¼	¼
35¾	27¾	BB&T FinCorp NC	13.2	156.5	34¾	¼
27½	19¾	BOK Financial OK	12.6	250.0	20¾	¼
33	21¼	BT FinCorp PA	11.2	138.1	30¾	1¼
9¾	6	BaltimoreBancShs MD	8.1	81.1	8¾	¼
31¾	24¾	BanPonceCorpPR	9.1	112.2	26½	¼
61	42¼	BancOneCorp OH	15.8	252.8	58¼	¼
53½	40¾	BancorpHawaii HI	9.8	146.8	44¾	¼
40¾	27½	BancorpSouth MS	12.0	151.1	38	¼
54¾	41	BankAmerica Corp CA	10.7	121.8	45	¾
36½	24¾	BankAtlantic Corp FL	10.7	151.9	28¾	¼
14¾	9¾	BankSouth Corp GA	13.3	160.7	13¾	¾
77¾	59	BankTrust Corp MS	8.7	171.0	75	¼
19¼	12¼	BankersFirst Corp VT	43.8	84.6	17½	¼
19¾	13¾	BankersTrust Corp NY	7.1	1,116.5	19¾	¼
61¾	39¾	BarnettBanks FL	24.3	138.1	57¾	¼
31¾	23	BrentonBanks VA	10.8	140.9	27	¼
53¾	39¾	C&S/Sovran Corp GA	19.0	237.6	34¾	¼
35¾	26¼	CBT Corporation NY	11.8	143.0	33¾	1¼
42¾	30¾	CCB FinCorp NC	11.9	148.3	38¾	¼
33¾	23¾	CNB Bancshares IN	16.9	156.8	33¾	1¼
29¾	22¼	CNL Inc RE	9.0	132.7	29¾	¼
13½	7¼	CNS FinCorp CA	9.8	148.8	12¾	¼
14	9¾	CalFed Bancorp CA	14.5	154.8	12	¼
25	13½	CathayBancorp CA	10.4	137.8	14	¼
36¾	27¾	CenTrust Fed FL	10.6	148.1	29¾	¼
34¾	22¾	CentralBancshs TX	12.3	156.2	22¾	¼
24¾	16¾	CentralFed Corp FL	10.6	148.1	22¾	¼
34¾	18¾	CentralJersey Bancp NJ	9.4	148.1	22¾	¼
37¾	21	ChaseManhattan NY	9.6	99.7	32½	¼
44	30¾	ChemicalBanking NY	9.5	126.6	43¾	¼
47¼	31¼	ChemicalFin Corp MI	14.5	183.5	47¼	3¾
22	13¾	CitizensBanc Corp VT	11.1	103.1	19	¼
30¾	14½	Citicorp NY	14.0	132.5	30¾	¼
28	19¾	CitizensBancorp MD	14.7	132.6	25¾	¼
22¾	18¼	CitizensBanking MI	12.1	131.5	22¾	¼
7¾	3¾	CitizensFirst Fd	11.0	194.1	6¾	¼
29¼	17½	CityNtlBcp/Inv NV	14.8	173.1	26	¼
7¾	4¾	CityNtlCorp CA	NM	115.8	7¾	¼
23¾	18¾	ColonialBancGp AL	9.3	132.8	20¾	¼
34¾	27¾	CommerceBancorp NJ	14.9	154.5	29¾	¼
25¾	13¾	CommercialNet NY	18.1	198.2	25¾	¼
17½	10¾	CommercialNtl Fin PA	10.3	141.4	17½	¼
23¾	14¾	CommunityBank NJ	11.6	141.4	20¾	¼
24¾	14¾	CommunityFirst MO	14.0	141.4	19¾	¼
15	11¼	CompuCredit GA	20.3	142.2	13¾	¼
8¾	3¾	Constellation NJ	NM	155.1	8½	¼
28	13¾	CoreStates PA	6.8	89.3	23¾	¼
60¾	47¼	CoreStatesFinCp PA	12.4	197.9	59¾	¼
46¾	25¾	CrestarFinCorp VA	15.3	182.5	42¾	¼
40¾	21	CulverFirst IN	10.1	160.9	34¼	¼
27¾	20¾	DauphinDeposit PA	12.3	167.0	24¾	¼
35½	29¼	DepositGuaranty MS	10.2	150.2	30¾	¼
17¾	12¾	F & M NatCorp VA	11.0	144.4	14¾	¼
22	16¼	FAMBancorp MO	11.0	153.2	22	¼
16¾	9¾	FNB Corp PA	18.0	117.1	14¾	1¼
29	24	FarmersCapital KY	15.0	118.4	27½	¼
58¼	40¾	FifthThirdBcp OH	18.5	306.2	53	¼
37	31½	FinancialTrust IN	12.2	174.4	37	¼
55	32¼	FirstTennNtl	14.2	225.4	53¾	¼

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg.
38¾	27¾	FirstAlabama AL	12.8	193.5	35	¼
31¾	23¾	FirstBancorp PR	9.7	154.3	29¾	¼
31¾	20¾	FirstCmwlthCorp PA	14.3	154.3	28¾	¼
50¾	39½	FirstEmpireCorp NY	10.8	152.5	48¾	¼
31¾	23¾	FirstFederalMich MI	20.1	146.3	30¾	¼
45	29¾	FirstChicagoNtl	NM	119.7	41¾	¼
25¾	20¾	FirstCitizensBc SC	13.4	133.6	25¾	¼
18¾	14¾	FirstColonial IL	16.4	132.9	17½	¼
16¾	11¾	FirstCommerce LA	15.4	194.9	37	¼
73¾	37½	FirstCommerce NC	10.2	151.5	70	¼
34½	25¾	FirstCommerce OH	10.8	152.5	31¾	¼
31¾	24¾	FirstCommFin PA	11.3	149.0	27¾	¼
38	26¾	FirstEssexBcp MA	NM	139.3	28¾	¼
157½	127	FirstFinancial WI	10.9	154.5	137	¼
51½	34	FirstFidelity NJ	12.0	174.5	49¼	¼
64¾	37¼	FirstFidelityBcp OH	14.9	194.9	44¾	¼
53½	36½	FirstFinCorp IN	11.2	146.3	50¾	¼
30¾	23½	FirstHawaiian HI	10.4	159.8	28¾	¼
30¾	22¾	FirstInterstate CA	10.4	159.8	28¾	¼
27¾	19¾	FirstMidAmerica IL	13.3	185.7	27¾	¼
24½	14¾	FirstMidwest IL	16.5	157.7	24¼	¼
30¾	23¾	FirstNiagara NY	14.6	157.9	30	¼
30¾	21¾	FirstSecurity UT	12.0	165.2	28¾	¼
47	32¾	FirstTennessee TN	11.4	177.9	39	¼
51½	35¾	FirstUnionCorp NC	11.8	183.5	49¾	¼
39¼	17	FirstUnionMI	8.3	132.4	26¼	¼
23¾	17	FirstUnionMO	13.8	193.3	22¾	¼
25¾	18¼	FirstUnitedBcp NM	13.7	175.8	25¾	¼
39¾	30	FirstVirginia VA	10.9	182.1	35½	¼
37	28¾	FirstarCorp WI	11.6	198.5	33¾	¼
29	24	FirstbankN.A. IL	12.1	168.8	27	¼
42¾	30¾	FirstofAmerica MI	13.3	172.0	39¾	¼
37¾	30¼	FirstTennNatl IN	15.9	159.8	33¾	¼
18¾	12¾	FirstvilleFinCp IA	13.8	174.0	41¼	¼
24½	20	FleetFinCorp RI	12.6	178.4	20¾	¼
31¾	24¾	FleetMortgage RI	12.6	178.4	30¾	¼
30¾	24	FourthFinancial IN	13.5	145.4	27	¼
33	24¼	FulMktNatlBcsp PA	13.2	167.2	30¾	¼
32¾	24¾	FulMktNatlCorp PA	13.2	167.2	30¾	¼
17¾	13¾	GBC Bancorp CA	7.5	123.3	14¾	¼
25¾	15¼	GreatAmBcsp/Del MS	11.1	145.4	24½	¼
35¾	24¾	HancockHldgCorp MS	10.6	165.2	31¼	¼
30	22¾	HarleysvilleBcsh PA	11.7	165.4	30¾	¼
19¾	12¾	HawkeyeBancorp IA	11.8	157.5	18	¼
19¾	12¾	HeritageFinCorp IL	12.7	175.3	19¾	¼
8¼	4¾	HiberniaCorp LA	NM	144.2	6¾	¼
24½	10½	HubcoInc NJ	12.0	202.4	20¾	¼
27¾	18½	HuntingtonBcshs OH	13.9	230.5	27¾	¼
15	6¾	ImperialBancorp CA	12.4	88.7	10¾	¼
29	21¾	IndependenceBcp PA	37.3	138.2	29¾	¼
23¾	17¾	IndianaFinCorp IN	11.8	123.4	17	¼
47	37¾	InterFirstBancshs TX	11.4	150.7	44¾	¼
27	17¾	InvestmentBancshs IL	13.3	150.7	18¾	¼
34¾	24¾	JacksonvilleBancs MD	9.3	218.6	34¾	¼
14¾	58¾	J.P. Morgan NY	10.0	189.3	69¾	1¼
22	13¾	JeffersonBancorp VA	13.3	175.8	21¾	¼
40	30¾	KeyCorp NY	12.4	208.9	41¾	¼
34¾	24¾	KeystoneFin PA	12.3	164.1	29	¼
24¼	18¾	LakeShore IL	14.4	193.3	23¾	¼
34¾	21	LibertyBancorp OK	8.4	142.7	32¾	¼
27¾	20¾	LibertyNatBancs KY	14.2	185.1	26¾	¼
19¾	12¾	MBNACorp DE	16.0	421.6	19¾	¼
14¾	10	MNC Financial MD	12.3	124.0	14¼	¼
18¾	12¾	MagnaGroup MO	11.8	123.4	17	¼
28¾	17¾	MarkTwainBcshrs MO	14.0	218.6	28	1¼
31¾	24¾	MarshallBancorp WI	11.3	151.2	30¾	¼
28¾	21¾	MercantileBcp IL	13.3	185.7	28¾	¼
35¾	26¾	MercantileBcsh MD	12.7	145.2	30¾	¼
25¾	21¾	MercantileStores MD	11.9	150.2	25¾	¼
62	44¼	MerchantsBank VT	19.9	183.6	55	¼

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg.
85	72	UnitedCounties NJ	8.2	126.0	80½	--
41¾	36¼	UnitedMissouri MD	13.8	130.2	38½	--
32½	17	UnitedNatBcp NJ	12.5	141.4	32¾	¼
45¾	33¾	ValleyBancorp RI	13.7	178.3	44¼	¼
28	18¾	VictoryBcshs OH	12.4	174.0	28¼	¼
27¾	19¾	VictoriaBkBcsh TX	6.7	112.3	21¾	¼
18¾	14¾	WashingtonFed CO	12.4	210.8	18	¼
45¾	32¾	WellsFargo CA	8.6	196.2	139¾	¼
31¾	21¾	WestBancorp RI	12.2	150.5	31¾	¼
12½	10¾	WestChesterBancorp ID	12.2	157.5	12¾	¼
29¾	18¼	WesternIndianBcs CA	10.5	136.8	26	--
29¾	20¼	WesternBcshs OR	12.3	186.8	27	¼
35¼	21¾	WhitneyHoldingLA	12.4	153.5	30¾	--
12¾	9¾	WilmingtonTrust DE	12.7	262.5	12¾	¼
27¾	20¾	WorthenBanking AR	8.6	142.8	23¾	¼
40	30¾	ZionsBancorp UT	10.6	189.9	38¼	½

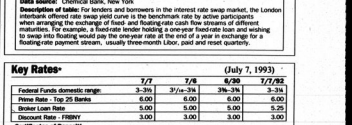
Top 25 THRIFTS

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg.
15¼	12	ALBANYFinancial NY	10.4	81.2	17½	¼
21¾	13¾	Amerancan CA	14.2	81.8	17¾	¼
19¾	13¾	CalFedBanFSB CA	NM	36.6	13¾	¼
34¼	22¾	CharterOneFin OH	7.6	137.6	30	1½
18¾	6¾	CoastSavingsFin CA	14.0	75.1	15¾	¼
35¾	18¾	CollectiveBcp NJ	9.4	183.7	30½	¼
27¾	11¼	CommercialFedCorp NE	12.3	132.4	27¾	¼
35¼	15¾	CraigInfoCorp IL	12.6	159.8	35¼	¼
19¾	11¾	DamenSavings CA	5.7	89.4	18½	1¼
15¾	7¾	FirstFedCorp MI	11.0	174.0	15	¼
24	17¾	FirstSvgBcp/Inc NJ	11.0	72.4	21	¼
50	35¼	GoldenWestFin CA	9.2	146.6	41¼	¼
19¾	14	GreatSouthernFin CA	13.9	98.2	19¾	¼
28¾	17¼	JSB FinancialNY	10.1	95.6	25¾	¼
19¾	14¾	MAF Bancorp IL	8.4	102.0	19¾	¼
31¾	18¼	NBD Bancorp MI	10.6	183.7	29¾	¼
32¾	21¾	NSBancorp MA	9.4	138.0	29¾	¼
34¾	21¾	PeoplesHeritage ME	12.1	185.6	32¾	¼
11¾	6¾	Sovereign PA	11.3	156.5	10¾	¼
28¼	18¾	StPaulBancorp IL	14.4	178.4	28¼	¼
25¾	17¾	StandardFedBk MI	8.0	121.2	24½	1
34¾	23¾	TCFFinancial MN	8.1	150.2	32¾	¼
35¾	24	WashMutualSB WA	10.8	152.6	33¾	¼
29	22¾	WashingtonFed MA	10.6	180.9	25¾	¼
14¾	13	WayneSaleLMHC OH	21.1	93.5	13¾	--

Bank Stock Table Explained: The table lists in alphabetical order daily composite stock prices at 4:30 p.m. (unless otherwise noted) for the 225 largest publicly traded commercial banking firms and 25 of the largest thrifts. Banks are ranked according to the dollar value of all common shares outstanding. As of June 15, 1993, the market value cutoff for banks was $75.09 mil. and for thrifts $244.20 mil.**52 Wk Hi** (or **Lo**) the moving 52-week high and low closing prices for the stock. **PE** the price-earnings ratio. It is the current stock price divided by the trailing four-quarter earnings per share adjusted for recent announced earnings. The ratio is annualized for companies reporting quarterly earnings. **Mkt Cap.** (or **Capitalization**) the total value of the current day's closing price for the stock times the number of shares outstanding. **Bank Index** is adjusted for changes in capitalization and dividends. **Last** the price at which the stock last traded. If no trades for the day, the latest bid. **AB Bank Index** and **AB Thrift Index** are weighted averages of the top 225 banks and top 25 thrifts in market value. **Dow Jones Industrial Average** highlights show largest percent gainslosses in price and two-volume stocks. Unless otherwise noted, shares traded and today's volume are a percentage of average shares traded daily over the past year.

Data source: SNL SECURITIES, Charlottesville, Va., 804-977-1600, produced the tables. Financial News Network, Vienna, Va., provides DNI, with the daily prices.

Libor Swap Yield Curve — **Wednesday, July 7, 1993**



Data source: Chemical Bank, New York

Description of table: For lenders and borrowers in the interest rate swap market, the London interbank offered rate swap yield curve is the benchmark rate by active participants when arranging the exchange of fixed and floating-rate cash flow streams of different maturities. For example, a fixed-rate lender holding a one-year fixed-rate loan and wishing to swap into floating would pay the one-year rate at the end of a year in exchange for a floating-rate payment stream, usually three-month Libor, paid and reset quarterly.

Key Rates* (July 7, 1993)

	7/7	7/6	6/30	7/7/92
Federal Funds domestic range:	3-3⅛	3⅛-3⅛	3⅛-3⅜	3-3⅛
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit†				
3 Month Posted	2.78	2.73	2.75	3.00
6 Month Posted	2.90	2.92	3.00	3.15
1 Year Posted	3.25	3.10	3.20	3.40
Eurodollar deposits‡				
3 Month	3⅛a	3⅛a	3⅛a	3⅜
6 Month	3⅛	3⅛a	3⅛	3⅜a
1 Year	3⅛	3⅛	3⅛	3⅜
Dealer Commercial Paper†				
1 Month	3.12	3.10	3.20	3.46
3 Month	3.15	3.14	3.25	3.47
6 Month	3.30	3.23	3.45	3.56

(*)— Late afternoon quotes, New York market. (†)— Highest offering rates (annual % yield) at selected NYC money center banks. (‡)— Late London bid. (a)— AA rating or the equivalent.

THE MARKETS

Short Rates Rise on Fears That Fed Will Tighten

Short-term interest rates rose Wednesday on concerns about high commodity prices and a Federal Reserve tightening.

At 4 p.m., the bond-equivalent yield on three-month Treasury bills was up to 3.11% from 3.02% on Tuesday.

"Bills are trading as if the Fed left the pro-tightening bias intact," said Astrid Adolfson, economist at MCM MoneyWatch, said.

The Federal Open Market Committee on Wednesday concluded a two-day meeting to set policy for the next six weeks.

Leeway of 50 Basis Points

The FOMC does not divulge the results of its talks until six weeks after the meeting, but market analysts think a sharp run-up in commodity prices convinced the panel to maintain the current pro-tightening bist.

Under this policy directive, Federal Reserve Board Chairman Alan Greenspan can raise the target for the federal funds rate 50 basis points higher without further consultation with the other FOMC members. The target is currently 3%.

Many economists had expected the Fed to change to a neutral stance after the government's report last Friday that only 13,000 jobs were added in June.

A sharp rise in commodity prices was related in large part to floods in the Midwest wiping out crops. The government estimated $1 billion in crop losser and damage from the flooding.

The Commodity Research Bureau's index, a gauge of 21 futures prices, rose 5.29 points to 217.30 on Tuesday, the biggest rise since 1988. Coupled with a big rise in gold, the CRB jump re-ignited inflation fears and sparked a selloff in the government securities market.

Commodities prices settled down Wednesday, with the CRB falling 0.07 point to 217.23.

The yield on the 30-year Treasury bond rose to 6.68% from 6.67%.

Stocks rose in what market analysts described as a technical rebound after five days of losses. The Dow Jones industrial average gained 25.74 points to 3,475.67.

The dollar was mixed. It finished New York trading at 1.7060 German marks, up from 1.7050, and at 107.55 yen, down from 108.84. — **Bart Fraust**

STOCKS: Bank of N.Y. Rated 'Hold'

By GORDON MATTHEWS

Sanford C. Bernstein & Co. initiated coverage of Bank of New York Co. on Wednesday but rated the stock neutral in the wake of its recent upswing.

Analyst Ronald I. Mandle said he is impressed by the bank's "significant growth potential in credit cards, processing, and capital markets."

Problems from commercial real estate loans and highly leveraged transactions are down sharply, he said, and credit quality and capital adequacy ratios are better "by a wide margin" than most New York banks.

Bank of New York shares, which have gained 13% in the past month, were off 62.5 cents to $59 late Wednesday.

Mr. Mandle said the stock is 11% below his target, on a relative price-to-earnings basis, but its recent strength made it less attractive than some other bank stocks now. This prompted his "market-perform" rating — Bernstein's version of a "neutral" rating.

"Bank of New York has remade itself in the past three to four years, thanks to its acquisition of Irving Bank Corp. and the workout of credit problems," the analyst said.

"It has strong its earnings mix considerably more in the direction of transaction processing and other fee-based revenues and away from traditional corporate lending," he said.

In addition, the balance sheet has been enhanced "by asset shrinkage, retained earnings, and a common stock offering last year," Mr. Mandle noted.

He added that the bank has the dominant branch network in the suburbs of New York City, with 254 branches versus 140 for Chemical Banking Corp. in the same counties.

The pending acquisition of the $4 billion-asset National Community Banks Inc., Maywood, N.J., "will be the first, but probably not last," venture for Bank of New York in that neighboring state, he said.

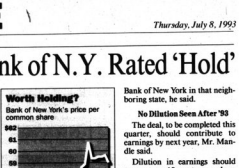
No Dilution Seen After '93

The deal, to be completed this quarter, should contribute to earnings by next year, Mr. Mandle said.

Dilution in earnings should amount to 10 cents per share this year, he added.

Bank of New York is paying a hefty $652 million in stock for the New Jersey bank, but Mr. Mandle said he expects no dilution after this year because Bank of New York will likely be able to cut more than 35% of National Community's expenses.

The bank "has experience in boosting productivity from the Irving deal of 1989 and from the yearend 1992 acquisition of Barclays Bank [branches] in New York City and its suburbs," he said. The Barclays transaction, he noted, added to earnings "almost from day one."



WEDNESDAY'S MARKET

Most major bank stocks gained as the stock market overall enjoyed a broad rebound.

The leaders in late trading were First Union Corp., up $1 to $48.125; J.P. Morgan & Co., ahead $1.125 to $69.125; and Bankers Trust New York Corp., up $1 to $75. □

Hanson May Refinance Debt

Continued from page 1

tions, sources noted.

Some funds for debt repayment could also come from the parent company in London, sources suggested.

Robert Brier, treasurer of Hanson Industries, did not return phone calls for comment.

Hanson's parent company in London last week agreed to buy Quantum in a stock swap valued at $720 million.

The deal is the latest in a string of acquisitions Hanson has made in the United States and the United Kingdom.

In recent years, Hanson has purchased Consolidated Goldfields, Peabody Coal Co., and Beazer PLC.

Quantum's debt consists of fixed-rate obligations and public and privately placed junk bonds, with coupons running as high as 13% on a series of senior subordinated debentures. The blended rate on the debt is over 10%.

Hanson's U.S. arm pays less than half that rate in the bank loan market, as Hanson stands to reap substantial cost savings by refinancing the Quantum debt. Last week, Hanson reportedly said it could pare Quantum's debt costs by at least $125 million.

Under the 1991 credit agreement, Hanson pays 75 basis points over the London interbank offered rate. At current Libor rates, that works out to around 4%.

Though Hanson PLC has almost as much cash as debt on its balance sheet, the U.S. unit is highly leveraged. For that reason, the terms of the 1991 credit were viewed as being highly favorable to Hanson.

Banking sources declined to speculate about the pricing of any new deal. □

Prime Bank of Elkhart, Indiana
a wholly-owned subsidiary of
Premier Financial Corporation
has sold $21,000,000 of
Credit Card Receivables
to
Bank One, Columbus, N.A.

The undersigned acted as financial advisor to Prime Bank

R.K. Hammer
Advisors to Bank Management
Newbury Park, California

Credit Lyonnais Issues $100 Million in Stock

Credit Lyonnais on Wednesday launched a $100 million issue of perpetual preferred stock in the private placement market.

The issue by the French bank will carry a high dividend because only a limited number of investors can purchase the securities in the private market.

The offering is registered under Securities and Exchange Commission Rule 144-a, which lets the securities be traded among large investors. A Lyonnais official declined to comment. — **David Siegel**

This announcement appears as a matter of record only.
June 25, 1993
8,504,495 Shares
Common Stock
POUGHKEEPSIE SAVINGS BANK, FSB
The Bank of the Hudson
Price $2.50 per share
These shares were issued in connection with a Rights Offering to Shareholders and Standby Investors.
The undersigned acted as Financial Advisor to Poughkeepsie Savings Bank, FSB and initiated contact and negotiated with the Standby Investors.
Advest, Inc.

This announcement appears as a matter of record only.
June 25, 1993
8,504,495 Shares
Common Stock
POUGHKEEPSIE SAVINGS BANK, FSB
The Bank of the Hudson
Price $2.50 per share
The undersigned rendered a fairness opinion in connection with the Rights Offering.
Lyons, Zornback & Ostrowski, Inc.
Bank and Thrift Consultants
New York • Washington
A Subsidiary of The Advest Group, Inc.
Advest

AMERICAN BANKER
VOL. CLVIII NO. 130 Friday, July 9, 1993 158th year

Bank of Montreal Feels Heat from Chicago Merger

By STEVE KLINKERMAN

Just two weeks after Bank of Montreal Corp. unveiled a 10-year plan to bolster Harris Bankcorp, its flagging Chicago affiliate, it received notice that the timetable may require dramatic acceleration.

In a single thrust, ABN Amro Holding this week grabbed a big chunk of the Chicago market when it agreed to buy Cragin Financial Corp., parent of Illinois' second-largest independent thrift.

The $500 million price tag equals two-thirds of what Bank of Montreal said it would invest in Harris over a decade.

And Amro, which will control $18.2 billion of assets in the suburban Chicago, is but one of several competitors muscling in on the vast Chicago-area market. First Chicago Corp. is aiming to bolster its already dominant market share, and interstate rivals such as NBD Bancorp and Banc One Corp. are hungry to expand there.

"Bank of Montreal doesn't have 10 years to get the job done," said Michael Sammon, a banking analyst at Howe Barnes Investments Inc., a Chicago brokerage firm.

The Pressure Is On

The heightened competition intensifies the challenge facing Alan G. McNally, the Bank of Montreal vice chairman who is being dispatched to revamp the company's U.S. operation.

But Mr. McNally, who will arrive in September from Toronto, said Tuesday he is unperturbed by ABN Amro's purchase of Cragin, and sees no reason to change his strategy.

"Big purchases may be the best option for others, but they certainly are not the best for us," said Mr. McNally, who said Harris could build a franchise far larger than Cragin's for the $500 million being spent by ABN Amro.

Goal: Triple Earnings

Mr. McNally will succeed B. Kenneth West as chief executive of Harris, which has $17.4 billion of assets. His mandate: to triple both earnings and branches at Harris, which has performed inconsistently since Bank of Montreal purchased it in 1984.

Though Harris sports the nation's 18th-largest trust operation, administering $160 billion

See **MONTREAL page 6**

INSIDE NEWS

MORTGAGES


Edward Santalone

DAVID A. FRANK, president and chief operating officer of Margaretten FinancialCorp., is being carefully groomed by chairman Felix Beck to keep the company's bright growth outlook on track. *Page 10*

REGIONAL BANKING

CHASE MANHATTAN Corp. has formed a three-person senior management team to monitor risk exposure in its burgeoning swaps business and other interest-rate-sensitive activities. *Page 6*

COMMUNITY BANKING

EVEN THE BEST of customers must be confronted if an executive suspects an unusual transaction, a financial crime specialist says. *Page 9*

IRWIN FINANCIAL Corp. officials assured investors that the Columbus, Ind., banking company would remain profitable even if the current boom in mortgage refinancings goes bust. *Page 9*

INVESTMENT PRODUCTS

IN THE NAME of diversity, banks are rushing to add international mutual funds to their menu of equity offerings. *Page 11*

FINANCE

TWO ILLINOIS THRIFTS got "strong buy" recommendations from Kemper Securities Inc. after the high-premium acquisition of Chicago's Cragin Financial Corp. *Back page*

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Sears Seen Set to Accept Bank Cards

By BARTON CROCKETT

Sears, Roebuck and Co. appears to be getting ready to accept bank cards at all of its stores.

The giant retailer has reportedly picked a unit of First Financial Management Corp. to process Visa and MasterCard transactions.

The unit, National Bank Card Corp., or Nabanco, is the nation's largest merchant processor.

Donald Y. Sharp, a senior vice president of Atlanta-based First Financial, confirmed that a tentative agreement had been reached, but stressed that details remain to be worked out. "We have an agreement, not a contract," Mr. Sharp said.

Test in Progress

Sears has been testing acceptance of Visa and MasterCard since November at 140 general-purpose and specialty retail stores in California, Florida, New York, Ohio, and Texas, but has not announced plans for a nationwide rollout.

Mr. Sharp declined to comment on whether the Nabanco agreement involved all 809 Sears stores. He said Sears will soon make an announcement about the acceptance of bank cards, but declined to elaborate.

Separately, a leading stock analyst, Patrick Barton of the Minneapolis investment firm Piper

See **SEARS page 3**

FDIC Staff Sees Cut In Premiums by 1998

By BARBARA A. REHM

WASHINGTON — Deposit insurance premiums could be cut in 1998, four years earlier than previously expected, according to new projections by the Federal Deposit Insurance Corp. staff.

An internal document, obtained by the *American Banker*, forecasts the average bank premium will fall by 15%, to 21 cents for every $100 of deposits, in 1998. The rate would plunge another 48%, to 11 cents, the next year. The current average is 24.6 cents.

A 'Turning Point'

The projection is not official. But Roger Watson, the FDIC's research director, said that, if anything, the new estimate is too conservative. The FDIC might well be able to reduce the premium even sooner, he said in an interview Thursday.

"We're at a turning point," Mr. Watson said. "There doesn't seem to be that much risk in the system right now, and that will probably last for a few years."

In March, when the last official projection was issued, the FDIC said the current premium would hold until 2002, when it would fall to 13.5 cents.

Mr. Watson presented the new forecast Wednesday to a private-sector group that advises the Savings Association Insurance Fund.

If it holds, the projection will be a bonanza for banks. But thrifts, whose separate insurance fund is in worse shape, are not likely to see a premium cut.



Differential Seen

Mr. Watson said concern over that prompted the SAIF Advisory Board to ask for a briefing on the Bank Insurance Fund. He predicted that down the road the premium rate for thrifts will be at least 12 cents higher than for banks.

"I think people have to start to realize that there is this potential for a big differential," he continued. "Whether it is fair or not is arguable, but it is going to have a lot of disruption" in the thrift industry.

The FDIC gave a peek at these new projections in late June

See **FDIC page 18**

Microsoft Eyes Banks for Next Big Battle

By BRIAN TRACEY
Part of a Series

After fomenting revolution in the computer world, Bill Gates is now setting his sights on the banking industry.

Mr. Gates thinks his software juggernaut, Microsoft Corp., is well positioned to shake up how banks operate, and he's not the only one.

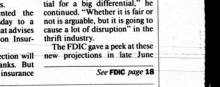


It now dominates the PC industry the way International Business Machines Corp. controlled the mainframe computer business in the 1960s.

Second, recent quantum-leap improvements in PC technology have forced bankers to rethink their dependence on mainframe systems for most computing chores. That creates an opening for upstarts like Microsoft.

By one measure, Microsoft already dominates

See **MICROSOFT page 12**


NETWORK ANCHORMAN: Bill Gates hopes to gain the upper hand in linked PCs at banks.

NEWS *briefs*

First Empire State's Profits Down 9.3%

BUFFALO — First Empire State Corp. said Thursday its earnings fell 9.3% to $25.2 million, or $3.42 per common share, in this year's second quarter from $27.8 million, or $3.85, a year earlier.

The year-earlier results included a one-time after-tax gain from securities sales of $7.6 million. Excluding that gain, the company's second-quarter earnings rose 25%. First Empire, which has $10.5 billion of assets, realized no significant gains from investment securities transactions in this year's second quarter.

Net interest income rose 15% from the year-earlier period, reflecting earning assets absorbed from First Empire's purchases last July of Central Trust Company of Rochester, N.Y., and Endicott Trust Co. of Endicott, N.Y.

Return on average assets was 0.96%, and return on average equity 15.74% during the quarter.

Broker Must Return Profits on B of A Stock

WASHINGTON — A federal judge in Manhattan has ordered Connecticut broker Martin Byron Sloate to return $161,186 in alleged insider trading profits on BankAmerica Corp. and Shearson Loeb Rhoades stock, the Securities and Exchange Commission said.

Judge Milton Pollack's order stemmed from an SEC civil suit accusing Sloate of buying stock of BankAmerica in 1986 and Shearson in 1981 on the basis of nonpublic information.

The SEC said Sloate was tipped by a doctor, who got his information from one of his patients, the wife of Wall Street executive Sanford Weill.

Bank of Boston Deals Win State Approval

BOSTON — Massachusetts state regulators approved Bank of Boston Corp.'s petition to acquire Society for Savings Bancorp Inc. and Multibank Financial Corp.

The acquisition proposals were scrutinized last month by federal regulators, who had expressed concerns about whether Bank of Boston's capital was adequate to handle the almost simultaneous acquisitions for a total of about $443 million in stock.

The Federal Reserve Board initially rejected the proposal, but later approved the purchases after Bank of Boston pledged to raise more capital. In an unprecedented move, three of the Fed's seven governors abstained from the vote and expressed dissatisfaction with the way the decision was reached.

The Massachusetts Board of Bank Incorporation said that it approved the plan because the purchases will not unreasonably affect competition among banking institutions and that public convenience and advantage will be promoted.

Western Union Sets Up Link to Thailand

UPPER SADDLE RIVER, N.J. — Western Union Financial Services International said it has begun money transfer service between the United States and Thailand.

Western Union Financial Services International, a unit of New Valley Corp., said it now has money transfer services in 61 countries.

Chase Places Loan for City of Barcelona

MADRID — Chase Manhattan Corp. said it placed privately a $100 million loan for the City of Barcelona among a limited group of U.S. investors.

Chase said this was the first private placement in the U.S. market for a European municipality, and was done through its Madrid and New York offices.

There are two parts: a $20 million tranche over seven years at 6.73% and a tranche of $80 million over 10 years at 7.20%. Interest payments are quarterly, and the loan will be repaid in full at maturity.

U S West to Exit Financial Services Arena

DENVER — U S West Inc. said it will completely eliminate its financial services businesses, which the telecommunications company calls its capital assets segment.

This group includes Financial Security Assurance, U S West Financial Services Inc., and U S West Real Estate. The company previously announced plans to sell the real estate and financial services units.

"This will enable us to redeploy capital for investment in expanding growth opportunities in our core [telecommunications] business," said Richard D. McCormick, U S West chairman and chief executive officer.

Republic Completes Horizon Acquisition

ANN ARBOR, Mich. — Republic Bancorp said it completed the acquisition of Horizon Financial Services Inc.

Horizon, based in Beachwood, Ohio, is the parent of Horizon Savings Bank. Its $400 million of assets brings Republic to $1.2 billion, with banking and mortgage offices in 13 states.

The briefs were compiled from staff and wire reports.

SBA Gives Go-Ahead for Banks To Again Take Loan Applications

By ROBERT M. GARSSON

WASHINGTON — Armed with $3.2 billion in new loan-guarantee authority, the Small Business Administration this week invited banks to begin taking new applications from customers who need the subsidized credit.

And some bankers, including loan officers at First National Bank of Stillwell, Okla., said they will begin responding right away.

"We have about a half-million dollars in applications in the pipeline, and another half-million dollars in applications that have just been waiting," said Susan Kerns, the bank's vice president for government-guaranteed lending.

Supplemental Appropriation

The pipeline represents loans that the bank forwarded to the SBA for approval, but which could not be funded after the agency's loan-guarantee program ran out of money in April. The applications represent loan requests taken after April and held until the SBA received a cash infusion.

On Saturday, President Clinton signed into law a supplemental appropriations bill that included $175 million for the SBA's main loan-guarantee program. The appropriation is enough to provide guarantees for $3.2 billion in new loans, and is expected to last until Oct. 1., when the new fiscal year begins.

A spokesman for the SBA said the agency began sending authorization letters out to banks this week telling them they could close loans that had been in the pipeline since April. All told, 3,340 loans worth $755 million have been on hold.

"We also told them that they could start taking new loan applications right away," said SBA spokesman Mike Stamler.

Warm Welcome Expected

Ms. Kerns said the new authority would be welcomed by the bank's customers, particularly those trying to start new businesses.

"A lot of them have left their previous employment to start up their business. And they can't keep going just on their own funds," she said.

Without the SBA's 7(a) program, she said, "we'd have to tell them to wait a couple of years and get their business on more solid ground before we could lend to them."

SBA administrator Erskin Bowles said the new lending authority "will be a big shot in the arm" for the nation's small businesses and for the economy.

"Simply put, it means more jobs," he added.

Uncertainties Cited

However, one banker said that uncertainties surrounding President Clinton's economic program could limit the effectiveness of the SBA guarantees.

"Small business is waiting to see what happens with the tax bill before making decisions" on whether to expand and borrow more, said James R. Lauffer, president of the Independent Bankers Association of America.

Mr. Lauffer, who is chairman of First National Bank of Herminie in Herminie, Pa., said concerns over the costs involved in the health care package will also limit credit demand. □

N.Y. Tables Interest-Rate Deregulation Bill

By STEPHEN KLEEGE

The New York State Legislature adjourned Thursday morning without granting a permanent extension of interest rate deregulation sought by bankers.

Legislators, in an all-night session, instead extended the current law through the end of January. They tabled the permanent-extension bill to allow further debate over a package of consumer protection amendments.

"With additional time, we can end this thing and move forward," said Michael P. Smith, executive vice president of the New York State Bankers Association.

New York lifted an 18% interest rate ceiling in 1980 in an attempt to stem the flight of credit card operations to more lenient states. Chemical Banking Corp. and Keycorp run major credit card operations in the state.

Bankers argue a permanent extension will end the uncertainty over the law, which legislators have been forced to reconsider three times. That will make it easier for banks to develop business plans and help keep jobs in the state, Mr. Smith said.

Sidetracked by Other Issues

The move for a permanent extension was sidetracked as legislators debated other controversial issues, including the state's rent control law.

Mr. Smith said the permanent extension enjoys broad-based support, however.

Although the measure ultimately ran out of time in the Assembly, the state Senate overwhelmingly passed a permanent extension. And, Mr. Smith added, Gov. Mario Cuomo has recently spoken out in favor of it.

Mr. Smith said the permanent extension was likely to include some provisions acceptable to the association, such as a small business lending program, a requirement to provide checking services to the poor, and the establishment of a toll-free telephone number at the State Banking Department enabling consumers to obtain information about credit card rates and fees.

"We feel the momentum is to put it all together," he said. But "there are those who would try to put in restriction and regulation not acceptable with us."

One such proposal was a floating interest rate ceiling at eight percentage points above the discount rate for three month Treasury bills, or just over 11% at today's rates. □

COMPANY *index*

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Sears Seen Ready to Accept Bank Cards

Continued from page 1

Jaffray Inc., said he had been told by knowledgeable officials that Sears was planning a national rollout.

Talk Called 'Speculation'

Perry Cohan, a Sears spokesman, declined to comment on the compan, s plans. He also said that talk of an agreement with Nabanco was "speculation" and declined to comment on it.

Most Sears stores accept only its own proprietary charge card and the Discover card, which it founded.

The acceptance of bank cards could boost sales. But it could also cut into Sears' profitable charge card business – a bright spot in the company's troubled merchandise group.

Sears Card Used by 57%

Mr. Chlan said that in 1992, consumers made 57% of their purchases at Sears stores with the Sears charge card.

The retailer has been testing acceptance of Visa and MasterCard.

That year, the corporation lost $3.9 billion on revenues of $52.3 billion. But the charge card operation turned a $408 million profit, compared to a $175 million loss at Sears' U.S. stores.

In the first quarter of this year, Sears' U.S. stores lost $49.6 million, while the charge card made $119.8 million. Profits for the company in the quarter were a record $435 million on sales of $11.3 billion.

The first public indication that Nabanco had won an agreement to settle Visa and Master-Card transactions for Sears came about a month ago, when executives at SPS Transaction Services Inc., Riverwoods, Ill., disclosed that the company had bid for the business, and lost to Nabanco.

Banks High in Field

Nabanco is the country's largest merchant processor, measured by the volume of charges made by merchants contracting with the company, according to *The Nilson Report*, an industry newsletter in Oxnard, Calif.

The newsletter ranks SPS as the country's fifth-largest processor of so-called electronic draft capture transactions, which are transactions made by merchants contracting with other merchant processors. Nabanco ranks seventh on this list.

Has Ties with Sears

SPS has been processing Visa and MasterCard transactions for the test that Sears started in November. SPS has subcontracted the settlement of transactions to National Processing Co. of Louisville, Ky., a unit of National City Corp.

More Technology News
Pages 12 and 13

Mr. Burton said SPS officials said they lost partly because the company does not have a bank through which to settle Visa and MasterCard transactions and resolve charge disputes.

This turned out be the only merchant processing business that Sears had not. Sears formed out.

Ms. Fargo said Sears plans to do most of the computer processing of Visa and MasterCard transactions in-house, using telecommunication services from Advantis, a joint venture of Sears and International Business Machines Corp.

Nabanco had an edge over SPS because it can settle transactions through a bank controlled by First Financial, Mr. Burton said. □



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THE REDEMPTION REPORT

Calls and prerefunded bonds are scheduled to drain the yields out of portfolios at a faster and faster pace in the third quarter. With ***The Bond Buyer Redemption Report,*** *you can anticipate redemptions well ahead of the actual events.*
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We published the first such book in history for the first quarter of 1993. Buyers received instant access to the entire universe of called and prerefunded bonds in one volume.

And now you can get the third-quarter volume, a 916-tome chock full of information on which, how much, and when. Here's a sample listing:

AK ANCHORAGE ALASKA TEL REV — *Total Amount Redeemed :* $8,465,000.00
TEL REV BDS
Series: 1983 — *Issue Amount:* 9,000,000
Sale Date: 08/24/83 — *Dated Date:* 09/01/83

Cusip	Coupon	Maturity	Redeemed Amount	Type	Date	Price
033267B53	10.250	09/01/99	$1,050,000	Prerefunded	09/01/93	102.00
033267J37	9.700	09/01/94	$260,000	Prerefunded	09/01/93	102.00
033267J64	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
033267J72	9.700	09/01/96	$315,000	Prerefunded	09/01/93	102.00
033267JM0	10.100	09/01/97	$740,000	Prerefunded	09/01/93	102.00

Some electronic services charge you $1 or more every time you log on to look up a Cusip. Compare those exponential costs to the one-stop shopping, fixed-cost of ***The Redemption Report,*** *and you'll be looking at substantial savings. After all, this volume gives you more than 11,000 cusips for $975. And you never have to log on.*

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Comment

By Kenneth F. Hall

Toward a Cease-Fire In the Banker-Lawyer War

I don't want a lawyer to tell me what I cannot do. I hire him to tell me how to do what I want to do."

With these words, J. Pierpont Morgan captured the essence of what bankers have for decades wanted from lawyers.

Given the high level of expectations his words embody, it should not be surprising that these expectations have been repeatedly stymied over the years, for even the finest lawyers cannot make laws and regulations disappear nor alter their provisions at will.

Yet Morgan's statement continues to represent the core of what bankers desire from lawyers. The principal source of bankers' antipathy is lawyers' repeated confounding – with each proviso or negative opinion or excessive bill – of bankers' expectations.

What to Expect

My purpose is to suggest what bankers can reasonably expect from lawyers and what steps than clarity of the solutions.

- Lawyers cannot produce realistic budgets (especially to fit alternative scenarios), manage them properly, or adhere to them.
- Lawyers' contribution to corporate operations and profits is too often difficult to measure, and lawyers take insufficient initiative in suggesting either what tools can be used to improve such measurements or what additional ways lawyers could contribute revenue or better support banks' revenue-producing units.
- When faced with a glut obstacle to business objectives, lawyers too often confine themselves to explaining in excess detail why something cannot be done without also (as J. P. Morgan would have demanded) suggesting solutions or offering alternatives that might make the banker's objective possible.
- Lawyers are too hard to control, both in terms of preventing unnecessary work (thus excessive billings) and determining where legal services and related costs can be trimmed.

A Few Proposals

These shortcomings leave bankers with only two basic choices: accept as inevitable that dealings with lawyers will frequently be an unsatisfactory and frustrating experience; or take the necessary steps to obtain more effective and economical legal services.

It is surprising, given the positive impact that better use of legal services can have on profitability and problem-solving, how many bankers adopt the former response.

In subsequent articles, I will explore how bankers might make better use of lawyers, communicate more effectively with them, and get more satisfactory responses and results from them.

For those who cannot wait, here are some immediate suggestions:

- Reduce the need for lawyers' services by determining what steps the bank can take internally to prevent problems from arising.

Areas for prime consideration include customer complaints and compliance-sensitive operations. Bankers should insist that units most vulnerable to legal problems have up-to-date policies and procedures and staffs that are appropriately trained in them.

- Regularly – monthly, bimonthly, or at most quarterly – conduct reviews of the legal expenses incurred by each unit of the bank.
- Have the bank's principal lawyers, whether external or internal, periodically report to management on what steps can be taken to minimize the need for their services on the matters on which they spend the bulk of their time, and how their services can be used or provided more effectively so as to reduce overall expense.
- Involve lawyers early in the planning stages for new products and services and proposed business activities. This will greatly reduce the need for costly rewrites and changes further in the development stage.
- Develop a more realistic set of expectations than evinced by J. P. Morgan of what can be required of lawyers, and communicate these expectations to the lawyers that serve the bank.

The latter point, of course, raises one of the principal issues bankers have in dealing with lawyers: specifically, just what can bankers reasonably and legitimately request of lawyers? In my view, bankers can rightfully demand that lawyers:

- Understand that their principal function is to further the interests of their client, the bank, and the lawyers' own interests must be subsumed accordingly.

A BANKER'S *list of lawyers' major shortcomings is long.*

- Gain a thorough understanding of how the client bank operates. This means going beyond a generic understanding of how banks function to gain an understanding of what are the particular client's needs and objectives, in both the legal and business sense.
- Always emphasize the practice of preventive law. This requires the bank's lawyers to learn where possible problem areas exist within the bank's operations and to suggest solutions.
- Communicate using terms that bank clients understand, rather than using legalese. Ideally, lawyers should eliminate the use of legalese in all their communications and documents, whether or not these involve a bank client.
- Keep the bank abreast of current developments of relevance to the bank's operations, preferably in a way that provides value as opposed to in a manner that is calculated principally to generate further business for the lawyers.
- Attend key management and staff meetings at which important business plans and decisions are discussed. This is particularly important for lawyers who are members of a bank's in-house legal department.
- Always explain clearly and in terms that are relevant to a bank's decision-makers the basis for any legal conclusion they have reached, and the risks of any transaction as to which the lawyers' advice has been requested.
- Communicate regularly on the progress and cost of significant matters, including advising whether alternative courses of action may better serve the bank (on a cost or other basis).
- Decline to make decisions that the bank's managers should be making, instead recognizing and communicating when additional input from the bank is appropriate or desirable.
- Will, when a proposed bank activity raises legal issues, seek solutions that permit the bank to proceed with the substance of the activity rather than merely stating why the specific proposal is not permissible and leaving it to bank management to try to come up with another way of accomplishing the objective.
- Hold to the highest standards of integrity. A lawyer who "winks" at or ignores a seemingly minor transgression to please the bank manager who hired him or her does the bank itself a tremendous disservice.
- Identify to the bank any situation in which an interest of the lawyers affects the lawyers' ability to respond in the manner most favorable to the bank.

For example, a law firm's concern with possible malpractice liability might lead the firm to be more conservative in rendering an opinion than is necessary, thereby depriving the bank of the best legal advice because of the firm's own pecuniary interest.

Always identify, as to any significant matter, alternative courses of action and alternative possible scenarios, contemplated by applicable budgets.

- Use the minimal resources needed to provide legal services properly and well, and refrain from spending the bank's money without prior (and periodic, where appropriate) approval.

Lawyers should exercise the same care with a bank's money that they would with their own. □

GIVEN THE HIGH level of expectations that bankers place on their lawyers, it should not be surprising that these expectations have been stymied repeatedly over the years.

Mr. Hall, formerly general counsel for Citibank's consumer banking business, is an attorney and author who lives in Alexandria, Va.

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Comment

By David V. Nosbisch

Don't Shut Banks Out of Student Lending

As a community banker, I am proud of the role that my bank plays in our town's economic well-being. Part of our job, as I see it, is helping maintain that economic health and growth for future generations.

That's one of the reasons why my bank – and thousands of other community banks throughout the country – make loans to students under the 20-year-old, public-private partnership of the Federal Family Education Loan Program.

But, as a banker, I am also deeply concerned about the economics of making loans to students. Recent proposals by the Senate may change the economics of this privately funded program substantially – with the unintended (I assume) consequence of curtailing students' access to loans in the future.

Diminished Role

The Senate has approved a bill that would significantly decrease the role of the private sector in making student loans by providing for a direct federal loan program.

The bill says that 50% of all loans for higher education would be government-funded by 1997. A similar bill passed by the House would make 100% of all loans federally funded by 1997.

Of even greater immediate concern to me is that the Senate proposal, through the imposition of a number of fees and other yield reductions – particularly on smaller lenders and their principal source of liquidity, Sallie Mae – would make many such lenders' participation in the program uneconomic enough to drive them out of the business altogether.

Crucial Liquidity

As a result, access to credit for tomorrow's students could be limited. Here's why.

Like most small lenders in the student loan business, my bank makes the initial loan and services it while the borrower is in school, before payments are due. When the loans come due, we sell them into the secondary market.

Institutions like Sallie Mae, state secondary agencies, and other banks buy these loans and collect on them. By selling the loans, my bank obtains funds to make more loans. Without this liquidity, it would be difficult to continue to make student loans.

As it now stands, the Senate bill would make lending a lot harder. It would impose a loan origination fee on lenders, transfer fees on secondary markets for loans they purchase, and a unique user fee on Sallie Mae.

It would reduce the up-front yield (the return the bank receives while the student is still in school and repayment has not yet begun) on these loans. For the big banks that can afford to hold loans through repayment, this is a good deal. Yet these institutions are constantly revaluating their participation in the program, based on a variety of internal and external factors.

Incentives Dry Up

For small banks like mine, which rely on Sallie Mae or other secondary markets – and which typically have a long-term commitment to education lending – the bill would devastate the economics of the business.

As Senate and House conferees meet to resolve the differences, I hope they think long and hard about the impact of what they are doing on all of the participants in the program – and, ultimately, the beneficiaries of the program: students.

From a public policy perspective, we can all agree that making more funds available to more students is a desirable goal. Achieving that goal by making it more difficult for small lenders to stay in the business is counterproductive.

Make Bill More Equitable

Community bankers believe it is in the public's best interest to keep the private-sector-based program viable. The House-Senate conferees should consider ways to make the current bill more equitable.

Substituting a life-of-the-loan reduction in yield for the up-front reduction, eliminating loan origination fees, and not secondary market transfer fees, and deleting from the legislation user fees on Sallie Mae would make for a more equitable program.

Smaller lenders need to know that participating in the student loan program can be economically viable, and we encourage Congress to take that into consideration as it makes a final decision on the student loan program. □

SMALL BANKS *enhance their communities' economic health by helping to fund college educations.*



Just for the record, GMAC Mortgage and GMAC Residential Funding Corporation are not being sold.

We're still GMAC. And as one of the nation's largest mortgage providers, that means we service the loans of over 480,000 customers, totaling more than $41 billion.

But that's not all. We're pleased to announce that through June of this year, $3.4 billion in new loans has been funded through our nationwide network of 100 branch offices.

What's more, GMAC Residential Funding Corporation continues to be one of the leading firms in the private mortgage securities market, purchasing residential mortgage loans from hundreds of correspondents nationwide. So far, over $6 billion in mortgage securities has been issued this year. And RFC's warehouse lending commitments now exceed $2 billion.

Most important, we're proud to be part of the GM organization. It's a family we feel very much at home with.

GMAC Mortgage

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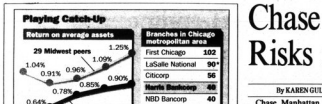
Mr. Nosbisch is president of Durand State Bank, Durand, Ill., and chairman of the Independent Bankers Bank of Illinois.

Playing Catch-Up

Return on average assets



Branches in Chicago metropolitan area	
First Chicago	102
LaSalle National	97
Citicorp	56
Harris Bankcorp	48
NBD Bancorp	40
First of America	27
Comerica	24
Old Kent Financial	20
Banc One	16
Firstar	15

*Includes pending acquisition of Chapin Federal Bank for Savings

Sources: Company reports, Keefe, Bruyette & Woods Inc., Sheshunoff Information Services

Bank of Montreal Feels Heat from Chicago Deal

Continued from page 1

Community Focus

of assets, it lags behind many Midwest banks in profitability.

Its return on average assets in the past four years has significantly trailed that of 29 of its midwestern peers, according to Keefe, Bruyette & Woods Inc. In the first quarter Harris' ROA of 0.90% contrasted with 1.25% for its rivals, widening from a 24-basis-point differential for all of 1992.

Bank of Montreal also has endured some frustrating years of waiting on the acquisition sidelines as a result of poor ratings that Harris received from regulators on compliance with the Community Reinvestment Act. The delay forced the company to cancel two purchases of small banks in the Chicago area in the past three years.

"Harris is a good resource that has been underutilized," said Roy Palmer, an analyst at Bunting, Warburg Inc. of Toronto. "Changes were overdue."

In a recent interview, Mr. McNally said growth is the cure for what ails Harris. His top priorities are retail and small-business lending – areas that depend on a much larger grass-roots presence in Chicago.

Mr. McNally said he is intent on expanding Harris from 40 branches to 120. He also said that he must instill an aggressive marketing culture at the bank to get the job done.

But even in the best of circumstances, Bank of Montreal acknowledges it has a severe growth handicap – Canadian banking laws that prohibit pooling-of-interest mergers in which a bank's stock is used as currency to buy another company.

Paying cash for purchases is costly because the goodwill – the premium over book value a bank pays – eats into Tier 1 capital and cuts reported earnings as it is amortized.

Nevertheless, Bank of Montreal will consider purchases in Chicago, said R.F. Adams, manager of investor relations. Ideally, he added, the burden of cash purchases will be eased by the cost-cutting and productivity gains Mr. McNally will achieve.

In the meantime, Mr. McNally is talking about building new branches from scratch – an expensive and lengthy process.

Many analysts who follow Bank of Montreal support its midwestern ambitions, despite the downturn. The company has few growth opportunities left in the highly consolidated Canadian markets.

Chase Taps 3 Execs to Track Risks in Rate-Sensitive Areas

By KAREN GULLO

Chase Manhattan Corp. has formed a three-person senior management team to monitor risk exposure in its burgeoning swaps business and other interest-rate-sensitive activities.

The team will be headed by James Garnett Jr., a vice president who was named Chase's global market risk executive, the company said Thursday.

Chase, following the lead of some senior bank regulators who have publicly worried about risks in the largely unregulated swaps markets, said it is dividing its risk-monitoring committee into three areas.



James Garnett Jr.
Will focus on market risk

Assessing Market Risk

Mr. Garnett, who had been in charge of risk management for interest rate derivative products in North America, will specifically focus on market risk in products related to interest rates, foreign exchange, bullion, commodities, and equities.

The other two team members are Michael Davis, a senior vice president, who will oversee transaction and counterparty risk, and Rupinder Puri, a senior vice president who will handle operations risk.

All three executives report to Mark Grier, executive vice president in charge of the Chase's global risk management unit.

Until now, risk management was handled on a product-by-product basis in Chase's three primary markets – North America, Europe, and Asia-Pacific.

Consolidated View

"We take positions in various markets that net and offset each other," said Mr. Garnett. "If we're going to move our capital efficiently, we must look at it on a consolidated basis."

Chase, whose senior debt ratings were raised one notch to Baa1 by Moody's last week, has been increasing its derivative markets activities.

Other leaders in the market have similarly consolidated risk-management functions to get a bigger picture of their overall corporate exposures. □

Treasury Dept. to Give Texas Police Access to Cash Transaction Records

By JOHN RACINE

DALLAS — U.S. Treasury officials on Thursday said they plan to open their computerized records of currency transactions filed by banks to Texas law enforcement officers.

The unprecedented move is aimed at cracking down on money laundering, according to officials speaking at a House Banking Committee hearing in San Antonio.

Currently, local police must file time-consuming requests for information with the Internal Revenue Service, impeding their ability to efficiently track the flow of cash through the banking system.

Assistant Treasury Secretary Ronald K. Noble said his agency would give Texas law officers the new level of access beginning Sept. 1, according to remarks prepared for presentation.

Program Could Spread

Called Project Gateway, the pilot program could eventually be extended to police in all 50 states. He said. Under the experimental program, Texas police would have access to records of about 50 million transactions that banks must file with the IRS whenever $10,000 or more in cash is deposited.

The program could eventually be extended to police in all 50 states.

"Quick and complete access to this data base will prove a boon to state and local law enforcement officials seeking a paper trail to lead them to the money launderers," said House Banking Committee chairman Henry B. Gonzalez, a Democrat from San Antonio.

The initiative does not address requests from bankers for relief from the cash-reporting paperwork required by the federal Bank Secrecy Act. Banks file about 9 million currency-transaction reports annually, but say most concern routine transactions.

Mr. Gonzalez said in late May he would consider regulatory relief for banks as part of any new anti-money-laundering legislation. No specific proposal has yet been made public.

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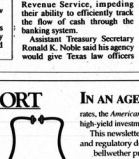

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EXECUTIVE *changes*

Natwest Promotes DeCandido, Felicetti, and Smith to Senior VP

National Westminster Bancorp, Jersey City, has promoted **Joseph P. DeCandido, John Fe-**



Joseph DeCandido

Brett K. Smith

to senior vice president. The $22 billion-asset subsidiary of the British giant operates 260 branches in New York and New Jersey through **National Westminster Bank USA** and **National Westminster Bank NJ.**

Mr. DeCandido runs the wholesale banking operations division, which includes funds transfer, trade services, custody services, and commercial loan operations. He joined Natwest in 1987 and had previously been responsible for its funds transfer department.

Mr. Felicetti heads the operations and systems division of the financial markets group and is responsible for the processing and settlement of the group's transactions. He joined Natwest in 1989. Before that, he had been a managing director of County Natwest Government Securities.



John Felicetti

Mr. Smith will head strategy and operations in the wholesale banking sector, which markets to companies with more than $15 million in annual sales. He joined Natwest in 1991 after working for Crestar Bank.



Brett K. Smith

National Westminster Bancorp is a subsidiary of **National Westminster Bank PLC**, London.

— **Franklin Smith**

NEW ENGLAND

FLEET FINANCIAL Group, Providence, R.I., named **Simon Tahan** a vice president in the consumer banking group at **Fleet Bank, Providence.**

Mr. Tahan is an area manager of the six branches in the East Bay area, which infcludes the East Providence and Bristol County branches.

Michael J. Mahoney has joined **Fleet Investment Services,** a subsidiary, as a vice president in the institutional sales department.

MIDWEST

MERCANTILE BANK of St. Louis, principal subsidiary of **Mercantile Bancorp,** said four people have been promoted to assistant vice president.

They are **Jon L. Middendorf** and **Laura L. Ogilvie** of the consumer banking department, **Allen W. Strother** of the trust investment trading department, and **Maurice E. Taylor Jr.** of the consumer banking department.

Judy A. Niebrugge has been named an accounting officer of Mercantile Bancorp in the controller's department.

THE FEDERAL HOME Loan Bank of Des Moines named **Jerry Ferguson** first vice president in the finance department. Mr. Ferguson is responsible for loans to member financial organizations and for the credit marketing function.

New assistant vice presidents are **David Hibbs,** who will assist in the supervision of the bank's credit function in the finance department; **Steve DeVenney,** director of member investments; and **David White,** director of corporate planning for the bank.

SOUTHEAST

SOUTHTRUST BANK of Alabama, Birmingham, has promoted **Carol H. Tiarsmith** to controller, management accounting-controller department; **Daniel D. Goff** to vice president, bank card center administration; **Stephen F. Vickery** to vice president, metropolitan lending administration; **J. Denny Ragland** to vice president, direct loan centralization; **Rachel L. Popwell** to assistant vice president, funds management group; **Phillip E. Brannon** to assistant vice president, branch administration support; **John T. Norman** to consumer leasing officer; **Anthony W. Grafals** to compliance officer, and **Lajoana S. Bradford** to branch officer, Southside.

SOUTHWEST

HIBERNIA National Bank, New Orleans, a subsidiary of **Hibernia Corp.,** has added three officers to its private bank.

They are **Chandler R. Craig Jr.** and **Guy P. Brierre,** who were named vice presidents, and **Jack G. Legendre,** named an assistant vice president.

Mr. Craig, co-manager of the New Orleans private banking department, had been a vice president and section manager in private banking at First National Bank of Commerce.

Mr. Brierre also was associated with First National's private bank.

Mr. Legendre will manage the executive and professional section of Hibernia's private banking department. He formerly was associated with First National's private banking operation.

Russell S. Hoadley has been named senior vice president of public affairs and marketing.



Russell S. Hoadley

Mr. Hoadley previously was director of corporate communications at Barnett Banks Inc.

In addition to public affairs and marketing, Mr. Hoadley's group will also include the corporate communications functions. □

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For many bankers, the thermometer is a lagging indicator of the heat they feel in handling current regulations and guessing the Clinton administration's next moves. But we've got a way to help you keep cool: *American Banker's Washington Watch.*

We broke the news about the plans by credit union trade associations to branch cross-country. We warned readers that the FDIC will crack down on banks and thrifts that aren't paying enough for insurance, and that the Fed was flirting with examination fees. We also uncovered plans that would let banks pay less for deposit insurance provided they set up certain special programs.

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How to Avoid Being Stuck With a Laundering Bill

Washington Watch

CHARLES H. MORLEY, a consultant specializing in fighting financial crime, says community bank executives must confront even their best customer if they suspect an unusual transaction.

The president of the Arlington, Va.-based Morley Group says there's much at stake. The government can revoke a bank's charter and seize property, and executives can face stiff jail terms.

A former special agent with the Internal Revenue Service, and a chief investigator with the Senate permanent subcommittee on investigations, Mr. Morley formed his firm in 1985. It offers advice on financial crimes to banks, U.S. government agencies, and foreign governments. It also produces videos detailing how crooks launder money. He had this to say to American Banker *reporter Bill Atkinson.*

Q.: Do community banks have to worry about money laundering?

MORLEY: The answer to that is yes. I think they are extremely vulnerable. They don't realize the dangers they face.

Q.: Who should they keep an eye on?

MORLEY: The bad guy could be a local car dealer. They have to worry about a local businessman bribing a zoning commissioner and manipulating a bank account to free up the money. We are talking about the average person.



Charles H. Morley

Q.: What can small banks do to keep the crooks out?

MORLEY: Obviously, you have to follow government regulations exactly. If it becomes known that your financial institution knows what the laws are . . . that goes a long way to keeping [unscrupulous] people out of your bank, especially the professional bad guy.

Q.: What else?

MORLEY: Knowing your customer is obviously something banks have always had to do. Any type of unusual transaction, even though you know them, should draw your attention. It is extremely difficult to question them . . . you just have no choice.

Q.: What should a bank do if the government begins a money laundering probe?

MORLEY: The first thing you do is get excellent legal advice. Get criminal counsel who has experience in these areas because these are fairly recent laws.

Q.: What else?

MORLEY: Obviously, you have to cooperate with the government fully. You have to bend over backwards. Don't give the government anything without making a photocopy of it. Your best defense up front is to have a very complete, thorough compliance system in place long ago. Sure it costs money . . . but it is chump change compared to what you are going to have to spend if you have to defend yourself.

Q.: What is the government going to want?

MORLEY: When the government comes in, simply bury them with paperwork. It is extremely important to have a corporate memory of all of the things you have done. That to me is one of the best defenses you could have.

Indiana's Super-Profitable Irwin Doesn't Fear End of Refinancings

By ROBERT B. COX

CHICAGO — Irwin Financial Corp. officials assured investors this week that the Columbus, Ind., banking company would remain profitable should the current boom in mortgage refinancings go bust.

"We are much less exposed to a jump in interest rates than the industry as a whole," president John A. Nash told analysts and investors in Chicago.

Irwin's community banking unit has been somewhat eclipsed by the stellar performance of its Indianapolis-based mortgage subsidiary – an uncommon line of business for community bankers. Inland Mortgage Corp., with a $5.5 billion servicing portfolio, accounted for roughly 80% of the banking company's earnings in 1992.

ROE Was 26.5% Last Year

Last year Irwin Financial earned a whopping 26.5% return on equity, or $4.46 per share, ranking it among the most profitable community banking companies in the Midwest.

In addition to Inland, Irwin is the parent company of $439 million-asset Irwin Union Bank & Trust Co., Irwin Union Investor

The mortgage unit accounted for roughly 80% of Irwin Financial's earnings in 1992.

Services, and Affiliated Capital Corp., an equipment leasing firm in Northbrook, Ill.

Irwin is hedging against a future slowdown in mortgage refinancings by holding mortgage servicing rights off its balance sheet.

By doing so, the company said, it can sell the servicing rights at a later date – presumably when refinancing income tapers off in a high interest rate environment.

A Common Strategy

The strategy is commonly embraced by large mortgage banks such as Fleet Financial Group's mortgage unit and Countrywide Credit .

"By doing this, they have the ability to continue to report strong profitability even in a high interest rate environment," said Dan Coughlin, a community bank analyst at Howe Barnes Investments, Chicago.

Had Irwin sold its servicing rights in 1992, Mr. Coughlin estimated, it would have added $7.19 per share, for total earnings of $11.65 per share.

Still, Irwin's stock trades at a low multiple of nine times earnings, hovering at about $44 this week.

The shares are thinly traded, as much of the stock is controlled by the family of Will Miller, the company's chief executive. □

A $250,000 Threshold for Real Estate Appraisals Would Cut Costs for Banks and Their Customers

By BILL ATKINSON

Legislative Mailbag

Federal banking regulators are backing a proposal to boost the threshold at which a bank would need an appraisal for a real estate loan. If regulators have their way, the threshold will be lifted to $250,000 from the current $100,000 mark.

Bankers are behind the move. They say the threshold is too low and drives up loan costs. The appraisal industry begs to differ.

The following are excerpts from comment letters sent by bankers to the Federal Deposit Insurance Corp.:

I would like to applaud the FDIC for its concern about high appraisal cost to the borrower. In our rural area, there are only two certified appraisers. Their fees increased 200% when appraisals were required by law. Please continue your efforts to decrease unnecessary regulations.

Tyrol Q. Carson
President
Merchants and Planters Bank
Sparkman, Ark.

The proposal is a positive step. This writer strongly supports these changes and believes that the benefits to consumers and the economy will far outweigh any adverse potentials.

John J. Jenkins
President
Tri-County Community Bank
Lehigh Acres, Fla.

I want to go on record opposing the new real estate appraisal regulations. . . . I am completely disappointed with the continued changing or watering down [of] the high appraisal standards we have worked hard to achieve. Don't change anything that is now in place.

Alvin J. Prosser
Certified state general appraiser
Great Bend, Kan.

Raising the appraisal threshold from $100,000 to $250,000 will help by speeding up loan approvals and reducing the cost both for ourselves and our borrowers on small loans. We feel the appraisals we get are practically worthless.

James D. Bennett
President
First Citizens Bank
Billings, Mont.

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Margaretten's Chief Laying Groundwork for the Future

By EDWARD KULKOSKY

Felix Beck, chairman of Margaretten Financial Corp., is a happy man these days. And small wonder.

No longer hostage to the quarterly earnings demands of a parent company, he is master of his own destiny and can run the mortgage banking company by his own lights.

So far, those lights have been shining brightly. Since being spun off by Primerica Corp. in February of last year after almost seven years as a subsidiary, Margaretten has grown rapidly. For 1992, it reported earnings of $25.8 million, up from $17.1 million in 1991 and $4.3 million in 1990.

High Hopes For June

Mortgage originations have grown from $3.1 billion in 1990 to $7.8 billion in 1992. And a big June is expected to put the company well ahead of its lending pace of last year.

"In this business, you can see dynamic changes taking place every minute. You don't have to wait a long time to start seeing the changes," he says. "We can watch the market grow and see our company growing by the minute."

To keep that growth on track for the long haul, Mr. Beck, 67, has been carefully grooming a successor, David A. Frank, 46, who is now president and chief operating officer.

The company has enjoyed rapid growth since going solo last year.

Mr. Beck says of the Margaretten president: "He's a very good manager and a superb leader." He is also Mr. Beck's occasional doubles partner at tennis.

A major strategic change instituted by Mr. Beck is the retention of most servicing rights. Under Primerica, a large percentage of servicing had been sold. Now, Margaretten is building its portfolio not only through originations but also with purchases.

In September 1992, the company bought $7.6 billion of servicing rights from NationsBank. As of June 30, it had about $15 billion of mortgages under its wing, a level that could put it among the top 25 servicers in the midyear rankings.

Margaretten has been well up in the top 25 as an originator, but it had been a minor player in servicing because of its sales of the rights.

"The servicing portfolio is important to us because it makes us less vulnerable to interest rates and to the housing cycle," Mr. Beck explains.

Profits from servicing can vary widely according to the composition of the portfolio and prepayment experience. A $15 billion holding could, under favorable conditions, bring as much as $15 million a year to the bottom line, analysts suggest.

Mr. Beck isn't content merely building a long stream of profits from servicing. He wants Margaretten to become a bigger force. "In recent years, we had less than 1% of the originations market," he says. "Now we are headed toward about 1.25%, and I'd like to be at 2% by 1995."



Edward Stamelman

DAVID FRANK, left, is Felix Beck's choice to succeed him as chairman of Margaretten. Outside the office, they are tennis partners.

That market share could mean $16 billion or more in originations in 1995, about double what Margaretten did last year and almost four times its 1991 score.

About the only negative for Margaretten these days is the price of its stock. The company went public in February 1992 at $20 a share but has traded as low as $13.50 this year.

Price Under Pressure

More recently, the stock, well-regarded by analysts, has been trading at about $17.50, about 10 times 1972 earnings. Uncertainties over the durability of the refinancing boom may be holding the price down.

Will the economy and interest rates cooperate with Mr. Beck's ambitions for Margaretten? He thinks so. And in fact, he thinks an end to the refinancing wave could help the company.

"Things are good now. But we can see an even better cycle than we have now: a moderate rise in interest rates – say 100 basis points – because of economic gains," he says. "Purchase activity would be even stronger."

Should such a scenario come to pass in the next few years, the runoff from the servicing portfolio would also slow. And, Mr. Beck says, moderate appreciation in housing values would help people to trade up to costlier homes.

The only negative scenario, he says, would be a very rapid increase in rates in a short time – say 200 basis points in nine months – that would not give lenders time to adjust.

Mr. Beck is clearly giving David Frank plenty of time to adjust to the idea of running Margaretten one day.

Mr. Frank has been the company's president and chief operating officer since 1991. Before joining Margaretten in 1989, Mr. Frank was an executive with Primerica, and according to a company biography, was instrumental in restructuring American Can Co. into Primerica, a financial services company.

He will clearly play a leading role in Margaretten's future, but how soon he will take the helm is unclear. Mr. Beck appears to be having such a good time running the company that he has no immediate plans to retire in favor of Mr. Frank.

"When I was the younger guy working with one of the founders of Margaretten, I used to look on it as old elegance and new style," he says. "Now that the tables are turned, I look on it as seasoned elegance and new style."

His words seem to fit his working relationship with Mr. Frank. "David brings to the table strength in technology, in budgeting, in mergers and acquisitons, and in all aspects of cost control," he says.

Working on Relationships

For his part, Mr. Beck personally spends "a significant amount of time on relationships with all of our customers because I have known them over many years, and in secondary marketing and in M&A as well."

The NationsBank deal that Mr. Beck engineered is now looming large in the company's growth plans because it included a servicing operation in Richmond. That facility has increased Margaretten's servicing capacity and enabled it to cut costs by closing its Perth Amboy, N.J., servicing center.

The company is also building its wholesale business – purchases from brokers – which it started in 1990. The division expanded into Texas and Washington State last year. A correspondent division, which acquires mortgages through smaller banks and thrifts, was also begun last year. □

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Banks Add Global Funds to Equity Menu

By KEITH DuBAY

In the name of diversity, banks are rushing to add international mutual funds to their equity buffet tables.

And while international funds are not exactly the most coveted of menu items, bankers say the funds would take off if overseas markets become hot and U.S. stocks slow down.

Those banks already in the international business believe they are best positioned to take advantage of such events.

It hasn't gone unnoticed in the banking community that foreign stock markets account for two-thirds of the trading volume in the world.

"There's a tremendous interest on all investors' part in diversifying globally. Banks are just trying to get in front of that," said George Mullen, senior vice president of marketing for Fiduciary Trust Co. in New York.

Assets of $114 Million

Fiduciary manages two FT Series funds, International Equity Class A and C for the Federated fund group in Pittsburgh. The

Hot overseas markets could make the funds popular.

funds have $114 million in assets combined.

Of the 43 bank-related international equity funds tracked by Lipper Analytical Services Inc., 32 have been introduced since 1990. Recent offerings by La-Salle National Trust, which wheeled out four international Rembrandt funds this year, and the Boston Co.'s Institutional fund are but a few examples of the trend.

Total assets in these funds are relatively small – $2.5 billion. And not all of these funds are managed or sold by banks. Seven of the names on the Lipper list have tangential relationships to banks.

For example, Lipper lists any fund associated with a bank in any way, such as the $943 million Vanguard World: International Growth fund. Vanguard is a no-load fund group that doesn't sell through banks, but the fund's advisor, Shroder Capital Management International Inc., is a bank.

'A Nice Balance'

Bankers aren't claiming that offering international funds will be big business.

"We're not suggesting people go crazy. It just adds a nice balance to a person's portfolio," said LaSalle's senior vice president of marketing, Paul Kampner.

"To ignore international markets is to ignore a large portion of the world's capital and I don't think investors can afford to do that. Our view is a world view and a properly structured portfolio should have international exposure," Mr. Kampner added.

Most of the bank-owned or managed funds grew out of foreign operations of large banks. To wit: LaSalle is owned by ABN Ambro, the $242 billion Dutch bank with 1,800 offices worldwide. The 16 Rembrandt funds debuted this year with $1 billion from ABN's trust operations. Because the bank has been managing assets worldwide for 125 years, Mr. Kampner said it was simple to "clone" an existing fund-management system.

Mr. Kampner said "most banks will admit" they don't have the ability to manage foreign stock funds, and therefore must hire someone else.

Getting Started

Banks without worldwide presences may find it hard to convince trust customers to invest in a new international fund. Getting started and establishing a track record are the biggest obstacles.

The challenge for smaller banks, Mr. Kampner said, "is to get money to fund it. Typically, they get it from their own pension fund."

And, he added, investing in international funds is novel idea for many investors. "People don't understand the foreign markets and it's never going to be a big seller. The investor is not going to walk into a bank and say 'I'm going to invest internationally.' Excuse the pun, but it's foreign to them."

NationsBank manages its $104 million International Equity fund through its London subsidiary, Panmure Investment Management Ltd., which oversees $1 billion in assets. In 1991, NationsBank took apart an international common trust fund, combined it with bank pension funds and had a $60 million head start.

Expensive Operation

It's more expensive to run a foreign mutual fund, too. Custodial arrangements have to be set up in many countries. Different currencies necessitate larger accounting staffs to value the fund. And qualified managers have to be found.

"It takes a pretty good slug of money to put together a staff

See BANKS ADD page 18

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Microsoft Corp. Eyes Banks for Its Next Big Battle

Continued from *page 1*

the bank PC market: Of the 305,000 personal computers at banks, 88% run on Microsoft operating systems, according to an *American Banker*/Ernst & Young survey.

But the next battleground – and the more crucial one – is over the operating systems that will link PCs into networks, a process known as "client-server" computing. The goal: to enhance the power of low-cost PCs while reducing reliance on multimillion-dollar mainframes.

"Take this from a former bigiron bigot, there is absolutely a move to client-server" computing in banks, said George DiNardo, a technology consultant at Coopers & Lybrand who was formerly Mellon Bank Corp.'s systems chief. "And in this area, everybody's watching Microsoft."

But Microsoft is a long way from having a lock on this fledgling market. Over the next decade, it faces stiff competition from other software giants, like Novell Inc., Lotus Development Corp., and Oracle Corp., all of which are fighting for a share of the business. The *American Banker* will profile these firms in future installments of this series.



Alan Levenson

MICROSOFT BEGAN targeting financial firms in 1991, after years of developing mass-market software. "It's a big market," says Bill Gates.

'A Big Market'

Microsoft decided to start targeting financial firms in 1991, after years of developing mass-market software that was sold through the broadest of distribution channels.

When asked recently why banking was chosen for Microsoft's first foray into industry-customized software, Mr. Gates replied in his trademark no-nonsense style: "It's a big market."

But then Microsoft's chief executive became more contemplative. "Actually, it's more complicated than that," he said. "Banking has a lot of unique requirements and specialized systems, more so than other industries. We wanted to make sure we were giving bankers the right tools."

Operating System Leader

Technologists say Microsoft's influence lies in its expertise in operating systems, the programs that control a computer's basic functions. MS-DOS, the Microsoft PC operating system that started the company on its meteoric rise, is now being supplanted by Windows, designed to be easier for PC users to understand because it relies on graphic symbols to initiate commands, rather than DOS' often bewildering codes.

Gains by Windows

Like DOS, Windows has become a major money-maker for Microsoft, and the operating system has seen swift adoption in the normally conservative banking industry. Nearly a quarter of a million PCs in financial institutions now run Windows, according to the *American Banker*/Ernst & Young survey.

There's anecdotal evidence regarding the growing presence of Windows, as well. At Chemical Banking Corp., executives recently set up an technology exhibition to show employees the bank's latest systems projects. About half of the demonstrations – from branch systems to sophisticated workstations that control the bank's huge data centers – used Windows.

"Windows really improves the productivity of the PC and it makes it easy to integrate applications," said Alfred S. Dominick Jr., executive vice president of retail banking at Boatmen's Bancshares in St. Louis.

Boatmen's is currently using a DOS-based branch automation system from Ampersand Corp., and Mr. Dominick said he is "anxious" to install the software package's new Windows-based product.

Making Up

It's noteworthy that Microsoft's focus on banking followed its high-profile divorce from IBM in 1990, when Mr. Gates pulled back from his support of IBM's successor to DOS, called OS/2, in favor of Windows. Some bankers who had made significant investments in OS/2 were angered by Microsoft's turnaround.

"I think Bill Gates realized he owed the industry an explanation, and that we had to communicate an architecture so they could plan for the future," said Bill Anderson, head of Microsoft's industry marketing group, who was hired in 1991 to help patch things up with banks.

But it was more than just dollars. "We put a lot of our hard-core technical types to work on banking," Mr. Gates said.

The result was a number of enhancements to Windows designed to help integrate banking-specific hardware like passbook printers and cash dispensers, as well as providing better data communications in which Windows workstations could be easily linked with banks' IBM systems.

'Market Power'

Microsoft officials say these moves helped make it easy for banking software developers to work with Windows. At the American Bankers Association annual technology conference in May, more than 100 software firms demonstrated Windows-based products, according to Michael Rawding, Microsoft's financial industry marketing manager.

But some bankers question that rationale. "I don't think Microsoft necessarily leads from a technology standpoint, but they're shrewd businesspeople," said Peter Purcell, senior vice president of application development at First of America Bank Corp., a $17 billion-asset institution based in Kalamazoo, Mich. "They lead through market power."

Mr. Purcell said he also thinks some one-upmanship in the OS/2-Windows rivalry is involved. He notes that when IBM last year canceled a high-profile project to create a commercial lending system based on OS/2, Microsoft quickly signed up two of project's third-party developers to move their software to Windows. "I think Gates wants to succeed when IBM has failed," he said.

The NT Factor

While it appears Microsoft has won the battle for the desktop, that addresses only part of the client-server equation. Many bankers are still undecided about what kind of operating systems to use on computer servers, the machines that will hold much of the critical data and process transactions for the PC "clients."

Microsoft hopes to tackle this market with Windows NT, which is expected to be delivered this summer after five years of development at a cost of more than $150 million, by far the company's most ambitious project to date.

Windows NT has been called an "industrial strength" operating system, because it offers system and network management capabilities as well as data security features that previously existed only on software for mainframes or midrange systems.

Broad Applicability

The system also has the advantage of running on a wide range of hardware, including PCs using Intel Corp. microprocessors, Digital Equipment Corp. workstations equipped with its new Alpha chip, and even a mainframe-class machine from NCR Corp.

To provide all these capabilities, Windows NT contains 4 million lines of code and requires at least 12 megabytes of a computer's main memory to run, much more than DOS or the original Windows.

Microsoft officials said that while a few desktop PCs in banks may migrate to Windows NT, such as for trader workstations, most installations will be on the more powerful servers.

Many banks are feverishly testing NT, including Citicorp, Bankers Trust New York Corp., and Barclays Bank, although most bankers are loath to talk about what they want to do with it for competitive reasons.

First of America is looking at client-server systems using Windows NT, OS/2, and the Unix operating system, Mr. Purcell said.

See next page

Continued from *page 12*

said.

"I may be in the minority as to why we need NT," he said, adding that OS/2 may have a leg up when networking with IBM mainframes is involved. "You don't have to be a rocket scientist to figure out that no one talks to IBM better than IBM."

But he was quick to add that Windows will succeed if banking software developers move to it. "If a great application comes along that runs only on NT, then I'll use it."

Need for Vendors

Microsoft officials say they are acutely aware of the need to sign up application software vendors. To meet that goal, Mr. Gates put his Windows NT product manager, Dwayne Walker, in charge of the company's third-party software organization last month.

"We could hire an army of people to write banking applications, but we'd prefer to find the experts already out there and work with them," Mr. Walker said.

He added that while the biggest banks, like Citicorp and Bankers Trust, which write their own applications, will get individualized treatment, Microsoft prefers to let its third-party developers provide most of the technical support for smaller banks.

The crucial fight is over the operating systems that will create networks.

"If we tried to support everybody ourselves, we'd end up like IBM with tremendous headcount, and nobody, including IBM, can afford to do that anymore."

Microsoft is actively courting banking systems vendors that have software running on midrange and mainframe systems to convert to Windows NT, and officials said they expect a number of major announcements in that area later this year.

Mr. Gates also revealed that his company is involved in talks with some financial institutions regarding the use of the Microsoft Money personal finance program for home banking systems, although he declined to be more specific.

The company, based in Redmond, Wash., is also making improvements to its own PC application software, such as its popular Excel spreadsheet program, so banks can customize the software for specific banking tasks using what is known as "object-oriented" programming.

This technique lets software developers break up programs into pieces that can be rearranged as the need arises, vastly reducing the time it takes to develop new systems.

While bankers appreciate all the whiz-bang technology that Microsoft is bringing to the table, they also seem equally thankful that the company is trying to apply a sense of order to the increasingly chaotic world of computing. "It all boils down to this: How many promised lands are we being led to?" Mr. Purcell said. □

Swedbank Buys Fax Unit for Sensitive Data

By WILLIAM PISEK JR.

Swedbank New York has purchased a new facsimile machine that provides security for confidential documents and saves money now spent on courier services.

The machine, developed by Seal System, Greenwich, Conn., can encrypt fax signals and provide special handling of fax printouts. It collects all the pages of a fax transmission and seals them securely in a plastic envelope. The envelope then can be delivered to the intended person without the risk of unauthorized access to its contents.

The envelope is deposited in a strongbox below the machine that can be opened only by authorized personnel.

"We use the machine to receive and send sensitive documents between our offices in Europe and in New York," said Kaj Norberg, general manager of Swedbank's New York operation.

The system, called SealFax, allows Mr. Norberg to transmit messages between the bank's offices in Stockholm, London, Brussels and Luxembourg, as well as to important clients.

Risk of Tampering

Traditional fax transmission, he noted, runs the risk of being tampered with. For this reason, the use of registered letters or courier mail has become a norm at the bank. However, this mode of delivery proved to be time-consuming and very costly.

"The growing expense and reliance on courier services at our bank was a reason to find another way to move important papers," Mr. Norberg said.

"Before, you could fax something but you could never know for sure who had seen it. With this new machine, I feel more comfortable about security."

Seal System's encryption feature ensures that transmissions are not intercepted.

At the receiving end, the message is automatically decrypted. Users are assigned a smart card and a PIN-number.

Swedbank has begun using the fax system in such areas as funds transfer, contracts and agreements, credit reports, and other confidential documents.

The brain of the machine is a sophisticated microprocessor. SealFax can also be interfaced with a personal computer and printer.

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CITATION NOTICES

File No. 3586-1991
CITATION
THE PEOPLE OF THE STATE OF NEW YORK,
BY THE GRACE OF GOD,
FREE AND INDEPENDENT,
TO Gary Rawls;
Tanaka Rawls;
Barbara Lee as guardian of Benjamin F. Rawls III;
Benjamin Rawls, Sr.;

And to the distributees of Benjamin F. Rawls, Jr., also known as Benjamin Rawls, Jr., deceased, whose names and post office addresses are unknown and cannot after diligent inquiry be ascertained by the petitioner hereinafter, to the said unascertained ex creditors, legatees, devisees, beneficiaries, distributees or otherwise in the estate of Benjamin F. Rawls, Jr., also known as Benjamin Rawls, Jr., deceased, who at the time of his death was a resident of 630 Lenox Avenue, New York, N.Y.

Send Greeting:

Upon the petition of the Public Administrator of the County of New York, having her office in Room 311, in the Surrogate's Court, New York County, in Room 509 31 Chambers Street, New York, N.Y.,

You and each of you are hereby cited to show cause before the Surrogate's Court of the State of New York, New York County, in the County of New York, on AUGUST 25, 1993, at 9:30 a.m. in the forenoon of said proceedings of the Public Administrator of the County of New York, as administrator of the goods, chattels and credits of said deceased, should not be judicially settled, why a bond should not be held to determine the identity of the distributees of decedent and why the fee of Phillip Bekerman, P.C., in the sum of $4,125.00, of which $2,475.00 has been paid, should not be approved and reasonable additional fee be fixed and allowed to Phillip Bekerman, P.C., for any services to be hereafter rendered by Phillip Bekerman, P.C., in connection with proceedings on kindred matters, and for the payment of a final decree on this accounting.

Dated, Attested and Sealed, June 24, 1993.
(L.S.) EVE PREMAZON
A Surrogate, New York County
ROBERT M. HEARN
Chief Clerk

Name of Attorney: Philip Bekerman, P.C.
Address of Attorney: 291 Broadway
New York, New York 10007
Tel. No. (212) 732-9400

SURROGATE'S COURT
OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
File No. 5346-1992
CITATION
THE PEOPLE OF THE STATE OF NEW YORK
BY THE GRACE OF GOD
FREE AND INDEPENDENT,
TO
Attorney General of the State of New York,

The heirs at law, next of kin and distributees of LEON J. NORRIS, the decedent herein, if living and if any of them be dead, to their heirs at law, next of kin, distributees, legatees, executors, administrators, assignees and successors in interest whose names are unknown and cannot be ascertained after due diligence.

A petition having been duly filed by Ethel J. Griffin, Public, who is domiciled at Administrator of the County of New York, 31 Chambers Street, Room 311, New York, New York 10007.

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court, New York County, at Room 509 31 Chambers Street, New York, on Aug 11, 1993, at 9:30 a.m., why a decree should not be made in the estate of Leon J. Norris, deceased, who was a resident of 2 Lenox Ave New York, New York in the County of New York, admitting to probate as a will of real personal property a paper dated August 19, 1963, (a copy of which is attached), and ordering that Letters of Administration with the Will Annexed issue to the Public Administrator of the County of New York.

Dated, Attested and Sealed, June 25, 1993.
(L.S.) HON. Eve Premazon
Surrogate, County of New York
ROBERT M. HEARN
Clerk of the Surrogate's Court

Name of Attorney: Robert M. Hall, Esq.
Address of Attorney: 233 Broadway Suite 3110
New York, New York 10279
Telephone Number: (212) 406-4600

This citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that you do not object to the relief requested.

SURROGATE'S COURT
OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
File No. 1735-93
CITATION
THE PEOPLE OF THE STATE OF NEW YORK
BY THE GRACE OF GOD
FREE AND INDEPENDENT,
TO Erich Robert Hellmann
Barbara Wilner, Brigitte Weiser
Public Administrator of the County of New York and to the heirs at law, next of kin and distributees of Catherine Zadriel Hellmann, deceased, whose names are unknown and cannot be ascertained after diligence

A petition having been duly filed by HELEN THOMSON, who is domiciled at 1986 Ocilmoicle Dr 98 2 De Soto Brast Beach. New Jersey 08008

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court, New York County, at Room 509 31 Chambers Street, New York, on August 11, 1993, at 9:30 a.m., why a decree should not be made in the estate of CATHERINE ZADRIEL, late domiciled at 320 East 42nd Street, New York, New York 10017 U.S.A. who died on the 29th day of May, admitting to probate as a will of real and personal property a paper dated December 7, 1988, (a copy of which is attached), and ordering that Letters of Testamentary issue to HELEN THOMSON

Dated, Attested and Sealed, June 3, 1993.
(L.S.) HON. RENEE R. ROTH,
Surrogate, County of New York
ROBERT M. HEARN
Clerk of the Surrogate's Court

Name of Attorney: James J. Martino
Address of Attorney: 25 Tudor City Place
New York, New York 10017

This citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that you do not object to the relief requested.

AUCTION NOTICES

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell July 20, 1993 9:30 A.M. 1982 Volvo 244 Coupe 1987 Chrysler New Yorker 4 Dr Sdn 5FABP37E4HFC14364 Rec'd: 10:45 A.M. 49-25 Van Dam St Queens 1988 Mazda 626 4 Dr Sdn JM1GD2230J0423178 Rec'd: 11:00 A.M. 49-25 Van Dam St Queens 1988 Jaguar XJ6 4 Dr Sdn SAJHX1842J6304184 Rec'd: 11:15 A.M. 38-03 21st St Queens 1978 Buick Electra 4 Dr Sdn 4K47S8H406161 Rec'd: 11:30 A.M. 38-03 21st St Queens 1985 Mercedes 300D 4 Dr Sdn WDBAB25A2FA240663 Rec: A States: 11/15 A.M 38-03 21st St Queens 1978 Buick Electra 4 Dr Sdn 4K47S8H406161 Rec: B Rogers: 11/45 A.M. 35-29 11th ST Queens 1990 Volkswagen Cupico 4 Dr Sdn 1N4BD31H9JM004 Rec: T Blanco: 12:15 P.M. 38-54 13th St Queens 1981 Volvo 2002L 4 Dr Sdn YV1BK6947B1118034 Rec: C Cuadrado Morris: 12:45 P.M. 38-03 21st St Queens 1993 Dodge Dynasty 4 Dr Sdn 2B3CD38R2PH529219 Rec: W Cole: 2:00 P.M. 178-42 147th Ave Queens 1985 Mercedes 300 Jet Dri Sdn SITAD351U5386 Rec: H McNair: 2:30 P.M. 122-26 Farmers Blvd Queens 1985 Oldsmobile Ninety Eight 4 Dr Sdn 1G3CW69S9F4337166 Rec: A Cohn: 3:00 P.M. 108-13 Merrick Blvd Queens 1988 Honda Accord 4 Dr Sdn 1HGCA5646AD-56670 Rec: R Rose: Terms Sales Subn JF2AN53B1FJ403837 Rec: J Doerman 3:30 P.M. 108-13 Merrick Blvd Queens 1985 Volkswagen Quantum 4 Dr Sdn WVWFD0320FE333113 Rec: C Ursuh/C Augusec: 4:00 P.M. 100-07 Rockaway Blvd Queens 1983 Honda Accord 4 Dr Sdn JHMSZ5427DC129292 Rec: R Bission. Metropolitan Auctioneers, Inc.

Hat Zakow Lic #0733454 Sells 7/16/93 Bl. NY 1PM 899 E134 84 Rec: #1MEBP9537-2Z263945 Rv: AAE Nsmec; 2PM 130 E 138 89 Chev #1G1LZ54W8KE179108 Rec: B.M. Freeman; 3PM 1375 Propet Av 78 Chev Sedan #CR1318B133 Rec: R Ash/ Charles/ Jefferson Cr Corp.; 4PM 1667 Gold Rd 83 Merc #1MEBP5446EH603700 Rec: S.B. Cordero. Publ. 7/2 & 7/9/93.

Lars Sale 7/16/93 9:00AM Riverview Rd Weybrook 78 Thunderbird #5G2ND12-A6771, Rt: TP Olson Publ.7/2 & 7/9/93.

AUCTION NOTICES

M. SKOLNICK DCA LIC #793108 and/or S. GORELICK DCA LIC # 841437 Sell July 27, 1993 9:30 A.M. 1987 Honda Prelude 2 Dr Sdn JHMBA3246HC003731 Rec: L Hays: 1986 Honda Accord 4 Dr H/B KMHLA1135GU106191 Rec: D. Clarke: 11:00 AM 1979 Subaru Brat 4WD 1984 Ford F150 FPU 2FTDF15Y3EC-16407 Rec: K. O'Loughlin: 1:45 PM 1985 Elbot St. Bikes 1986 Buick Century 4 Dr Sdn 1G4AE1198TG104211 Rec: R Campbell: 2:15 PM 602 Atkins Ave Bklyn 1986 Toyota Celica 2 Dr Sdn JT2ST64G-13023630 Rec: S. Gleicher: 3:00 PM 160 E. 98th St Bklyn 1991 Chevrolet 1/4 Ton Pickup 1GCDC14Z1MZ108179 Rec: R. Lewis: 4:00 PM 1434 Utica Ave Bklyn 1984 Chevrolet Van 1/2 Ton 1GCEG25H-3HT560267 Rec: Lt Freedman: 4:15 PM 1147 E. 49th St. Bklyn 1986 Honda Accord 4 Dr Sdn 1GHAF33-1GE004211 Rec: Lt FLEETWOOD 4 Dr Sdn 1G6AF33-9HE004211 Rec: Lt Freedman. Metropolitan Auctioneers, Inc.

Hal Zakow Lic #0733454 Sells 7/23/93 Bx NY 11AM 1667 Gold Rd 85 Olds #1G3BN69Y0FY327918 Rec: J. Doe; 12 PM 612 Gr Cone, El Nssan #JN1-JB11A0F38-7808 Rec: J. Jones; 1PM 1375 E. Tremt Ave 92 Mitsu #sA3XC57B-5Y010030 Rv: D. Anderson; 2PM 200 Drake El Chev #1G1AW19R5DG120672 Rec: J. Rodriguez; 3PM 300 Bon Ave El Mazda #1MFB33U1BS536317 Rec: D. Mendoza; 4PM 923 Miles Ave 87 Olds #1G3CX6933F4379943 Rec: T. Robinson/Chevy Comm Corp.; 64 Buick #7K1061317 Rec: J. Doe. Publ. 7/9 & 7/16/93.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell July 20, 1993 9:30 A.M. 2200 Tilden Ave Bklyn 1981 Toyota Corolla 4 Dr Sdn JT2TE72E2B0114884 Rc: P Edwards: 10:00 A.M. 2201 Tilden Ave Bklyn 1985 GMC Sierra Truck 1GDJC34M5FV60-4742 Rc: Z Rodriguez: 10:30 A.M. 1060 Bedford Ave Bklyn 1984 BMW 318i 2 Dr Sdn WBAAK7400E8765068 Rc: Burns Pontiac GMC Truck Inc/A Kenaie: 11: 00 A.M. 132 Franklin Ave Bklyn 1988 Pontiac Grand Am 2 Dr Sdn 1G2NE27U7GC5-22987 Rc: L Torres/Marcial Damperage Adj Corp. 11:30 A.M. 36 Kosciusko St Bklyn 1984 Ford F250 FPU Truck 2FTEF25H2-ECB34785 Rc:ED Emanuel: 12:00 P.M. 107 Liberty Ave Bklyn 1975 Mack DM600 Garbage Dump Truck DM611S56711 Rc: M Barone: 12:30 P.M. 482 Utsion Ave Bklyn 1988 Mazda 626 4 Dr Sdn JM1GD2229-J1565842 Rc: T Sicak: 1:15 PM 1967 Atlantic Ave Bklyn 1987 Volkswagen Jetta 4 Dr Sdn WVWGJ0164HW380083 Rc: Economy Auto Sales: 1:45 PM 1 Adsit Hall St Bklyn 1983 Toyota RN PU Truck JT4RN36R3D5078999 Rc: Kelso Kight Auto Sales/R Sumacki: 2:30 P.M. 3443 Atlantic Ave Bklyn 1989 Ford Mustang 2 Dr H/B 1FAPP42E8KF304283 Rc S Rosen: 3:00 P.M. 2 Eisenman Ave Bklyn 1983 GMC C-3500 Van 2GDHG31J3D4504703 Rc/ F Robbins Corp./P Crosby: 3:30 P.M. 52 Arlington Ave Bklyn 1991 Ford Mustang 2 Dr Sdn 1FAFP44M9MF101302 Rc: D Lobosco: 4:00 P.M. 168 Liberty Ave Bklyn 1988 Chevrolet Cavalier 2 Dr Sdn 1G1AE77P5E7232696 Rc/Cuevas Enterprises/ABC Towing: 4:30 P.M. 651 Utica Ave Bklyn 1988 Kawasaki 650 M/C JKAKLEA14JA009683 Rc M Rodriguez. Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell July 27, 1993 10:00 AM. 3318 DeLavall Ave Bronx 1990 Plymouth Sundance 4 Dr Sdn 1P3XP48EDLN218302 Rc: G Ogido: 10:30 A.M. 4609 Furman Ave Bronx 1992 12 Clever PL. Bklyn 1982 Ford Econoline 150 1FTEE24E8CHA16266 Rc: T. Donohoe: 1965 Honda Civ 2 Dr. Rd #JHMSB-A3320C0033917 Rc D. Davis: 10:30 AM 222 CLIFTON Pl Bklyn 1980 Ford Econoline 150 Van E14EBHD078R Rc: Ms Blacker: 11:00 AM 132 Franklin Ave Bklyn 1979 Chevrolet Chevy Van 10 CGU1594147081 Rc: J. Rodriguez: 11:45 AM 1926-28 Atlantic Ave Bklyn 1986 BMW 325E 2 Dr Sdn WBAAB5407G968-1246 Rc M. Liberte: 12:15 PM 46 Hall St. Bklyn 1984 Toyota Corolla 2 Dr Sdn JT2AE86BE6004978 Rc: P. Brown; 1985 Honda Prelude 2 Dr Sdn JHMBA3246-HC032719 Rc L. Hays; 1986 Honda Accord 4 Dr H/B KMHLA1135GU106191 Rc: D. Clarke: 1:00 PM 1379 Pitkin Ave Bklyn 1984 Ford F150 FPU 2FTDF15Y3EC-1377 Rc: K. O'Loughlin: 1:45 PM 1985 Elbot St. Bklyn 1986 Buick Century 4 Dr Sdn 1G4AE1198TG104211 Rc: R Campbell: 2:15 PM 602 Atkins Ave Bklyn 1986 Toyota Celica 2 Dr Sdn JT2ST64G-13023630 Rc: S. Gleicher: 3:00 PM 160 E. 98th St Bklyn 1991 Chevrolet 1/4 Ton Pickup 1GCDC14Z1MZ108179 Rc: R. Lewis: 4:00 PM 1434 Utica Ave Bklyn 1984 Chevrolet Van 1/2 Ton 1GCEG25H-3HT560267 Rc: Lt Freedman: 4:15 PM 1147 E. 49th St. Bklyn 1986 Honda Accord 4 Dr Sdn 1GHAF33-1GE004211 Rc: Lt FLEETWOOD 4 Dr Sdn 1G6AF33-9HE004211 Rc: Lt Freedman. Metropolitan Auctioneers, Inc.

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M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell July 27, 1993 10:00 AM 66-15 Borden Avenue Queens 1975 Cadillac Fleetwood 4 Dr Sdn 6B905S3J32907 Rc: D Astell; Marcano: 10 AM 1984 Buick Skyhawk 4 Dr Sdn 1G4AS69N9EB430166 Rc: A. Aywaryan: 10:15 AM 187-48 Jamaica Ave Queens 1980 Toyota Tercel 2 Dr Sdn AL1014203 Rc E. Ringel 10:30AM 222-12 147th Queens 1978 Pontiac Lemans 2 Dr Sdn 2J27A7R4U8116497 Rc: J. Shaughenssy:11:15 AM 180-02 Jamaica Ave Queens 1985 Ford Tempo 4 Dr Sdn 1FABP23X4FK157088 Rc: S. Sterling. 1987 Dodge Shadow ES 2 DR sdn 1B3BS44E1HN461644 Rc W. Anderson. 11:45 Ave 150-10 Liberty Ave Queens 1985 Renault Encore 4 Dr H/B VKMAW-9933#FX23636 Rc: J Rumphel: 12:15 PM 160-02 Linden Blvd Queens 1981 Cadillac Sevile 4 Dr Sdn 1G6AS69N2FB858399 Rc:S. Golden: 12:45 PM 110-11 Sutphin Blvd Queens 1992 Nissan Sentra 2 Dr Sdn 1N4EB32A5NC717397 Rc A. Dabaj: Rc Simon: 1:15 PM 133-01 Atlantic Ave Queens 1986 Oldsmobile 98 2 Dr Sdn 1G3CW11R2G4323180 Rc T. Szalonay/ R. Sullivan:1:45 PM 142-18 Rockaway Blvd Queens 1987 Acura Integra 4 Dr H/B JH4DA1845HS000784 Rc: P. Smith: 2:00 PM 86-30 83rd Ave Queens 1984 GMC Vendors Van 1GTEG25H5E7521256 Rc: H.T. Hamilton/ D. S. Rc: 2:30 PM 602 Atkins Ave Bklyn 1988 Chevrolet Cavalier 4 Dr Sdn 2G1AW51W9J2108175 Rc J. Miranda/ R. Perez: 3:00 PM 96-16 Flatlands Ave Bklyn 1982 Ford Econoline 350 Truck 1FTEE34E1CHB18313 Rc: C. James 3:30 PM 796 Rockaway Parkway Bklyn 1983 Datsun Sentra 2 Dr Sdn JN1-PB12SDU029314 Rc: J. Primrose.

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Do You Have an Important Legal Notice? Call Lisa Logan at 212/943-5739

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PROFESSIONAL EMPLOYMENT OPPORTUNITIES

RIYAD BANK
Saudi Arabia

Riyad Bank is Saudi Arabia's most prominent Bank with 170 branches and international offices in the USA and the UK.

As part of the unique and ambitious automation program, the Bank is now in the process of implementing state-of-the-art technical solutions based on an integrated multi-platform processing environment.

Applications are invited for the following newly created and critical line management positions.

MANAGER - PC/END USER COMPUTING

Key Responsibilities:
- Developing and managing an effective PC/EUC organization responsible for:
- Selection of software tools and utilities.
- Building and managing a comprehensive solution-oriented PC/EUC team including LAN Specialists and Information Center Analysts.
- Providing service and support to end users.
- Close interaction with application development teams.

Requirements:
- Excellent management skills.
- Hands-on technical experience of LAN technology, Query languages, report generators and text editors.
- Excellent interpersonal, communication and presentation skills.
- A minimum of 5 years' PC/End User Computing management experience gained within a banking or financial services environment.

MANAGER - AUTOMATED CUSTOMER SERVICES

Key Responsibilities:
- Managing the resources and processes involved in assuring user satisfaction with services provided by the Information Services Division.
- Developing Service Level Agreements (SLAs), monitoring services against these agreements, identification and resolution of service issues and problems.
- Interfacing with users (370 branch network) on a continuous basis.
- Development and administration of a solution-oriented "Help-Desk".
- Interfacing between Information Services and Branches to communicate new system requirements.
- Conducting user training for a series of major banking applications.

Requirements:
- Extensive information technology experience, preferably gained within a banking or financial services environment.
- Minimum of 3 years' managerial experience.
- Extensive user liaison skills, including development of SLAs and management of a professional solution-oriented "Help-Desk" function.
- Mainframe and PC technical skills.

Riyad Bank offers a competitive compensation package consisting of tax free salary, paid housing, medical coverage, paid annual air fare and a superb lifestyle (single or married status).

Qualified candidates with an interest in making a positive contribution to the continued development of this "green field" site should direct resumes with current salary to: Box 701, casablanca 15 West 37th Street, 10th Floor, New York, NY 10018.

GREAT FINANCIAL FEDERAL

VICE PRESIDENT - MARKETING

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Notice of formation of limited partnership ("L. P."). Name: 310 LENOX ASSOCIATES,L.P. Certificate filed with Sec. of State of NY ("Sec.") on 5/6/93. Office location: NY Cty. The Sec. has been designated as agent of the L.P. upon whom process against it may be served. The Sec. may mail a copy of any process to c/o Hoffinger Friedland Dobrish Bernfeld & Stern, P.C., 110 E. 59th St., NYC 10022. Hoffinger Friedland Dobrish Bernfeld & Stern, P.C., 110 E. 59th St., NYC 10022 is the registered agent of the L.P. upon whom process may be served. The name and address of each general partner is available from the Sec. Latest date to dissolve: 12/31/2073. Purpose: to buy, sell, operate and manage real estate.

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Corr Notice: Pronto Lien Service, Lic# 805242 Sold on 7/1/93 at 10:00AM 1305 Macombs Rd Bx NY 85 Honda 2dsd #1HMA18533SF503676 Re: J. Doe. Pub. 6/30 & 7/07/93.

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METROPOLITAN TRANSPORTATION AUTHORITY NOTICE is hereby given that the Metropolitan Transportation Authority (MTA) will receive proposals for the following article as indicated below, on which date they will be opened and reviewed at the indicated time at the Authority's offices at 347 Madison Avenue, New York, NY 10017 (5th floor). Copies of such forms and specifications may be secured from Ms. Angie Pfeifer, Executive Secretary, Department of Procurement Services, Metropolitan Transportation Authority, 347 Madison Ave, NY, NY 10017 or by calling (212) 878-7298.

RFP#	DATE/TIME
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FOR: "Delivery Services for the Distribution of Metro Cards."
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Banks Add Global Funds To Their Equity Menus

Continued from page 11 ·

along those lines," said Nations-Bank's senior vice president, Steven Duff.

The yearly expense ratio for the Nation's equity fund is 1.30%, on top of a load that ranges from 4% to 5%, depending, on whether it is a front or back-loaded class of the fund. The non-advisory expense part of the yearly fee is 0.45%, compared to an average 0.25% on other NationsBank funds, Mr. Duff said.

"There's more risk in putting together an international fund

Foreign stock markets account for two-thirds of the trading volume in the world.

and not having the expertise and running operating costs so high it's a burden to shareholders," Mr. Duff warned.

Henry Franzen, chief investment officer for international securities for Brown Brothers Harriman & Co. in New York, says regional banks "should be left us run it," but he expects regionals to play a bigger role in international equity funds.

Brown Brothers has a bank charter, but operates more like an investment management and trust company. It manages eight mutual funds, called 59 Wall Street (the bank's address) with $52.5 million in assets. The company manages $19 billion overall.

Though international funds have lagged U.S. funds in the 1990s, bankers expect that to change, and they want to be prepared. Says NationsBank's Mr. Duff: "These things run in cycles and we would like to have an established product." □

FDIC Staff Sees Cut In Premiums by 1998

Continued from page 1

when it slashed the forecast for failed bank assets for both 1993 and 1994.

On June 24, the FDIC lowered its estimate of the assets in failed banks for this year to $10 billion from $25 billion and to $20 billion from $45 billion for 1994.

Estimates Slashed Further

But the FDIC told only part of its story.

According to the internal figures, the FDIC slashed another $30 billion off estimates for failed bank assets between 1995 through 1998.

The bulk of that total, $20 billion, was dropped off the forecast for 1995, when the FDIC expects to inherit $30 billion in assets failed banks for this year to $10 billion from $25 billion and to $20 billion from $45 billion for 1994.

The forecast for failed bank assets is $25 billion in 1996, down from $32 billion; for 1997, it's $20 billion, down from $22 billion; and for 1998, it's $20 billion, up from $19 billion. The estimates for all years from 1999 through 2006 remain unchanged from the March forecast and range between $19 billion and $23 billion a year.

Hitting the Target

Under these conditions, the FDIC expects the Bank Insurance Fund to reach its mandated size of $1.25 for every $100 in domestic deposits in 1998 – four years earlier than the agency predicted in March.

In 1991, Congress told the FDIC to rebuild the bank fund to 1.25% by 2006. Under the FDIC's latest internal calculations, the fund will reach that target eight years ahead of schedule.

Even with the average premium falling to 11 cents in 1999, the FDIC is projecting that it will hit 1.32% in 2006. In the March forecast, the FDIC said the fund would grow to 1.25% in 2002 and remain that size through 2006. □

Period Extended For Deposit Claims

WASHINGTON — President Clinton has signed into law legislation that will help customers at failed banks and thrifts up to 10 years to claim their funds.

Previously, depositors at federally insured financial institutions were given 18 months.

The legislation, sponsored by Sen. Donald Riegle, D-Mich., and Sen. Alfonse D'Amato, R-N.Y., requires the Federal Deposit Insurance Corp. and Resolution Trust Corp. to mail notices to all insured depositors within 30 days after beginning payouts.

Deposits not claimed after 18 months would be transferred to the state of a depositor's last known address. For people residing outside the United States, the funds would go to the state of the bank or thrift's headquarters.

The state is to retain the deposits for 10 years. If unclaimed, the money reverts to the deposit insurance funds. — Reuters

Librarians Tap BT Officer

Carol L. Ginsburg, vice president of Bankers Trust Co., New York, has been elected chairwoman of the business and finance division of the Special Libraries Association.

The Washington-based association has 12,000members, including 3,000 in the business and finance division. □

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BANK AND THRIFT STOCKS

Highlights for Thursday, July 8

TOP 10 GAINERS %

United Bankshares, Inc.	8.1
Worthen Banking Corporation	7.0
CVB Financial Corp	5.2
Crestar Financial Corporation	5.0
Hubco, Inc.	4.8
Continental Bank Corporation	4.8
Imperial Bancorp	4.8
Shoreline Financial Corp.	4.8
NBD Bancorp, Inc.	4.3
Provident Bankshares Corp.	4.0

TOP 10 LOSERS %

Riggs National Corporation	-5.1
Community First Bankshares	-3.0
BancorpSouth, Inc.	-3.2
Commerce Bancorp, Inc.	-3.1
South Trust Corporation	-3.0
NBT Bancorp	-2.9
Old National Bancorp	-2.8
F&M Bancorp	-2.3
Omega Financial Corporation	-1.9
Pacific Western Bancshares	-1.9

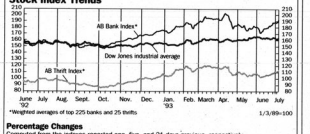
MOST SHARES TRADED

Citicorp	2704700
BankAmerica Corporation	1387700
Chemical Banking Corp.	1046600
Chase Manhattan Corporation	1041400
J.P. Morgan & Co. Incorporated	982300

VOLUME AS % OF AVERAGE

United Bankshares, Inc.	1739.0
CBT Corporation	1442.9
Omega Financial Corporation	1146.0
Union Bank	1029.7
Cathay Bancorp	964.8

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
1.08	0.05	0.11	1.77	2.10	11.84	1.17	2.25	10.25

Top 225 Banks

52 Wk Hi	Lo	Name	PE	Mkt to bk	Cls.	Chg.
30¾	18¾	1stSecurityCorp	nh	1.08	29¾	¼
27¼	18	AMCORE Fin'l.	11.5	129.7	24¾	¼
37½	24¾	ANB Financial	11.5	264.7	32¾	¼
35¾	26¾	AmSouthBancorp.	12.2	181.5	33¾	¼
37¾	26¾	AmericanFed'lBk	12.2	181.5	33¾	¼
35¾	27¾	BB&T FinCorp HC	12.2	156.5	34¾	...
37¾	27¾	BOKFinancialCor	12.4	250.0	35¾	...
33	21¼	BT FinCorp PA	11.2	138.1	30¾	...
9¾	6	BalcorBancMid-MO	8.3	82.7	9	¼
31¾	24¾	BanPonceCorp PR	9.4	118.4	27½	¼
61	42¾	BankCorpGreat-MI	10.2	256.8	57¾	...
52¾	40¾	BancorpHawaii-HI	9.7	146.0	44¾	¼
40¾	27¾	BancorpSouth-MS	11.6	146.3	37¾	¼
54¾	41	BankAmericaCorp-CA	10.7	122.5	45¾	¼
39¾	29¾	BankAtlantic-A-FL	10.7	139.1	37¾	¼
41¾	29¾	BankBoston-MA	13.4	177.2	39¾	¼
77¾	59	BankersCorp-NJ	13.4	171.3	73½	...
19¾	12¾	BankersTrustCorp	8.5	53.1	15¾	¼
38¾	18¾	BankBoston-MA	8.8	115.2	25	¼
61¾	39¾	BankofNY-NY	13.0	155.4	60¾	1¼
50¾	34¾	BarnettBanks-FL	23.2	186.0	48¾	¼
52¾	39¾	BayBanksInc-MA	15.0	237.6	48¾	¼
64¾	49¾	BeaverValleyMid	12.9	182.8	61¾	1¼
18¾	13¾	BeneficialNew-A	24.3	138.1	18¾	¼
31¾	23¾	BrentonBank-IA	10.9	142.2	27¼	¼
34¾	15¾	CBT FinCorp-PA	10.0	237.6	34¾	...
30¾	26¼	CBT Corporation-KY	12.1	147.3	34¾	½
42¾	30¾	CCB FinCorp-NC	12.1	193.3	37¾	¼
34	23¾	CNB Bancshares-IN	16.9	197.8	34	¼
29¾	22¼	CRB-HI	9.0	151.7	29¾	...
13¾	7¾	CVB FinCorp-CA	9.3	156.3	12¾	¾
25¾	19¾	CalFed Inc-CA	10.2	109.2	24¾	¼
28	19¾	CapitalBancorp-KY	13.0	188.2	27¾	¼
39½	31	CapitalBkgAm-IL	12.6	168.2	39½	...
29¾	21¾	CapitalCityBk-GA	12.5	180.0	29¾	...
34¾	19¾	CentraBancorp-IA	15.1	156.1	22¾	...
34¾	24¾	CentralBancSh-KS	14.6	189.3	31¾	...
37¾	21	CheraBankNatAm-MI	9.8	101.6	32¾	¾
44	35¾	ChemicalBkgCorp-MI	9.8	123.2	40¾	¼
47¾	31¾	ChemicalFinCorp-MI	14.3	181.6	46¾	¼
22	13¾	CitizensCorp-FT	11.1	169.1	19	...
31¾	14¾	Citizens-NY	14.4	138.3	31¾	¾
28	19¾	CitizensBancorp-MI	14.5	131.2	25	¼
32¾	18¾	CitizensBanking-MI	12.3	131.7	22¾	¾
29¾	19¾	CitizensFin-IV	13.2	178.2	29¾	¼
28¾	17¼	CityNatnlCp-WV	14.8	171.5	26	...
12¾	4¾	CityNatCorp-CA	9.3	132.8	7¾	...
23¾	17	ColonialBancp-AL	9.3	132.8	20¾	...
31¾	23¾	CommBkSouth-FL	10.6	144.5	28¾	¼
28¾	20¾	CommBancshares-MO	11.6	181.4	25¾	...
17¾	12½	CommercialBancp-NJ	10.6	144.5	15½	½
30¾	20¾	CommercialNatl-MI	11.6	181.4	29¾	...
14¾	11¼	CommwealthBk-PA	14.3	210.8	13¾	¾
15	11¼	CommunityFed-MI	13.8	138.0	12¾	...
8¾	3¾	Constellation-NJ	NM	159.7	8¼	...
26	15¾	CoreStatesFin-PA	5.0	93.5	24¾	¼
60¾	47¼	CoreStatesFinPA	12.4	197.5	59	...
48¾	35¾	CrestarFinCorp-IN	16.1	178.7	44¾	¼
40¾	21	CulverFirst-TX	10.0	180.3	34¾	¼
27¾	20¾	DauphinDeposit-PA	12.3	187.2	24¾	...
35¾	20¾	DepositGuaranty-MS	10.3	151.4	30¾	¼
17¾	12¾	F & M NatCorp-IN	11.1	145.6	14¾	...
22	16½	F&MBancorp-MD	10.8	148.7	21½	...
27¾	19¾	FNB Corp-NC	11.6	117.4	27¾	...
28	20¾	FarmersCapital-KY	10.8	137.2	27¾	...
39¾	28¾	FedNatMtgAssn-DC	15.1	302.6	32¾	...
37	32¼	FidelityBancorp-IN	11.5	160.2	34¾	...
55	39¾	FirstTenn-NE	14.4	238.5	54½	¼

52 Wk Hi	Lo	Name	PE	Mkt to bk	Cls.	Chg.
39¾	27¾	FirstVirginiaBks	12.8	177.2	38¾	¼
18¾	10	FirstAmericaTn	5.4	140.0	18	...
33¾	30¼	FirstAmericaCp	14.4	181.3	33¾	¼
50¾	39½	FirstBancorp-ME	10.8	152.3	44¾	...
30¾	23¾	FirstBancorp-NC	10.7	165.1	30¾	¼
45	29¾	FirstChicago-IL	NM	123.3	42¾	1¼
62½	35¾	FirstCmrcBncp-LA	10.1	135.7	47¾	...
16¾	14¾	FirstColonial-IL	16.6	134.8	17¾	¼
40	28¾	FirstCommCorp-IN	10.3	191.4	36¾	...
73¾	37½	FirstCommerce-NC	10.3	153.8	71	¼
36¾	27¾	FirstCommwlth-IN	10.9	163.8	32	¼
21¾	24½	FirstCmwlthPA	11.4	150.4	28	¼
20	19¾	FirstEastern-PA	NM	140.2	18¾	¼
1578	127	FirstEmpire-NY	11.2	158.4	140½	3¼
51¾	34	FirstFedAm-NJ	11.9	174.7	49¾	¼
64¾	44¾	FirstFedBanc-OH	14.7	192.7	63¾	¾
64¾	44¾	FirstFedCp-OH	14.7	192.7	63¾	¾
35¾	25¾	FirstFederalCp-FL	10.2	165.1	34¾	¼
64¾	36¾	FirstInterstate-CA	10.2	166.4	64¾	1¼
74¾	54¾	FirstMichBancSvc-MI	11.8	144.5	74¾	¼
64¾	44¾	FirstMichiganE.	16.3	156.1	64	...
64¾	44¾	FirstMichiganCp-MI	12.8	125.6	64¾	...
30¾	21¾	FirstSecurity-UT	12.2	168.8	28¾	¼
47	33¾	FirstSeverance-IN	11.8	168.4	46¾	¼
31¾	25¾	FirstUnionCorp-NC	12.2	189.2	49¾	1½
28¼	17	FirstUnionM	8.0	135.0	26¾	...
23½	17	FirstUnionMid	14.2	199.7	23½	...
25¾	18¾	FirstWachoviaBkg-NC	13.8	174.1	25	...
39¾	30	FirstVirginia-VA	10.9	181.5	35¾	...
29¾	20¾	FirstarCorp-WI	13.3	260.0	32¾	...
39	34	FirstbankN.A.	12.3	171.1	37¾	¼
42¾	30¾	FirstofAmerica-MI	13.3	173.1	40	...
35¾	18¾	FleetFinancial-RI	15.1	161.8	34¾	¾
31¾	24¾	FleetFinGroup-RI	15.1	161.8	34¾	¾
31¾	21	FourthFinCorp-IN	11.9	179.5	30¾	¼
38	29¾	FranklinCorp-IN	11.9	159.1	27¾	...
31¾	23¾	FrankloBancorp-IN	11.9	140.3	27	...
34¾	24¾	FulMetBancMgm-PA	12.1	185.1	30	¾
34¾	18¾	FulMetBancPA	11.7	185.1	30¾	¾
17¼	13¾	GBC Bancorp-CA	7.5	123.3	14¾	...
35¾	25¾	GreatAmBkBancMS	11.1	145.8	29¾	...
35¾	24¾	HancockHldgCo-MS	10.6	185.2	31¼	...
32¾	22	HarleysvilleBk-PA	13.7	188.8	28¾	...
19¾	12¾	HawkeyeBancorp-IA	11.9	158.6	18¾	¼
19¾	12¾	HawkeyeFinCorp-IA	11.1	181.0	15¾	...
8¾	4¼	HiberniaCorp-LA	NM	148.5	6¾	¼
24½	11½	Hubco-NJ	12.8	212.2	21¾	¾
28¾	18½	HuntingtonBcshs-OH	14.2	224.5	28¾	¼
29	19¾	HuntingtonBcshs-WV	15.1	241.1	28¾	¼
39¾	29¾	IBERIABANK-LA	10.2	160.3	39¾	...
30¾	22¾	ImagineFncl-PA	9.8	140.9	27¾	...
32¾	22¾	InterstateBanc-IL	11.7	145.4	32¾	...
47	37¾	InvestBkBshrs-IN	10.8	122.4	45	¾
74¾	54¾	IrwinFinCorp-IN	9.3	218.1	64¾	¾
74¾	58¾	J.P. Morgan-NY	10.4	196.8	71¾	2¾
22¾	13¾	JeffersonBkshs-VA	13.7	181.9	22¾	...
46	30¾	KeyCorp-NY	12.5	210.1	41¾	...
34¾	24¾	KeystoneFncl-PA	13.2	184.1	29	...
24¾	18¾	LakeShoreB.	14.2	181.2	23	¼
24¾	18¾	LibertyBancorp-OK	8.4	143.8	20¾	¼
27¾	20¾	LibertyNatBanc-KY	14.2	185.1	26¾	...
29¾	18¾	MBNACorp-DE	16.1	423.4	28¾	¼
14¾	10	MNC Financial-MD	12.4	125.1	14¾	¼
18¾	12¾	MagnaGroup-MD	12.0	129.2	16¾	¼
28¾	17¾	MarshallBcshs-WI	14.3	200.6	26¾	¼
28¾	19¾	MercantileBcp-IN	10.1	204.2	28¾	¼
56¾	39¾	MercantileBanc-MO	12.2	158.0	51¾	1¼
28¾	27	MercantileBnkshr-MD	11.7	148.6	28	...
62	44¾	MerchantsBank-NY	19.9	183.6	55	...

52 Wk Hi	Lo	Name	PE	Mkt to bk	Cls.	Chg.
8¾	7	MetroBancorp-PA	8.2	126.0	8¾	...
41¾	36¼	UnitedMissouri-MO	14.2	133.5	39¾	½
93½	17	UnitedNatlBcp-NJ	12.5	141.4	32¾	...
45¾	33¾	ValleyFarcorp-WI	13.7	178.3	44¼	...
24¾	18¾	ValleyNatBcs-NJ	13.5	172.3	20	...
27¾	19¾	VictoriaBkshs-TX	6.9	118.2	22¾	...
34¾	24¾	WSFinancial-TX	11.7	212.4	35¼	...
12¾	6¾	WashFedCp-CA	12.5	135.1	12	3¼
31¾	21¾	WestBancorp-MI	15.6	170.7	31¾	...
27¾	19¾	WestCoastBancp-OR	13.5	157.1	25¾	¼
29¾	18¾	WestamericaBcp-CA	10.8	140.1	26¾	...
29¾	20¼	WesternBnkrs-SD	12.4	133.0	27¾	...
35¾	21¾	WhitneyHoldCp-LA	12.4	153.5	30¾	...
34¾	23¾	WilmTrustCorp-DE	13.9	206.1	27¾	¼
27¾	20¾	WorthenBanking-AR	9.3	152.8	24¾	1¾
49	26¾	ZionsBancorp-UT	10.7	191.8	38¾	¼

Top 25 THRIFTS

52 Wk Hi	Lo	Name	PE	Mkt to bk	Cls.	Chg.
17¾	12	AlliedGroup-MI	11.6	81.2	17¾	...
21¼	13¾	Almanson-CA	14.6	84.1	19½	½
36¾	24	PNC BancCorp-PA	NM	35.2	33¾	¼
34¼	22¾	CharterOneFin-OH	7.9	142.2	31	...
34¾	21¾	FirstNatCp-PA	13.9	78.1	34¾	¼
35¾	16¾	CollenetInc-NJ	9.9	194.3	32¼	1¾
27¾	17¼	CommercialFedCorp-NE	12.4	133.0	27¾	...
35¼	15¾	CraigInfoCorp-IL	12.6	159.8	35¼	...
19¾	11¾	DanversBancp-CA	5.5	87.6	18¾	¾
15¾	7¾	FirstFedCorp-MI	11.0	174.0	15	...
24	17¾	FirstFedMich-MI	11.0	174.0	23¾	...
50	35¼	GoldenWestFn-CA	9.3	148.3	41¾	½
95¾	49¾	GreenPointSvg-NY	75.0	99.7	89¾	...
28¾	17¾	GuarFinancial-NY	10.0	94.7	25¼	¼
19¾	11¾	HF Bancorp-IL	9.0	94.7	19¾	...
31¾	14¾	HMN Bancorp-MN	NM	63.3	31¾	...
32¾	21¾	HSBancorp-IL	9.0	115.3	32¾	...
16¾	10¼	HomeFedMN-MN	11.8	98.6	16¾	...
11¾	6¾	SovereignPA	11.3	198.5	10¾	...
29¾	18¾	SPSFedCorp-IL	11.8	117.8	27	¾
25¾	17¾	StandardFedBk-MI	8.1	122.5	24¾	¼
34¾	23¾	TCFFinancial-MN	9.0	146.1	32¼	¼
35¾	24	WashMutualSB-WI	10.9	154.3	34¼	¾
29	22¾	WashingtonFed-CO	9.8	154.4	28¾	¼
14¾	13	WayneSBLMHC-OH	21.7	96.1	13¾	¾

Bank Stock Table Explained: The table lists in alphabetical order the 225 largest bank stocks as of 4:30 p.m. (unless otherwise noted) Eastern time. Also included are publicly traded commercial banking firms and the 25 largest publicly traded thrifts, ranked by assets. The market value of all common shares outstanding. PE is the price-to-earnings ratio, the market value cutoff for banks was $75.09 mil. and for thrifts $344.20 mil.) **52 Wk Hi** but the moving 52-week high and low trading prices for the stock. **PE** the price-earnings ratio. It is the current price of the stock divided by the last four quarters of earnings per share adjusted for latest announced earnings. The ratio of a typical unit for companies with less than four quarters of data. **Mkt to bk** the ratio of the current day's closing price to the stock's book value, expressed as a percentage. **Bank value** is adjusted for announced earnings and dividends. **Last** the price at which the stock last traded. If no trades for the day, the latest bid. **All Bank Index** and **All Thrift Index** are weighted averages of the top 225 banks and top 25 thrifts in market value, respectively. **Highlights** show largest percent gainslosses in price and two volume indicators: most shares traded and today's volume as a percentage of average shares traded daily over the past year.

Data source: SNL SECURITIES, Charlottesville, Va. 804-977-1600, produced the tables. Financial News Network, Vienna, Va. provides the intraday prices.

Selected Data from the Federal Reserve Board

From the New York Fed's weekly press release of July 8, 1993 ($ billion)

Monetary Aggregates[1]	6/28/93	6/21/93	Chng.	6/14/93	5/31/92
M1- weekly average	$1,076.8	$1,075.5	+$ 1.3	$1,070.8	$1,072.7	$1,074.3
M2- weekly average	3,505.1	3,516.2	-$11.1	3,516.9	3,518.9	3,509.3
M3- weekly average	4,163.3	4,176.5	-$13.2	4,173.6	4,176.1	4,165.2

Growth in aggregates[2]	M1	M2	M3
Latest 13 weeks	+10.6%	+ 2.1%	+ 2.0%
Latest 26 weeks	+ 8.7%	+ 0.1%	- 0.6%
Latest 52 weeks	+11.8%	+ 0.9%	- 0.3%

Other data	6/28/93	6/21/93	Chng.	6/16/93	5/5/93	6/2/93
Business Loans[3]						
8 New York City banks	$ 41.2	$ 41.8	-$ 0.6	$ 42.0	$ 42.2	$ 42.7
Demand Deposits						
8 New York City banks	54.2	50.8	+$ 3.5	56.7	55.3	55.4
Commercial Paper						
All issuers	543.3	551.9	-$ 8.6	554.3	544.9	544.9
Finance companies	390.2	393.0	-$ 2.8	390.3	389.4	396.2
Non-financial companies	153.1	158.9	-$ 5.8	164.0	155.4	158.7

(*)— Seasonally adjusted. (**)— Annualized rate. (***)— Excludes bankers' accept. and commercial paper.

Key Rates*

(July 8, 1993)

	7/8	7/7	7/1	7/8/92
Federal Funds domestic range:	3%-3¼	3-3⅜	3⅛-3¼	3¾-4
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit[1]				
3 Month Posted	2.78	2.78	2.75	2.95
6 Month Posted	2.90	2.90	3.00	3.10
1 Year Posted	3.25	3.25	3.25	3.25
Eurodollar deposits[2]				
3 Month	3⅛	3⅛	3⅛	3⅜
6 Month	3⅛	3⅛	3⅛	3⅜
1 Year	3⅛	3⅛	3⅛	3⅜
Dealer Commercial Paper[3]				
1 Month	3.13	3.12	3.15	3.44
3 Month	3.18	3.15	3.20	3.45
6 Month	3.30	3.30	3.32	3.53

(*)— Late afternoon quotes, New York market. (†)— Highest offering rates (annual % yield) at selected NYC money center banks. (‡)— Late London bid. (**)— AA rating or the equivalent.

CAPITAL

Chase Comes to Market With $150 Million Issue

By DAVID SIEGEL

Three banking companies tapped the capital markets on Thursday for $750 million in senior and subordinated debt.

A $150 million issue of Chase Manhattan Corp. floating-rate subordinated notes was priced at a substantially lower yield than a fixed-rate offering.

Chase also took advantage of a recent upgrade by Moody's Investors Service.

Floor of 4.35%

The 10-year note has a coupon of 12.5 basis points over the London interbank offered rate, with a 4.35% minimum rate, known as a "floor."

Investment bankers said Chase saved 10 to 20 basis points by issuing floating-rate debt with a floor instead of offering fixed-rate debt and swapping into a floating-rate payment stream.

Demand for floating debt with floors has increased recently because banks have called substantial amounts of these securities – issued in the 1980s at high interest rates.

Officials at Bear, Stearns & Co., the sole manager, declined to comment. Chase officials could not be reached by press time.

Chase debt securities have rallied in the secondary market this year on improving earnings and expectations of rising credit ratings.

Its 10-year subordinated debt was bid Wednesday at a yield equal to 93 basis points over the 10-year Treasury note. This compared to 97 basis points at the end of May and 102 basis points at the end of April, according to First Boston Corp.

Last Friday, Moody's upgraded Chase's subordinated debt to Baa2 from Baa3 and senior debt to Baa1 from Baa2.

Elsewhere in the market, Marshall & Ilsley Corp., Milwaukee, issued $100 million of 10-year subordinated notes. The noncallable notes were priced to yield 6.46%, 68 basis points over the 10-year Treasury note. Goldman, Sachs & Co. was lead manager.

PNC Bank issued $500 million of one-year bank notes. The notes were priced initially to yield 3.55% by underwriters led by Goldman Sachs. □

THE MARKETS

Rates Fall as Commodities Drop; 30-Year Bond Yield Slips to 6.66%

Interest rates fell on Thursday on a decline in commodity prices.

Late in New York, the yield on the 30-year Treasury bond eased to 6.66%, down from 6.67%. The yield on the 10-year note fell to 5.76% from 5.78%, while the two-year note fell to 3.98% from 3.99%.

Gold Price Slips

Commodity prices, on the rise earlier in the week on the effects of Midwest flooding on crops, have settled down. The Commodity Research Bureau's index of 21 futures fell 1.15 point to 216.08.

The price of gold, another inflation indicator that had been rising earlier in the week, fell $2 to $395.80 an ounce on the New York Commodity Exchange.

"Now, with the negative influence of commodities out of the way, the fundamental message of a sluggish economy is returning to the bond market," said William Sullivan, money market economist at Dean Witter Reynolds Inc.

The improvement in commodity prices and an upbeat labor report boosted stocks. The Dow Jones industrial average gained 38.75 points to 3,514.42.

The government said that initial claims for unemployment insurance fell 12,000 to 327,000 last week. This was the biggest drop since February.

The dollar rose to 108.54 yen from 107.65 on Wednesday. A Japanese official rescinded his statement of the previous day that a further rise in the yen would not eat into profits of Japanese exporters. — **Bart Fraust**

STOCKS

2 Chicago Thrifts Get Thumbs Up In Wake of Amro's Deal for Cragin

By GORDON MATTHEWS

Kemper Securities Inc. has issued "strong buy" recommendations on two Illinois thrifts following the high-premium acquisition of Chicago's Cragin Financial Corp. announced earlier this week.

In response to the recommendations, the shares of MAF Bancorp in the Chicago suburb of Clarendon Hills surged $1.75 to $29.75, while those of Chicago's St. Paul Bancorp lost 37.5 cents to $27 in late trading.

MAF shares have risen about 12% since ABN Amro Holding agreed to buy Cragin on Tuesday. St. Paul's stock is up about 6% in the period.

Seen Appetite for Thrifts

"I had planned to put "buys" on all three of them, but Cragin has already been taken," said Thomas J. Maier, who joined Kemper as an analyst two weeks ago from the Chicago Co.

Cragin, with assets of $2.8 billion, is selling out to the Dutch company for $540 million. That is about 1.6 times its book value, regarded as a healthy premium for a thrift.

Mr. Maier thinks the deal underscores a strong appetite by banks for such transactions.

'Acceleration of Activity'

"After a comparative lull in merger activity in the Midwest since the first quarter of 1992, we may be seeing another acceleration of activity," he said. "More significantly, it appears new pricing levels may be emerging in acquisitions of thrifts."

Takeover Fever

Price per common share



Shares of MAF and St. Paul rose after the Cragin deal.

St. Paul, with assets of $3.8 billion and 48 offices around Chicago – 14 of them in supermarkets – is Illinois' largest independent thrift.

The thrift strengthened its position in the fast-growing western suburban area earlier this year by acquiring Elm Financial Services Inc., Elmhurst. Mr. Maier said St. Paul's branch network is "the most attractive independent retail banking franchise in the Chicago metropolitan area."

California Realty a Worry

The analyst attached a "high-risk" label to his rating, however, because of St. Paul's exposure to California real estate. Its loan portfolio includes a $1.1 billion portfolio of "nationwide" multifamily real estate loans, of which $700 million are in California.

While saying that reserves are adequate, he added that he is awaiting "more life" in California's economy.

Mr. Maier set a 12-month price target of $35 for St. Paul. In an acquisition, he "would expect a takeover price in the vicinity of $40 to $44 per share."

Mortgage Banking a Strength

MAF Bancorp, he said, has an attractive 13-branch franchise centered in rapidly developing DuPage County. It has $1.5 billion of assets.

The thrift has developed a sizable mortgage banking operation. Each year, it sells half its new loans into the secondary market, receiving gains on the sales while creating a valuable loan servicing portfolio.

"Any number of larger financial institutions with an expressed desire to enter or expand their presence in the metropolitan Chicago retail market would consider MAF a very worthwhile merger partner," Mr. Maier said.

THURSDAY'S MARKET

Major bank stocks gained again on Thursday as the stock market enjoyed another winning session.

J.P. Morgan & Co. rose $2.75 to $71.875, while Bankers Trust New York Corp. advanced $2.875 to $77.875. □

Mississippi Valley IPO Raises $10.6 Million

NEW YORK — Mississippi Valley Bancshares Inc., St. Louis, raised $10.6 million through an initial public offering of 800,000 common shares.

The offer, priced at $13.25 a share, was done through underwriters led by Stifel, Nicholaus & Co.

Mississippi Valley, with $579 million in assets at yearend, had expected the shares to be offered between $11.50 and $13.50 each.

Of the total, 560,000 shares are being offered by the company and 240,000 by shareholders.

The company said proceeds from the offering are expected to be used to reduce short-term debt. — **Dow Jones**

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Fed Is Unlikely To Raise Rates In Weak Recovery

By BART FRAUST

A Fed-engineered increase in short-term interest rates is out of the question for now, regardless of whether policymakers switched last week from a pro-tightening to a neutral stance.

The most recent batch of economic data show weakness in employment growth, manufacturing activity, and home sales – a very difficult environment in which to justify a rate hike.

Except in the brief period in the 1980s when the economy suffered from a combination of slow growth and high inflation, the Federal Reserve "has never in history tightened in a weak economy," said Alan Sinai, president of Economic Advisers Inc., a unit of Lehman Brothers.

ECONOMIC OUTLOOK

And June's producer and consumer price data due out this week should show low inflation and reinforce this no-tightening view.

Economists predicted that the producer price index, due out Tuesday, and the consumer price index, due out Wednesday, were flat to slightly up.

Lower Tobacco Prices

"With the decline in tobacco prices, the chance of a big rise" in the producer price index and the consumer price index "are between slim and none," said Hugh Johnson, chief market strategist for First Albany Corp.

Richard Peterson, chief economist for Continental Bank Corp., told the Senate Banking Committee on President Clinton's deficit-reduction legislation begins this week – "not the time to make a move on monetary policy."

The Fed on Friday released minutes of the Federal Open Market Committee meeting on May 18. The minutes confirmed that the central bankers, on a 10-to-2 vote, adopted a pro-tightening tilt at that meeting. The dissents were from Wayne Angell, who favored an immediate tightening, and Edward G. Boehne, president of the Federal Reserve Bank of Philadelphia, who favored a neutral policy.

The minutes of last week's FOMC meeting will not be released for six weeks.

Dismal Jobs Data

Some economists think that the meager 13,000 increase in June employment convinced the Fed to switch to a neutral stance.

"It was an inflation scare that was unfounded," said Steve Ric-

See **FED** *next page*

INSIDE NEWS

COMMUNITY BANKING

FLORIDABANK, a Jacksonville-based thrift, is Amsouth Bancorp's latest takeover target in Florida. *Page 8*

INVESTMENT PRODUCTS

A Louisiana bank is pinning its mutual fund hopes on a fledgling Seattle supplier, largely because it was impressed by the firm's investment advisers. *Page 10*

TECHNOLOGY

BARNETT BANKS Inc. and Cooperative Healthcare Network will begin jointly marketing to physicians later this month services that automate claims, card processing, and balance reporting. *Page 3*

M&I DATA SERVICES Inc., strengthening its presence in the Southeast, has agreed to acquire the correspondent bank processing operations of Financial Processors Inc. in Tampa, Fla. Financial Processors is an affiliate of Barnett Banks' information technologies subsidiary. *Page 3*

FINANCE

A RALLY in bank stocks showed no sign of fading as shares continued to outperform the overall stock market. *Back page*

J.P. MORGAN Securities Inc., for the second time in three months, led a note offering for Hertz Corp. The world's largest rental car company is a longtime client of Morgan's commercial banking arm, Morgan Guaranty Trust Co. *Page 18*

COMMENT

THE TREASURY'S under secretary for domestic finance, Frank Newman, doubts the Clinton administration will endorse any package of sweeping banking legislation, writes Jim McTague. *Page 4*

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Booming Business
Volume of top five mortgage originators, dollars in billions

	Bank	Bank last year	Bank year-to-date	Change
1	Countrywide	$17.23	$15.5	+45%
2	Prudential	15.85	14.5	+46%
3	Norwest	13.7	9.5	+56%
4	Fleet	10.5	7.5	+56%
5	North American	7.5	5.5	+56%
	All originators combined	$412	+57%	

Sources: American Banker, companies

Mortgage Loans By Top Players Surge by 35%

By CHRISTOPHER NORBLE

The nation's top five mortgage lenders, thriving on the refinancing boom, posted spectacular originations during the first half of the year.

An *American Banker* survey found that loan production at the top five surged by an average of 35% from a year earlier, more than double the gain of the mortgage industry as a whole.

The leaders' hefty increase was the latest sign of a major consolidation in the businesses of writing and servicing home loans.

Countrywide in Lead

The top five lenders accounted for about 16% of all new mortgages in the first half of 1993, up from 14% a year earlier.

The ranking of the top four

See **ORIGINATIONS** *page 12*

Chemical in Talks to Buy Shell's Card Portfolio

By KAREN GULLO

Chemical Banking Co. is in discussions to buy Shell Oil Co.'s private-label credit card portfolio, a deal that would double the bank's cardholder account base.

Well-placed sources said that Chemical plans to acquire some four million accounts from Shell, converting its cardholders into full-blown credit card users by issuing a Visa card or MasterCard.

The Shell card is used for buying gas and other products at the company's service stations.

Boost to Sixth Place

The deal would double Chemical's portfolio of credit card accounts to eight million, boosting the bank three notches to make it the sixth-largest bank card issuer, as measured by number of accounts. Shell does not disclose its card receivables, making it difficult to assess the transaction's value by that measurement.

The cards would be issued by Chemical and carry Chemical and Shell logos.

Chemical officials would not comment specifically about the plan, but said the bank has talked to a range of oil companies, auto manufacturers, and airlines about ventures to cobrand their private label charge cards.

"We're looking at all kinds of cobranding," said Charles Walsh, executive vice president in charge of Chemical's retail card services group. But he added: "We have nothing to announce, nothing in the next quarter."

New Chemical World Rank After Deal
Based on total credit-card accounts at yearend 1992. Figures in millions

1	Citibank	59.7
2	AT&T Universal	36.0
3	Chase	9.0
4	Bank of America	8.8
5	First Chicago	8.0
6	Chemical*	8.0

*Including Shell acquisition; Chemical has 4.0 million accounts at yearend 1992
Source: The Wilson Report

A spokesman for Shell declined to comment.

But the plan, dubbed Operation Cobra inside Chemical, is believed to be well-advanced. The deal is expected to close in October, sources said.

Potential Risks

Purchase of the Shell accounts would require the nation's third-largest bank company to add several hundred staffers to its card operations center on Long Island, according to sources. In addition to increasing overhead, the plan carries other risks.

Several institutions, including BankAmerica Corp., passed on buying the portfolio after investigating potential profitability. The Houston-based oil compa-

See **CHEMICAL** *page 11*

BayBanks CEO Atop Coveted Franchise

By YVETTE D. KANTROW

The way William M. Crozier Jr. sees it, he is sitting in the catbird seat.

As head of BayBanks Inc., Boston's most visible consumer bank, Mr. Crozier is calling the shots at a company loss of other banks would love to own.

The colorful executive, who in the past has taken swipes at regulators and competitors, is doing little these days to quash talk of a potential sale. In fact, he seems ready to fuel it. But he makes clear that any deal would be done on his terms.

Down-to-Earth Attitude

"Our aim in life is not necessarily to stay independent like some sort of bunch of bluebirds somewhere forever wild," the 61-year-old chairman and chief executive said during a recent interview from BayBanks' gleaming new technology center in Waltham, Mass.

"Our aim in life is to govern our own destiny."

Indeed, bankers who have scouted New England say Mr. Crozier would drive a hard bargain before selling out. The company is dead set on maintaining "the right to choose" the way it relinquishes its independence, Mr. Crozier said. "We want to retain our freedom of choice."

Some analysts believe it will be three to five

See **BAYBANKS** *page 6*



HOLDING COURSE: William Crozier, chief of BayBanks, plans to handpick any merger partner.

NEWS *briefs*

NationsBank Hires Barnett Card Exec

JACKSONVILLE, Fla. — NationsBank Corp. has hired a key official at Barnett Banks Inc. to head its credit card marketing effort, an industry source said.

The appointment of Robert E. Stock, who was credited with improving Barnett's retention of credit card accounts as senior vice president there, will be announced today, according to the source who declined to be identified.

Mr. Stock, who has worked in the credit card division at First Chicago Corp., is expected to form a formidable team with Eileen Friars, who heads NationBank's innovative card division.

NationsBank, based in Charlotte, N.C., is the 11th-largest issuer of bank cards in the nation, with $4.4 billion of card loans outstanding at year end.

Barnett, in Jacksonville Fla., ranked 29th, with just over $1 billion.

Eastbrook Purchase Wins Fed Approval

WASHINGTON — Over the opposition of community groups, the Federal Reserve Board last week gave Eastbrook State Bank, Brookfield, Wis., permission to acquire a branch of North Shore Savings Bank, also of Brookfield.

The purchase was opposed by the Fair Lending Coalition in nearby Milwaukee, which argued that the banks owned by Eastbrook's parent, State Financial Services Corp., Hales Corner, Wis., do not adequately serve Milwaukee's minority community.

The Fed said it approved the acquisition because all of State Financial's banks earned "satisfactory" ratings under the Community Reinvestment Act. The Fed added that State Financial had properly defined and served its market.

State Financial, the 20th-largest banking company in Wisconsin, holds $192 million in deposits, including the $8.9 million in deposits acquired from North Shore Savings.

Colo. Closes Bank in Wake of Fraud Case

DENVER — A Colorado bank failed after losing its appeal of a federal court order to return $45.2 million to an investment trust whose adviser was convicted of fraud.

Jefferson Bank and Trust of Lakewood was closed by state regulators July 2 because the amount owed to the Iowa Trust far exceeded the bank's $9 million in capital. Jefferson Bank's deposits of $109.4 million were sold to another Colorado institution.

The funds in dispute were transferred to the bank in 1991 through a series of elaborate transactions handled by Steven Wymer, the Iowa Trust's investment adviser. In May, Mr. Wymer was sentenced to 14½ years in federal prison after pleading guilty to nine felony counts, including securities fraud.

Bank of Boston Completes Acquisition

BOSTON — Bank of Boston Corp. said it completed its acquisition of Society for Savings Bancorp.

Under terms of the agreement, Bank of Boston exchanged 0.80 common shares for each Society for Savings common share.

Pennsylvania's Jefferson to Buy Chester

PHILADELPHIA — Jefferson Bank signed an agreement to acquire Bank of Chester County.

The proposed merger should permit Bank of Chester County to comply with regulatory orders to boost its capital, the banks said.

Holders of Bank of Chester shares will receive one share of Jefferson Bank stock for each two shares of Bank of Chester common stock owned.

The briefs were compiled from staff and wire reports.

Federal Reserve Unlikely To Raise Interest Rates

Continued from *page 1*

chiuto, an economist at Barclays de Zoete Wedd. "The one-month change was adopted only to achieve credibility."

Under a pro-tightening policy, Fed Chairman Alan Greenspan has authority raise the target rate for federal funds by as much as a half a point from the current 3%. If policy was switched to neutral, he would be required to consult by phone with the other FOMC members before acting to tighten or ease credit.

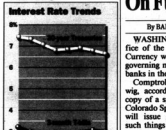
ECONOMIC OUTLOOK

Gary Schlossberg, senior economist for Wells Fargo & Co., doubts the Fed switched. "The Fed would not want to give the impression of flip-flopping," he said.

A sharp rise in gold and other commodity prices last week bolstered the argument of those who believe the Fed should stay on inflation alert.

Edward Yardeni, economist for C.J. Lawrence Inc., said he thinks the Fed will tighten if the price of gold rises above $400 and soybean and grain prices continue to rise. Gold was quoted at $394.50 an ounce on Friday afternoon.

Interest Rate Trends



Half-Point Rise Seen

Mr. Yardeni – among the best rate forecasters in the *Wall Street Journal's* most recent economic survey – thinks short-term rates will be a half point higher by the end of summer.

But John Lonski, senior economist for Moody's Investors Service Inc., said the rise in commodity prices relates largely to the temporary effects of midwestern flooding on crop production, rather than long-term inflationary trends.

"Even the hawks on the Fed realize that a tightening is not going to lower the level of the Mississippi River," he quipped.

The rise in gold prices is more troubling, he said, and may reflect investor uneasiness that the Fed and other central banks have the resolve to maintain a strong anti-inflation stand and continuing economic weakness.

Mr. Sinai noted that much of the rise in gold prices relates to special factors, including intense buying by China and some large investors. □

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NationsBank 4,18
Nations Bankers Assn 14
North Shore Mortgage 10
Norwest 10
Norwest Mortgage 10
Norwest Mortgage 1
Old Kent 10
Olympia 10
Pacific Mortgage 10
Pacific Telesis 3
Philadelphia Federal Savings 1
Prudential Home Mortgage 10
Schwab 18
Security Pacific 10
Security Pacific Corp 10
Securities Industry Assn 4
Shell 1
Smith Barney & Harris Upham & Co. 1
SNL 8
Standard & Poor's 30
Stanley Steemer 10
Sun Trust 10
Tennessee Bankers Assn 14
Tucker Federal 10
U.S. Bancorp 10
U.S. Trust 10
Wells Fargo Nikko Investment Advisors 10
Zions 10

OCC to Issue Guidelines On Fund Sales

By BARBARA A. REHM

WASHINGTON — The Office of the Comptroller of the Currency will release new rules governing mutual fund sales by banks in the next two weeks.

Comptroller Eugene A. Ludwig, according to an advance copy of a speech to bankers in Colorado Springs, said the OCC will issue guidelines covering such things as what disclosures banks should make to customers, how the banks may name their funds, and what sales training bank employees need.

The policy statement is still being completed, but is likely to be released this week or next.

Mr. Ludwig said in the speech, which was to be delivered Sunday, that he is concerned whether banks are explaining clearly to their customers that deposits in mutual funds are not insured by the Federal Deposit Insurance Corp.

He said banks not explicitly disclosing this fact risk losing the public's trust.

"Bankers bring more than services to the marketplace. They bring their reputations," he said.

Mr. Ludwig, who was to speak to leaders of the American Bankers Association gathered for their summer meeting, said senior management should take "a major and active role in any investment product sales program." □

TECHNOLOGY/OPERATIONS

M&I Data To Acquire Florida Firm

By DEIDRE SULLIVAN
Special to the American Banker

Strengthening its presence in the Southeast, M&I Data Services Inc. has agreed to acquire the correspondent bank processing operations of Financial Processors Inc. in Tampa.

Financial Processors is an affiliate of Barnett Technologies Inc., the information technologies subsidiary of Barnett Banks Inc., Jacksonville, Fla.

As part of the agreement, Milwaukee-based M&I will assume responsibility for all Financial Processors' current contracts, associated equipment, and 160 employees.

M&I will also take over the operation of Financial Processors item processing centers in Tampa and Miami.

Major Outsourcer

M&I Data Services, a wholly owned subsidiary of the Marshall & Ilsley Corp., provides advanced software and outsourcing to about 400 financial institutions.

M&I senior vice president Donald Layden predicted that in the coming years, opportunities will open up in the Southeast market. He noted that in 1992, M&I stepped up activity in both Florida and Georgia, converting more than 18 banks in Georgia alone.

Mr. Layden also said that M&I was attracted to Financial Processors because the company had been operating M&I software as a licensee for years.

"The staff knows our systems. They know how we operate, so it's an exceptional fit," he said.

Executives at Barnett Technologies anticipate an added benefit for Barnett Banks' correspondent clients.

"Financial Processors' clients will now have access to M&I's industry expertise and a greater number of service options. The acquisition represents a winning situation for all involved," said Jonathan I. Palmer, chief executive of Barnett Technologies.

M&I Data Services has been in the information processing business for about 29 years, and Mr. Layden said this recent acquisition has marked a significant shift in the way the company looks at itself.

"In the past, our growth strategy was never acquisition driven. We have preferred to focus on building our customer base," he said. "But this deal marks a commitment to look at other acquisition possibilities."

Ms. Sullivan is a freelance writer based in New York.

Barnett to Market Services to Medical Industry

By JEANNE IDA

Barnett Banks Inc. and Cooperative Healthcare Network will begin jointly marketing to physicians later this month services that automate claims, card processing, and balance reporting.

Each company will market two products: Cooperative Healthcare Network's StatLink, which automates the forms process, including claims, submissions, claims status, and eligibility, and Barnett's on-line banking and card processing services.

Many banks are looking to the health care industry's payments system as a lucrative source of fees. "It remains to be seen" whether the product will be a significant source of fee income, said Wade Nield, health care segment manager for Barnett, a $38 billion-asset bank based in Jacksonville, Fla.

The bank's partner is Cooperative Healthcare.

The products aim to speed the flow and posting of physicians' accounts receivable, which now are often delayed by administrative inefficiencies, the bank says. The service will allow physicians to verify receipt of payment before updating receivables.

Barnett will begin testing the marketing effort on July 27 in its branches in Highlands and Pinellas counties in late July.

Cooperative Healthcare, a subsidiary of Atlanta-based BellSouth, has agreed to market with Barnett exclusively in the state of Florida. Barnett also plans to market the product in Georgia.

In a separate move aimed at the medical industry, Barnett and MasterCard are co-sponsoring seminars on managing a medical practice. □

NCR Financial Enterprise Architecture

The Advantages Of Massively Parallel Computing In The Financial Enterprise.

NCR's Financial Enterprise Architecture (FEA) offers a visionary blueprint for financial institutions to create a flow of information and solutions across the enterprise. One of the key technology enablers within FEA is NCR's massively parallel processing (MPP) solutions.

Parallel processing machines use hundreds of microprocessors to break down tasks into smaller pieces that can be processed simultaneously (at performance in excess of 10,000 MIPS), dramatically speeding up transaction times and complex queries.

On-Line Complex Transaction Processing (OLCP)

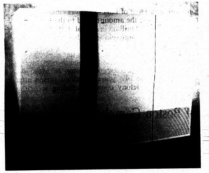
Most banks already have such an overwhelming amount of data that it is difficult to access selective information that supports decision-making. Plus, that data is usually isolated in disparate systems and software across the enterprise.

However, with MPP, On-Line Complex Transaction Processing applications are possible. OLCP combines high volume transaction processing with larger, data intensive applications to dramatically improve real-time analysis of enterprise business data. OLCP environments are characterized by concurrent OLTP, decision support, complex processing and ad hoc query processing.

OLCP applications can provide bankers with actionable information for competitive benefits, including:

• **Real-time transaction analysis,** to help determine appropriate action for customers with complex investment, CD or loan decisions that require rate and options analysis.

• **Real-time availability of transaction/ household data,** versus summary data, to create new products or services. For example, a marketing program query asking for all single income



NCR's System 3600 and DBC/1012 have helped NCR gain an 80% share of the commercial parallel processing market.

households with $50,000+ incomes, savings of $10,000+, and specific transaction parameters.

• **High volume credit card transaction analysis,** to identify customer patterns and other criteria that can minimize fraudulent use.

• **Real-time availability of credit history reports,** to support risk management analysis.

• **Strategic decision support,** to help banks evaluate the most profitable directions to pursue, which areas of business to move into or leave, where to locate branches, and what level of service and automation is needed in each location.

There are more ways the sheer computing power of parallel processing can help you create answers out of your mountains of data. Phone 1 800 CALL-NCR today, or talk to your NCR representative.

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AMERICAN BANKER
Opinion

Front Row on Washington

By Jim McTague

Treasury's Newman Spurns Idea Of Sweeping Bank Legislation

Frank Newman, the Treasury's under secretary for domestic finance, said the Clinton administration is unlikely to endorse any package of sweeping banking legislation.

The disastrous fate of the Bush administration's omnibus bank bill in 1991 (Congress turned it into the onerous FDIC Improvement Act of 1991) is the reason no sweeping package of reforms will be supported by the new administration.

"We want to try to keep focused," Mr. Newman told me last week when I visited his high-ceilinged, wood-floored office the size of half a basketball court to talk about banking issues.

The former B of A bigwig cautiously offered me scraps of information on topics ranging from interstate branching to the regulation of parallel banks.

Keeps His Cool

My first impression of Mr. Newman was that he's not an off-the-rack kind of guy. On a day when both the temperature and the humidity hovered near 100 and everyone else appeared as if they had slept for days in their business suits, he looked like a stand-in for the Duke of Windsor.

He's also not an off-the-cuff sort of guy. Although the interview was "on the record," he declined to let me tape it, despite my objection that Skippy the chimp's penmanship is more legible than mine.

Even then, with guaranteed deniability of everything he was about to say (owing to the inadmissibility of my handwriting as evidence), he was more cautious than most of the politicos I have encountered here in Gossip Central. But then again, he's new to this town.

Dancing the Dance

His response to my question about interstate branching was typical. I asked him whether the administration was for it or against it.

"Interstate branching needs to be addressed," he said. "One bill has been introduced. We're going to need to comment on it."

And what, I asked, is the official opinion?

"There is no official administration position on the need for the bill. My own inclination is to ask, 'Why not?' "

Why, he asked rhetorically, does this country alone have such restrictions?

He said big banks and small banks "do well" side by side in his home state of California, and he saw no reason it would not happen elsewhere.

He quickly added that community banks have an important role in the community and that he would not want to promote a scheme that would "put them off the face of the earth."

He envisions a world where big banks achieve economies of scale through branching and small banks serve their communities, which he says would be analogous to supermarkets and local groceries (which I didn't get because there are no small groceries where I live).

AN ILL-FATED 1991

Bush administration omnibus bank measure is the reason no sweeping package of reforms will be supported by the new administration.

Interstate Compromise?

In my book, all of the tap dancing above equates to YES, WE SUPPORT INTERSTATE BRANCHING. But in the world of politicspeak, it means they are thinking about it and nothing more.

I asked him how he will handle Ken Guenther and the Independent Bankers of America, both strongly opposed to interstate branching.

"I'll the sole purpose in opposing interstate is to protect a narrow interest, I can't support that argument. If there's a genuine issue that local communities won't be served by lending institutions, then it's legitimate."

To me that sounds like a compromise might be in the offing.

We talked about securities powers for banks and Glass-Stegall. Mr. Newman said the Securities Industry Association's proposal to 1.1 security firms own banks if banks can deal in securities "seems reasonable if there are appropriate protections."

I asked if the administration would introduce legislation to roll back some of the banking industry's regulatory load. He said no.

But he said the administration would try to suggest some modifications. That's a lot less than was hinted at right after the election. As I recall, a council of regulators was supposed to propose specific rollback legislation.

Smooth Exit

I also asked Mr. Newman about statements in *The New York Times* a couple of weeks ago, attributed to him, that the administration might be inclined to make nonbank banks subject to the same fair-lending laws that apply to banks.

He said there is no formal plan, but that it is something he'd like to think about. (His press aide said *The Times* had misinterpreted his remarks somewhat.)

He said it would be impossible to apply the laws to money-market mutual funds, but that something might be required of other mutual funds if it appeared that savers were going to make them the long-term resting places for their funds.

At the end of an hour of my pecking and scratching, his secretary came in with a piece of paper. He looked at it, excused himself, and said it was something he had to see to right away.

"Pretty smooth," I thought to myself. I returned to the office and began the arduous task of translating Skippy the Chimp's notes into English. □

Comment

By Kenneth Lewis Tepper

RTC's Curbing of Bulk Asset Sales Is Good for the Little Guy and the U.S.

In an effort to attract more investors and generate greater yields from the liquidation of failed savings and loan assets, Roger Altman, the acting chief executive of the Resolution Trust Corp., has established new size limits for asset portfolios sold by the RTC.

It is not surprising that those who once benefited from the virtual absence of competition at the bargaining table would criticize this bold move. Much less explicable is the indictment of the current administration and Mr. Altman by critics who suggest that the moves further pork-barrel practices.

The critics have argued that, by responding to the "little guys" who seem to be willing to pay more for S&L assets that are offered in smaller packages, the RTC is "providing political favors to a vocal special interest." What the critics call "political favors," however, is rather a prudent and overdue government response to the growing concerns of constituents.

Taxpayer Losses

As a community-based financial institution, we are one of these "little guys" that have for some time witnessed a feeding frenzy of RTC "product" by investment bankers. Applying a purely Wall Street mentality, this frenzy is based on buying artificially low to assure sizable profits.

Accordingly, the laws of probability and statistics have become the surrogate for prudent underwriting and risk management. It is the taxpayer who loses when assets are hastily sold for far less than their market value because of a lack of financial discipline.

And now, those who were content to let the biggest and baddest rule the sty are squealing "foul!"

In 1992, $11 billion in assets were sold via bulk sales in excess of $50 million dollars each. Almost half of these assets were sold to the same four purchasers – General Electric Capital Corp., Goldman Sachs & Co., Kidder, Peabody & Co., and Merrill Lynch & Co.. The average purchase price was roughly 49 cents on the dollar.

More Competition

In the past, the majority of investors could not partake in these portfolio sales due to the prohibitive size of each offering. The fear now is that the trough will suddenly become overcrowded with buyers who, as a result of smaller packages, will be able to compete. As a result, little guy may well drive the price up – and increase recoveries for both the RTC and the taxpayer.

More competition? Higher recoveries? Is this the point of it all in the first place?

Breaking the packages into smaller pieces may theoretically slow the liquidation process. But the RTC's mandate is not simply to make assets go away; it's to make them go away at the highest possible price.

The suggestion that the RTC is catering to special interests is an insult to the entire financial community and a slap in the face to the RTC's outstanding senior management staff. □

Mr. Tepper is director of merchant banking at Tucker Packard, Tucker, Ga.

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Home Loan Banks Lauded, but Risks Noted



E. Gerald Corrigan
Stepping down from Fed

By ROBYN MEREDITH

WASHINGTON — The Federal Home Loan Bank system is not a dinosaur, as some have charged, but it is taking on additional risks as it moves away from its traditional purpose of supporting home lending, the Congressional Budget Office concluded.

Some have questioned whether the bank system is still needed. The budget office said in a report released Friday that because a secondary market for home mortgages has been developed, thrifts no longer face the liquidity crunch they did when the system was created in 1932.

'Only Source' of Funds

However, the budget office noted that the bank system is "practically the only source" of depository institutions have for medium-term and long-term funds. By providing such loans to member thrifts and banks, the system helps them "manage their interest rate risks, which can reduce the costs of such risks to the deposit insurance funds," the budget office concluded.

"These activities arguably provide the strongest justification for the system's continued existence," it said.

Risks Seen as Well-Controlled

The bank system, which consists of 12 regional banks that make low-cost loans to home lenders, contributes $300 million annually to the cost of the thrift bailout, which has caused the system to increase its investment portfolio of mortgage-backed securities. That trend has added risks to the system.

Mike Wilson, research director of the Federal Housing Finance Board, the bank system's regulator, said: "On the one hand, it is true that the system's risk profile may have changed over the years." However, he said, "The system is not by any means a risky enterprise," because there are tight controls on the system's investments.

"The Federal Home Loan Bank system is by far the least risky" of the government-sponsored enterprises, said Bert Ely, an Alexandria, Va.-based bank and thrift consultant.

"Their advances are well-collateralized, but on top of that, the Federal Home Loan banks have a much higher capital ratio than Fannie and Freddie." □

Corrigan Is Named To Head Russia Fund

TOKYO — New York Federal Reserve Bank President E. Gerald Corrigan was named by President Clinton as chairman of a planned U.S.-backed fund to support private-sector development in Russia.

Mr. Corrigan, who is stepping down from his Fed post, will be joined on the board of the Russian-American Enterprise Fund by a number of prominent names in U.S. business and politics, including Lehman Brothers managing director Robert M. Brown, former Colorado Sen. Gary Hart, and former U.S. Ambassador to Russia Robert Strauss.

Mr. Clinton unveiled plans for the fund in April at his Vancouver summit with Russian President Boris Yeltsin.

The fund, which is designed to complement other U.S. assistance programs for Russia, is expected to be capitalized at more than $300 million over a three-to four-year period, the White House said.

Promoting Development

Under the fund's plan, the board will guide its equity investments and loans, along with technical assistance programs, to promote private-sector development in the former Soviet republic.

The Clinton administration is currently seeking funds from Congress to expand the fund's operations into Russia's Asian regions, according to a statement from the White House.

Initial capital for the fund is incorporated in a $1.8 billion foreign aid measure for Russia and other former Soviet republics. The measure has won House approval, but is still pending action by the Senate. □

Ohio's FirstFederal in Deal

WOOSTER, Ohio — FirstFederal Financial Services Corp. said it signed an agreement to acquire the Ontario, Ohio, branch of Equitable Savings.

Terms weren't disclosed.

The Equitable Savings branch had about $18.5 million in deposits at the end of March. At March 31, FirstFederal had $572 million in assets.

The acquisition is subject to regulatory approval. □



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GMAC Mortgage

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BayBanks' Captain Has a Firm Grip on the Tiller

Continued from page 1

years before Mr. Crozier actually sells the organization he joined nearly 30 years ago. By that time, he might be ready to retire.

"I don't think Bill is diametrically opposed to selling the bank," said Thomas Theurkauf, an analyst at Keefe, Bruyette, & Woods Inc. "But both he and his management team have an agenda for the next few years to return the bank to top-notch profitability."

What makes BayBanks so attractive is its stellar retail franchise. In Boston and its environs, BayBanks' green-and-white logo is, as Mr. Crozier puts it, as ubiquitous as McDonald's golden arches.

The 65-year-old company boasts more than 200 branches, 1,004 automated teller machines, and a primary banking relationship with 18% of all Massachusetts' households, according to data compiled by the bank and this newspaper.

Such market penetration ranks BayBanks, which has $9.6 billion of assets, well ahead of larger competitors, including Fleet Financial Group, which became its arch rival when it bought the former Bank of New England franchise. Fleet ranks second in primary household relationships, with 8% of the Boston market.



Real Estate Angst

Like many other companies, BayBanks struggled with the New England economy in the early part of the decade. In 1990, it posted a loss of $69.8 million, as its real-estate-dominated credit costs – loan-loss provisions, writedowns, and foreclosed property expenses – reached $304.5 million.

By the end of last year, the company was on the rebound. Expenses related to problem assets had declined to $152.3 million, permitting the company to report a profit of $59.2 million. BayBanks earned $12.8 million, or 68 cents a share, in the first quarter and is expected to weigh in with a strong 72 cents a share when it reports second-quarter earnings this week.

Mr. Crozier said he is confident that credit costs are going to continue their steady decline this year. And that could mean more money to pour into BayBanks' retail business, the chief engine of its growth and profitability.

BayBanks has a formidable retail franchise in Boston.

BayBanks has a history of wooing customers with a unique mix of technology and marketing smarts. In a recent marriage of the two, it mailed customers a glossy catalogue of its products, allowing them to shop for banking services via a toll-free telephone number, 24-hours a day.

"They are easily among one of the top three retail banks in the U.S.," said Thomas D. McCandless, an analyst at PaineWebber Inc.

BayBanks' own ATM network, dubbed X-Press 24, allows customers to perform all standard banking transactions – and then some. Cardholders can obtain mini-statements of their accounts, find out if checks have cleared, and at some locations purchase U.S. postage stamps.

Keeping It Simple

The machines even boast a customized feature that allows a cardholder to receive a predetermined amount of money when a "fast cash" key is pressed.

"The ATM is sort of symbolic of what makes us different," said

Mr. Crozier expects credit costs to keep dropping.

Lindsey C. Lawrence, president of BayBank Systems Inc., the company's technology arm. "We make it simple for customers. We really understand what they need and then use technology to give it to them."

As Mr. Crozier will tell you, that is no easy feat for a banking company that has just 6,300 employees. He also readily admits that BayBanks' small size relative to its competitors puts a strain on monetary and human resources.

Ms. Lawrence's group, for example, is close to unveiling a new ATM feature that allows customers to move money among their own accounts and those of other members of their households with a single card. But the "XPress-link" service, a version of which has been introduced by Citibank, works better with touch screens than with the keypad technology that BayBanks has, Ms. Lawrence said.

Citicorp developed its touch-screens machines in-house, a luxury that BayBanks cannot afford. That makes it reliant on outside ATM vendors who are currently working on some projects with the company.

Some Close Calls

"We do live a life here that is a little more hair-raising than some," Mr. Crozier said. "In many, many things we have done, we get the car across the tracks right before the train comes."

The latest example was the introduction in March of BayFunds, a proprietary family of six mutual funds. Fleet beat BayBanks to the punch by selling its family of funds through its branches 18 months ago, and Shawmut National Corp. introduced its fund family in February. Bank of Boston entered the fray in June.

BayBanks is not charging any sales fees on its funds. It is also including mutual fund transactions on its regular bank statements, and is developing a system that will allow customers to access their funds via ATMs.

Mr. Crozier points to the development of SmugAttitudes, which cost the bank $5 million, as evidence of how the company invests even in the face of New England's enduring economic downturn.

"The retail side of the business rings the cash register," he said. "It's great stuff, and I just love it." □

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Failure to Communicate with Shareholders Can Be Costly

By GEORGE FREIBERT
President
Professional Bank Services Inc., Louisville

Viewpoint

Banks have seen heightened interest from their shareholders in recent years. Unfortunately for bank boards and chief executives, this interest sometimes manifests itself in a move for their replacement or for the sale of the institution against the board's wishes.

Shareholders can be motivated to act because of performance or regulatory problems, or both. However, more commonly, problems come from a simple failure to communicate. This failure is often rooted in the unfounded belief that shareholders will always concur with the board's wishes.

Issues to Consider

Following are several issues directors and chief executives should consider in their relationships with shareholders, depending on ownership structure.

First, let us consider an institution in which the board holds control.

It is not unusual for community banks and some regional institutions to be controlled by the board of a one-bank holding company. Often the bank board and the holding company board are virtually identical.

A Fiduciary Obligation

However, it is incumbent upon the board to protect the interest of minority shareholders who may not be represented on the board. A board has a fiduciary obligation to protect the interests of all shareholders, regardless of where stock control rests.

Minority shareholders should be kept well advised about the company's performance through shareholder meetings and other communications. Shareholders should feel they are part of the team and "in the know" regarding corporate matters about which they have a legitimate right to know.

Beware of Smug Attitudes

Problems in this type of situation often stem from a smug attitude by members of a controlling board who feel minority shareholders pose no threat to their positions. If these minority shareholders feel disenfranchised, they will be easy prey for a suitor unwanted by the sitting board who underestands his ability to cause it trouble. It is far better to spend some time and money keeping these shareholders in the fold rather than risking adversity.

Boards should approach disgruntled or seemingly uninterested shareholders with the view of buying their shares back, instead of leaving them as a chink in the corporate armor.

Shareholder Base Aging

At widely held institutions, there's a different set of issues.

It is quite common for board members to collectively hold only a small percentage of the institution's stock. In such cases, shareholder relations are particularly important.

The shareholder base of many banks has aged significantly in the last decade, and heirs of former shareholders have relocated out of the community. These two factors have resulted in a significantly increased desire for liquidity and decreased loyalty to the bank.

Increased Dividends a Help

Bank boards and management are often made up of older and financially secure individuals whose personal financial situations do not always parallel those of the shareholder base. As a consequence, board members mistakenly believe the shareholder base does not have a strong interest in the ordinary income received through dividends.

Payment of a realistic and yearly increased dividend is one of the most effective tools of communication available to the board.

Definitive Plan Needed

While hostile takeovers and creeping tender offers are generally associated with large, publicly traded organizations, similar scenarios are often played out in smaller, privately held companies. These institutions are tempting targets when shareholders believe they are not being treated fairly by the board and management, or when there has simply been a lack of attention to shareholders.

Boards of widely held banks that wish to maintain their ownership structure and direction should have definitive plans for working with shareholders.

An essential element in this planning process is the establishment of a bank holding company, a vehicle for making a market for the institution's shares and redeeming the stock of shareholders who may wish to cash out.

If the board owns control of the institution, the holding company is still an extremely valuable tool for making a market in minority shareholders' stock and, possibly, providing other financial benefits to shareholders. □



George Freibert



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Amsouth Moves North In Its Florida Campaign

By PHIL ZAHODIAKIN

Mergers

FLORIDABANK, A JACKSONVILLE-based thrift, last week became Amsouth Bancorp's latest takeover target in Florida.

The state's healthy growth has been fueling takeovers of small banks for several years, but the buyout offer by Amsouth, a $10.9 billion banking company based in Birmingham, Ala., is its fifth in Florida this year.

Other Alabama regionals already have set up shop in Florida, and the invasion makes sense to J. Malcolm Jones Jr., chief executive of $270 million-asset FloridaBank.

"Florida is one of the country's top five growth states, and Alabama's at the middle of the scale, so we've had a lot of the larger Alabama banks entering our market."

Mr. Jones adds that Amsouth's offer for FloridaBank, which is not publicly traded, was a strong one – 1.81 times adjusted book value.

Amsouth's offer is in line with most of its other Florida bids – 1.5 to 1.9 times adjusted book – though the offer for First National Bank of Clearwater was 2.25 times book.

However, "Clearwater has a very large trust department," Fred Meinke, an analyst at Raymond James & Associates, St. Petersburg, He added that other regional banks also have been paying for Florida assets with about the same premium that Amsouth has been offering.



J. Malcolm Jones Jr.

"Like any community banker, I was aware that I would eventually have to consider an offer," said Mr. Jones, a banker for the last 20 years. "We're not very closely held – I'm the largest shareholder with 6% of the shares – and I have a responsibility to entertain strong offers.

"On the other hand, Amsouth has a great reputation, and they'll provide our customers with more services than we ever could because we're limited by our capital resources."

Amsouth, Mr. Jones adds, "has the largest trust and retail banking operation in Alabama, and they're very strong in mortgage lending – which is our main business."

FloridaBank is returning 0.79% on assets and a robust 15.26% on equity, but its service area was Amsouth's real interest.

Its seven branches in the Jacksonville area would serve as a "fill-in to enable us to have a viable northern Florida franchise," said Harvey E. Campbell, Amsouth's director of investor relations.

Amsouth's other Florida deals, also pending, would position the banking company in Orlando, in the middle of the state; in Ocala, north of Orlando; and St. Petersburg, on the West Coast.

By virtue of purchases in the late 1980s, it already has a presence in Destin and Panama City, in the panhandle.

Mr. Campbell said Alabama banks, thanks to the state's stable economy, are among the most profitable in the nation.

"However," he adds, "in looking for opportunities to participate in more growth, Florida is very attractive to us – especially because the demographic projections show the growth will continue."

Mr. Meinke says many large banks – Barnett Banks Inc, First Union Corp., NationsBank Corp. and SunTrust Banks Inc.– already have set up shop on the Florida's west coast – where Amsouth is about to take over St. Petersburg's First Gulf Bank and the Clearwater bank.

'Room for Everybody'

"But there's plenty of room for everybody," Mr. Meinke adds, noting that most people in the sprawling area drive to work – and that none of the large banks has "overbranched."

Mr. Campbell says Amsouth always makes a strong commitment to communities when entering a new market. David Cates, chairman of the Washington bank rating and data firm Ferguson & Co., agrees.

However, he maintains that there is another side to Amsouth's takeover effort.

"I would think that sheer size does matter in the survival game," he said, "and Amsouth, in order to remain independent for as long as possible, needs to get as big as possible. Their stated goal is subtle – observing shareholder value, and so forth – but the latent goal of expansion minded banks is to keep expanding."

Q: Would you consider selling your bank?



BILL MONDAY
Chief executive
O'Bannon Banking Co.
Buffalo, Mo.

That's a loaded question! I mean everything has it's price, doesn't it?

Many community banks would probably say no because of their heritage and the need to continue to serve the community.

In our case here I would also say "no," because our bank is owned by individuals in the community. Our stockholders are part of the community, and we like the idea of the institution remaining a community bank that is owned and operated by local people. □



STANLEY N. PONTIUS
President and chief executive
First Financial Bancorp
Hamilton, Ohio

If a big bank came in and offered us a lot of money for the bank my sense is the board and shareholders would say we want to stay independent, thank you.

If our performance wasn't there and if our service to our communities wasn't at a high level, we don't deserve to remain independent.

We don't believe there is a need to sell our organization, in fact we are seeing market opportunities emerge for community banks because of other mergers taking place in the industry. □



SKIP MARTIN
President and chief executive
Pocahontas Federal Savings
Pocahontas, Ark.

The answer is no. I would not. I love this business I have grown up in it.

I guess everybody has a price for things that aren't moral and ethical, sentimentality even has a price.

But . . . I want to be the big cheese.

I've never seen a period of time that we were not griping or complaining.

Things are better right now than they have been since 1979. The regulators are leaning more toward generalization; they don't pick me to death like they used to. □

Rich Bids Are Fueling the Rush to Sell Out

By ROBERT B. COX

For all their talk about independence, community bankers have been selling their banks in droves.

The past 12 months have seen 181 community bankers joining with banks that have over $2 billion of assets, according to SNL Securities, Charlottesville, Va.

This acquisition boomlet has translated into a transfer of more than $58 million of assets from small to large and superregional banks.

"Bankers are getting good offers for their banks" from larger rivals, said Kenneth Guenther executive vice president of the Independent Bankers Association of America.

Acquiring community banks "remains the avenue of access to new markets – you are buying a market franchise that can't be duplicated by going de novo," said Mr. Guenther.

Marriage of Necessity

Indeed, the weighted price-to-book average paid by large banks for their smaller cousins reached 1.8% in the second quarter, according to the SNL data.

Many bankers say that in order to remain profitable in the face of increased regulations and competition, they need to join forces with larger banks.

Most larger institutions employ specialists to deal with new regulations and are able to cost-efficiently spread technology over larger organizations.

"We can have good products and ideas, but the regulatory requirements make it extra difficult to provide those services," said Russell Lawson, chief executive of Central Banking Group, Oklahoma City. □

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Lawyers as Directors: Maybe a Good Idea After All

Weekly Adviser



By PAUL NADLER

The issue of who should serve on a bank's board hit a nerve with readers. There have been several communications on this topic, the subject of several recent columns.

I received a letter from Richard B. Foster Jr., president of Banconsult Inc. of Okemos, Mich., who disagreed with the suggestion in a column of June 14 that lawyers be bypassed for membership on bank boards.

Mr. Foster writes:

"I could not help but be amused by the number of bankers who commented to you that they would never put a lawyer on their boards of directors.

"I am sure that some bank directors, including some lawyers who are directors, use their bank board positions to look for business for their own firms.

"This type of director, whether a lawyer, insurance agent, or businessman, is not the kind of person a bank should have on its board of directors."

A Bum Rap?

"But perhaps lawyers are getting a bum rap. Maybe there are reasons bankers should ask lawyers to serve as directors of their banks.

"Many bankers want their attorneys to serve as directors because of prestige, contacts, experience, and judgment and their belief that the lawyer will do what is "right" – in other words, lawful.

"To put it cynically, this may be because the lawyer wants protection from liability. Here is what one president told his lawyer about why he wanted the lawyer to serve on his board of directors.

Worrying for the Right Reasons

" 'I would like you to go on our board because I know that if you are on the board you are going to worry about liability – your own liability as well as liability. And if you are worried about your own liability, I know that you will try to get us to do the right thing. So I want you on our board, worrying.'

"Some bankers believe that a lawyer is trained by his profession to help the board carry out one of its principal functions – to monitor the performance of the bank.

Mr. Nadler is a contributing editor of *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

As one reader points out, a lawyer can help a bank avoid liability problems.

"Finally, some lawyers believe that banks ask them to serve as directors in order to avoid paying the higher rates a lawyer would charge to participate in board meetings as a lawyer. For the price of a director the bank gets a lawyer too!"

An Accountant on the Board

We have received similar comments on the issue of placing accountants on the board.

Some CEOs hold that a good CPA on the bank board is a must.

Accountants can see the full implications of the bank's statements, can point out to other members on the board the weaknesses and strengths in the data, can look at the statements of potential borrowers with a more careful approach than the bank's own lending people might have, and can generally be as useful as Mr. Foster feels that lawyers can be.

On the audit committee, a CPA can be worth his weight in gold.

Another correspondent talked about the business people who join the board in the expectation that they will get the contracts for any bank construction or supplies the bank may need. They must be disabused of this idea.

One CEO in particular reported that he had a board member whose company lost out three times in a row in bidding on bank business; the company simply was not the lowest bidder.

To award business because the bidding company's chief is on your board is as illegal as making loans below the rates charged everyone else.

And finally several correspondents felt that the bank should go out of its way to make sure that doing business with the bank does not disqualify anyone from serving on the bank's board.

These are the people who have supported the bank and to deny them access to board seats would be like robbing yourself of your greatest opportunities for profit.

The key, though, is that these customers must know the ground rules of board membership. □

Send Us Your Ideas

Weekly Adviser is a forum for community bankers to share their concerns, problems, and solutions. You can participate by writing to:

Paul S. Nadler
14 Prior Tech Circle
Summit, N.J. 07901

Responses will be printed in the column.

WHEN PARENTS ARE LEARNING ABOUT COLLEGE, WILL THEY LEARN ABOUT YOUR BANK?



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Louisiana Bank Opts for Exclusivity

By MICHAEL O'D. MOORE

A Louisiana bank is pinning its mutual fund hopes on a fledgling Seattle supplier.

First American Bank and Trust, a $275 million-asset bank in Monroe, La., decided to get its products from Bennington Capital Management largely because it was impressed by the firm's investment advisers.

What's more, Bennington has agreed not to make its funds available to competing banks, and consumers cannot buy the products directly.

"When you're a smaller bank and you are out there competing with larger banks, you need to distinguish yourself in some way," said William W. Keith, executive vice president of First American. "Exclusivity of product was very important to us."

Backed by Top Firms

Bennington's equity, bond, and money market funds, called the Accessor Portfolios, are just a year old and have only $150 million in assets.

But the funds do boast a heavy-hitting cast of advisers, including State Street Bank and Trust Co., Bankers Trust Co., and Wells Fargo-Nikko Investment Advisors.

"We were looking for a product that would offer a consistent and disciplined approach to investment management," Mr. Keith said.

In the end, First American picked Bennington over two firmly established suppliers: Federated Investors and Frank Russell Group.

Greater Influence

As a client of a smaller company, it is easier to bend an ear to give suggestions about new products and services, Mr. Keith said. "We'd rather be a large fish in a small pond."

Banks have been accounting for 50% of Bennington's sales. In addition to First American, Bennington serves Zions Bancorp. in Salt Lake City and Bank South in Atlanta.

Until 1994, the bank will sell the funds to trust customers only. Mr. Keith expects $30 million in sales in the first year of operation. The bank gets 100 basis points in fees for each sale of the no load funds.

Focus on Fee Income

"We feel the future of the trust business and the future of the retail business rests on the ability of banks to create noninterest fee income," he said.

The bank hopes Bennington can give it an edge.

For example, Bennington's asset allocation program, "Allocator," is a distinguishing characteristic that should boost sales, Mr. Keith said. The computer program shows investors how different mixes of Accessor funds will perform under various economic conditions.

J. Anthony Whatley, who founded Bennington in 1990 after 15 years at Frank Russell said he wants his company to provide unique services to smaller banks.

The firm's investment advisers, all of whom are subcontracted from other companies, are compensated exclusively on a performance-based fee schedule.

Measured Against Benchmarks

Using market indexes, managers are compensated based on how well their fund performs relative to the benchmark. By contrast, most fund managers receive the bulk of their pay regardless of performance.

"Performance-based fees were extremely important," Mr. Keith said. "We found the managers were willing to stake their reputation and put their money where their mouth is."

Performance-based fees are most often used by large foundations and companies who hire money managers for their pension funds, Mr. Whatley said. The goal is to bring performance-based fees, and institutional management, to the local level, he said. □



William W. Keith
Cites a need to stand out



J. Anthony Whatley
Hires seasoned pros

Chemical in Talks to Buy Shell's Credit Card Portfolio

Continued from page 1

ny has been hawking the card portfolio, which also includes about three million nonactive accounts that would not be in the Chemical package, for more than a year, according to people familiar with the Shell program.

Gas-card programs typically operate close to, or in, the red because charge volumes are low, use is sporadic, and balances tend not to revolve, experts said.

"In many cases those programs do not make money, but the oil companies offer them as a courtesy and to promote customer loyalty," said Robert B. McKinley, president of RAM Research Corp., Frederick, Md.

Large Market

Credit criteria for gas cards also tend to be lower than those used by issuers of bank cards, according to experts. It also may be difficult to get gas-card holders to use an affinity card for general purchases, since many probably already hold other credit cards, experts said.

The deal would double Chemical's portfolio of credit card accounts to eight million.

But Shell has a large card constituency to offer Chemical, which became a significant market player after its merger with Manufacturers Hanover Corp. 18 months ago. In 1991, Shell recorded $3.79 billion of sales on its gas cards, larger than any other oil company program, according to the *Nilson Report*, an industry newsletter. Figures for 1992 are not yet available.

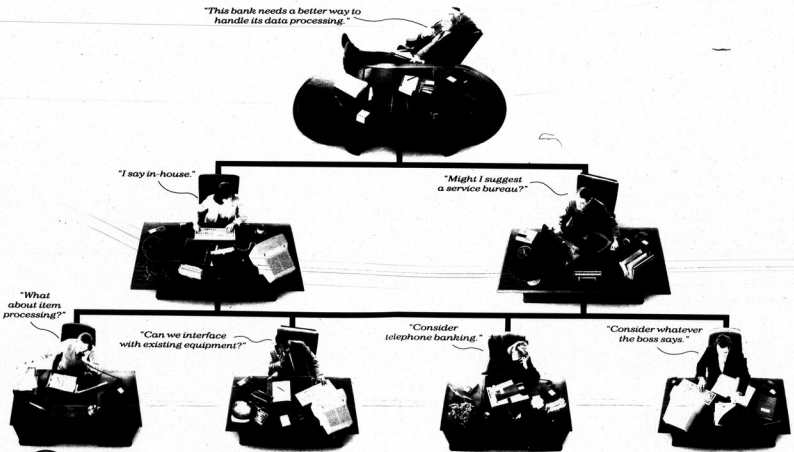
Though the verdict is out on how well Chemical would do with a cobranded card, there is precedent. Last month, Bank of Montreal acquired a portfolio of several hundred thousand cobranded Shell Mastercards from Royal Trust Company of Canada. The bank plans to offer to the Shell customers a new cobranded card that earns mileage credit on several participating airlines.

If Chemical succeeds in converting private-label cards to general-purpose plastic, it could reap significant charge volume and income from interchange fees.

The bank had $5.78 billion in receivables last year, ranking it sixth among all bank issuers, according to the *Nilson Report*, and is eager to expand. Like most issuers, Chemical has been squeezed by nonbank companies entering the business. Receivables grew just 2% last year, and total accounts grew 1%, according to Nilson.

Consultants say Chemical must offer competitive rates, low fees and other perks to entice Shell's cardholders to actively use a cobranded card. The task is all the harder at a time when consumers are being inundated with low-rate, no-fee offers from other bank issuers and new competitors such as General Motors Co. and American Telephone & Telegraph.

Mickey Meece contributed to this article.



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First Financial Offers SurePay Card System

FORT LAUDERDALE — First Financial Management Corp.'s unit, National Bancard Corp., has begun to market its SurePay credit card processing system to retailers nationally.

In a press release, the company said the SurePay access terminal has the ability to read both tracks of a card's magnetic stripe as well as the card's embossed account numbers.

The accompanying SurePay printer captures the entire transaction at the point of sale, including the cardholder's signature, and sends it to National Bancard for storage, where it can be retrieved anytime.

The company said the SurePay system can also interface with an electronic cash register via a new Multi-Reader device, which can read the MICR encoding on checks, the embossed account numbers, and both tracks of the magnetic stripe on credit cards. — **Dow Jones**

American Pacific Portfolio

PORTLAND, Ore.— American Pacific Bank said its secured and guaranteed credit card portfolio has grown to more than $20 million for the first time since its inception in August 1991.

The company reported 49,300 active credit card accounts. For the first six months of 1993, operating income reached $508,000, an increase of 29% over the year-earlier period. □

Originations by Top Mortgage Lenders Surged in First Half

Continued from *page 1*

lenders was unchanged from the middle of last year, with Countrywide Credit Industries leading the way, the survey found. Countrywide, based in Pasadena, Calif., produced $17.2 billion of loans, up 41% from the first half of 1992.

Meanwhile, North America Mortgage Co. of Santa Rosa, Calif., rocketed to the No. 5 post, dislodging Chemical Banking Corp.

North American, emblematic of a group of mortgage companies that went public last year, boosted its originations 39% in the first six months of this year, to $7.05 billion. North American made its initial public offering stock last July.

"We are entering the second half of 1993 in the strongest position, both operationally and financially, in the company's history," said John F. Farrell, North American's chief executive.

Spurred by Low Rates

Industrywide, originations have been surging as a result of low interest rates. The rates have unleashed a torrent of refinancings and boosted home purchases.

Loan production at the top five rose by an average of 35%

Originations for the first half of the year totaled $412 billion, up 17% from a year earlier, according to estimates by the Federal National Mortgage Association.

The leading lenders are clearly operating in class of their own.

Countrywide, which nearly doubled the industry record last year with originations of $31 billion, could approach $45 billion for all of 1993, analysts say.

The company finished June with a staggering $8 billion "pipeline" of loans in process. Mortgage banks typically close between 50% and 60% of their pipeline each month.

Close on Countrywide's heels, Prudential Home Mortgage Co. Inc., Clayton, Mo, produced $15.8 billion of loans in the first half, up 43% from 1992's six-month tally. Prudential said two-thirds of the loans it had produced so far in 1993 were refinancings.

With mortgage interest rates at the lowest levels in more than two decades, Prudential set a one-month company record in June, with $3.8 billion of production.

Norwest Mortgage Inc., Des Moines, Iowa, posted a 36% increase for the first half of the year, bringing its originations to $13.7 billion. Pete Wissinger, head of production for the eastern region, said that 40% of the bank's retail loans were refinancings.

Fleet Mortgage Group Inc., Columbia, S.C., estimated that its originations for the first half would end up between $10.4 billion and $10.6 billion. That would be a 15% increase over the first half of 1992.

Problems in Refinancings

Kevin Race, Fleet's chief financial officer, said his company was expecting another strong year in originations, but noted that the high level of refinancing also poses problems. Fleet and other companies with big mortgage-servicing businesses lose some existing business as consumers reach for refinancing deals from other lenders.

"The refi activity is kind of a good news-bad news situation," Mr. Race said.

Chase Manhattan Corp. apparently took the No. 6 position. It originated $6.6 billion of mortgages, up 25% from a year earlier. A company spokeswoman said 70% of the loans produced were refinances.

Chemical followed close behind with $6.4 billion, up a modest 5% from the first half of 1992.

At least one major lender actually posted a decline. Sears Mortgage Corp., which is being sold to PNC Bank Corp., saw its originations fall 8% in the first half of the year, to $4.99 billion. □

MGIC, Fannie to Share Risk on Loans to Poor

Mortgage Guaranty Insurance Corp. unveiled what it called a model program for boosting homeownership among poor and moderate-income families.

The $10 million initiative, aimed at about 200 families in Milwaukee, calls for the insurer to share default risk with the Federal National Mortgage Association and the Wisconsin Housing and Economic Development Authority.

The program entails unusually flexible underwriting, MGIC said. For example, a borrower's entire down payment can come from a gift or a grant. And borrowers save on closing costs because of a reduced first-year mortgage insurance premium.

"We expect this shared-risk partnership to serve as a model to be duplicated nationwide," said Gordon Steinbach, executive vice president at MGIC. □

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10. The Peoples Bank (Bloomington)

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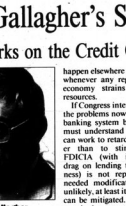
What Dimmed Gallagher's Star

FDIC Contender's Remarks on the Credit Crunch

Veritas

In May, President Clinton practically anointed New Hampshire lawyer Christopher Gallagher as his Federal Deposit Insurance Corp. chairman. Today, Mr. Gallagher seems to be out of the running, in large part because of his outspoken criticism of the FDIC Improvement Act of 1991. Here are some of his remarks before a House Banking subcommittee on May 11.



Christopher Gallagher

In January 1991, a group of New England businessmen met in Washington with the full New England congressional delegation. We explained that the New England credit crunch was real, that it had definable and predictable stages and progressions, that the ongoing, post-S&L bank examination process had curtailed lending to small business, and that its repressive format would stand in the way of lending to bank-dependent small business when loan demand returned to the marketplace.

We explained that the regulatory agencies understood the repressive impact of their new approach, but that they were responding to pressure from Congress to build capital in the banking system in order to relieve pressure on the Bank Insurance Fund. Until Congress advised otherwise, it was clear the carnage would continue.

Complaints Aired

The New England delegation, which by then had begun to speak up, turned up the volume and slight changes began to occur, but the crackdown in New England continued. Worse, its processes became institutionalized for the entire country in the from of FDICIA.

FDICIA constitutes the statutory version of the repressive format that preceded it. The regulatory approach now built into FDICIA can cause what happened in New England to happen elsewhere in the country whenever any region's cyclical economy strains its banking resources.

If Congress intends to address the problems now built into our banking system by FDICIA, it must understand how FDICIA can work to retard lending rather than to stimulate it. If FDICIA (with its continued drag on lending to small business) is not repealed, and if needed modifications are still unlikely, at least its worst feature can be mitigated. Its worst feature is the uncertainty it brings to the process of lending.

Pressure from Lawmakers

FDICIA gives wide discretion to regulators who, in turn, appear to be reacting to congressional pressure. This impression alone can be damaging.

As long as bankers believe that regulatory discretion can be influenced by politics, FDICIA tells themn not to assume the risk of business lending. Thus the price of FDICIA, which is loans not being made, is jobs not being created. If FDICIA cannot be repealed or even modified, lenders must be convinced that the Washington regulators have returned to a system of balanced regulation, designed to encourage sound lending. □

Bankers Took Copious Notes At ABA Compliance Meeting

The people responsible for making sure that banks comply with all of Washington's edicts met in sunny San Diego June 27-30. Beleaguered by Reg O and bewildered by Respa, 450 compliance officers turned out – the biggest crowd ever for the conference sponsored by the American Bankers Association.

Like most of their colleagues, compliance officers think there are too many rules.

"They ought to plant a forest every time a new regulation is issued," moaned one banker.

The Inside Line

"It's obvious Congress doesn't understand progress," said another. "The opposite of 'pro' is 'con,' so the opposite of progress must be Congress."

But most of the participants came to learn, not complain. The sessions were full through the last day. No golf – well, not much golf – was played.

They were warned to double-check their Truth-in-Savings disclosures. If a periodic statement promises one interest rate and the bank advertises another, then the bank is opening itself up to a class action, warned Leonard Chanin, a managing counsel at the Fed.

Mr. Chanin said that enforcement of Truth-in-Savings has begun, but hinted that regulators will hold off on penalities until banks learn the ropes.

The Fed will further explain what's expected of banks when it publishes its staff "commentary" on the regulation in November, he said.

On the last day, representatives of all three agencies fielded questions. Steve Cross, the OCC's deputy comptroller for compliance management, got the hottest grilling. His boss, Eugene Ludwig, is seen as the leading bank regulator since he is the only one appointed by President Clinton so far.

Mr. Cross told the bankers to start making more CRA loans and stop whining about the paperwork. He suggested that they quit documenting every meeting with a community group and every ad targeted to minorities.

But bankers countered that their examiners discount such detail. "If it isn't documented, it isn't done," one banker said his examiner told him.

The audience applauded.

"If there is any examiner who says that right now, then that examiner is not operating according to policy," Mr. Cross said.

The audience laughed.

— **Barbara A. Rehm**

THE WEEK *ahead*

THURSDAY, JULY 8

Confirmation Hearings: Richard S. Carnell appears before his old boss, Sen. Donald W. Riegle Jr., D-Mich., when the Senate Banking Committee takes up his nomination to be assistant Treasury Secretary for financial institutions. Mr. Carnell, former counsel to the committee, should breeze through. His nomination could go to the full Senate later in the week. Dirksen Building, room 532, at 10 a.m. Call 202-224-7391.

TUESDAY, JULY 13

More Confirmations: Arthur Levitt, the administration's choice to head the Securities and Exchange Commission, appears before the Senate Banking Committee. Also scheduled for confirmation hearings are Joseph Stiglitz and Alan Blinder, who have been nominated for seats on the Council of Economic Advisers. Dirksen Building, room 532, at 10 a.m. Call 202-224-7391.

WEDNESDAY, JULY 14

Fed Wire: The Federal Reserve Board meets to consider expanding Fed Wire's operating hours, moving the opening time to 6:30 a.m. eastern standard time on Oct. 4 in order to reduce risk in derivatives markets and support financial globalization. Eccles Building, 20th and C Streets NW, 10 a.m. Call Joe Coyne at 202-452-3204.

Speak Now: Comments are due at the Federal Reserve on a plan to make permanent a small-bank exemption from insider-lending rules. Banks with deposits less than $100 million would be able to make insider loans of up to 200% of unimpaired capital, instead of the current 100%. Comments should be filed with the Fed at 20th and C Streets NW., Washington, D.C. 20551.

THURSDAY, JULY 15

CRA Explained: Comptroller of the Currency Eugene A. Ludwig testifies before the Senate Banking Committee on President Clinton's plan to change compliance with the Community Reinvestment Act. Dirksen Building, room 532, at 10 a.m. Call 202-224-7391.

Credit Unions: The National Credit Union Administration holds an open meeting in Denver to consider changing its field-of-membership rules and requiring large credit unions to get outside independent audits. Call Bob Loftus 202-682-9650.

Ag News: Farm Credit regulators meet on a number of items, including how large banks and associations can terminate their status as Farm Credit System lenders. 10 a.m. at the agency's offices in McLean, Va. Call Curtis Anderson 703-883-4003. □

PEOPLE

Japan Bank's Aide to Lead Women's Group

Carol Van Cleef, a lawyer with Skadden, Arps, stepped down July 1 as president of Women in Housing and Finance. Her successor at the helm of the professional organization is **Nancy W. Hunt,** a vice president in the Washington representative office of Industrial Bank of Japan.

Under Ms. Hunt, the organization doubled its membership to 400 and organized a number of task forces – including one on working parents and another that lobbied to place women in the Clinton administration.

Ms. Hunt said she plans to continue those task forces and add a few new programs aimed at professional development, including the establishment of a speakers bureau. "One component of professional development is public speaking," she noted.

Ms. Hunt previously worked for Bankers Trust Co. and pulled a stint on the staff of Rep. **Bill Green** when the New York Republican served on the House Banking Committee. In 1974, she ran unsuccessfully as a Republican candidate for the New York City Council.

* * *

Bank lobbyists drew a heavy sigh of relief when Sen. Howard Metzenbaum, D-Ohio, announced he would not seek re-election next year.



Sen. Howard Metzenbaum
His influence may linger

The liberal Democrat is best known to many bankers for his dogged sponsorship of legislation that would require banks to offer low-cost services to the poor.

But Sen. Metzenbaum's decision raises two questions, lobbyist say. The first is whether his Senate colleagues will try to give him a retirement gift by finally enacting his government-check cashing and lifeline checking bills. Both have passed the Senate before, only to die in negotiations with the House.

The second is who will take his place on consumer banking issues. Most of the betting so far is on Sen. **Paul Wellstone,** D-Minn., and Sen. **Russ Feingold,** a liberal Wisconsin Democrat who had been expected to seek a banking committee seat this year.

* * *

R. Matthew Neff, deputy to the chairman of the Federal Housing Finance Board, announced that he was resigning to return to Baker & Daniels, the Indianapolis-based law firm where he left to join the finance board.

Mr. Neff, who has also started an investment group called Circle Investors LLC, will work part time as a partner at the firm while getting his business off the ground.

Circle is looking to invest in insurance companies with diversified portfolios and in other financial services firms.

* * *

Endangered species: The U.S. Supreme Court decision attacking oddly shaped minority congressional districts was aimed squarely at one House Banking Committee member and could ultimately affect three others.

The subject of the suit was the district inhabited by Rep. **Mel Watt,** D-N.C., a new member of the banking panel who has generally drawn strong praise from banking lobbyists. Other banking committee members from oddly shaped districts include Rep. **Luis V. Gutierrez,** D-Ill., Rep. **Nydia Velazquez,** D-N.Y., and Rep. **Cleo Fields,** D-La. □

EXECUTIVE *changes*

First Virginia Names Dalton To Two Posts

Patricia A. Dalton has been promoted to senior vice president of First Virginia Bank and vice president of its parent company, First Virginia Banks Inc., Falls Church, Va. Ms. Dalton will be responsible for all trust operations for First Virginia Bank as well as the other 19 First Virginia member banks and related corporate departments.



Patricia A. Dalton

She joined First Virginia in 1979 as a management trainee. She became saving operations supervisor later that same year, operations officer in 1981, assistant vice president in 1984, trust operations manager in 1985, and vice president in 1987.

— **Franklin Smith**

MIDDLE ATLANTIC

HUGHES HUBBARD & Reed, New York, has promoted **Carolyn B. Levine** to banking counsel in its New York office.

NATWEST MARKETS, New York, has appointed **Gary R. Rotenberg,** managing director, and **B. Scott Hollingsworth,** vice president, to head its utilities corporate finance effort in investment banking.

Mr. Rotenberg and Mr. Hollingsworth join Natwest Markets from Smith Barney, Harris Upham, where they specialized in utility financing.

Natwest Markets is the corporate and investment banking subsidiary of London-based **National Westminster Bank PLC.**

KNIGHT-RIDDER Financial Inc., New York, said **Patrice M. O'Grady** has been appointed managing director of Knight-Ridder Financial/Americas.

She was formerly with Chase Manhattan Bank, New York, where she served as vice president, global cash management relationship executive for the United States, Europe, and Asia.

UNITED JERSEY BANK, Hackensack, N.J., has promoted **Donald W. Blum** to senior vice president and manager, commercial mortgage department, wholesale banking division; **Felice Nelson** to vice president and manager, Glen Rock Branch, retail division; **Timothy J. Smith** to vice president, asset-based lending, wholesale banking division; **Frances M. Tendali** to vice president and regional manager, investments, investment management division, and **William C. Kringe** to vice president, trust investments, investment management division.

SOUTHEAST

THE NORTH CAROLINA Bankers Association has elected **Kelly S. King** president. Mr. King is president of Bankers Trust Co., Raleigh, N.C.

Mr. King succeeds **Robert F. Lowe,** who is chairman, president, and chief executive officer of Lexington State Bank.

James B. Hyler Jr., president of First Citizens Bank in Raleigh, succeeds Mr. King as NCBA president-elect.

The new vice president is **Lawrence M. Kimbrough,** president and chief executive of First Charter National Bank in Concord.

The association reelected **John H. Ketner Jr.,** president and chief executive of the **Bank of Mecklenburg** in Charlotte, to another year as treasurer.

The association also reelected the following staff officers at its headquarters in Raleigh: **A.D. Fuqua Jr.,** executive vice president; **Dianne L. Williams,** vice president-administration, and **Edmund D. Aycock,** vice president and general counsel.

THE TENNESSEE Bankers Association, Nashville, has elected **Waymon L. Hickman** as its president for 1993-94.

He is president of First Farmers and Merchants National Bank, Columbia.

Mr. Hickman succeeds **Robert H. Owen,** president of the Bank of Gleason. Mr. Owen will continue to serve for three years as an ex-officio member of the board of directors.

President-elect of the association is **Fred R. Lawson,** president, First Heritage Bank, Knoxville.

Molitor Ford has been elected first vice president of the association. Mr. Ford is chairman, president, and chief executive of Commercial Bank and Trust Co., Paris.

SOUTHWEST

THE NEW MEXICO Bankers Association, Albuquerque, has elected **Larry D. Willard** president for a one-year term.

Mr. Willard is president and chief operating officer of United New Mexico Financial Corp., which is part of the newly incorporated First United Bank Group Inc.



Larry D. Willard

He is vice chairman and chief administrative officer of First United.

Mr. Willard is also chairman of the board and chief executive officer of United New Mexico's lead bank in Albuquerque and serves on the board of directors of all the United New Mexico banks in the state.

WEST

ADVANTA MORTGAGE Corp. USA, San Diego, an affiliate of **Colonial National Bank USA,** has promoted **William P. Garland** to senior vice president of the San Diego-based company.

Mr. Garland will oversee loan servicing, specializing in providing nationwide servicing for nonconforming first and second mortgage loans. Reporting to him will be the asset and property management, customer service, and collections departments.



William P. Garland

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FOUNDATION NOTICE

NOTICE

The annual report of the **AARON & SONIA FISHMAN FOUNDA-TION FOR YIDDISH CULTURE, INC.**, for the calendar year ended De-cember 31, 1992 is available at its principal office located at 3340 Bainbridge Avenue, Bronx, New York, 10467 for inspection during regular business hours by any citizen who requests it within 180 days here-of. The Principal Manager of the Foundation is Dr. Joshua A. Fishman.

CORRECTION NOTICES

Corr Notice: Proto Lien Service, Lic# 869242 Sells on 7/22/93 at 10:00AM 31 W. Tremont Ave Bx NY 81 Buick Leabar #1G4AP37Y1BH616460 Re: J. Diaz.

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AUCTION NOTICES

DEFAULT In Security Agreement Made By Soon Soon Food Corp. to Associated Group Grocers Inc. & Associated Food Stores, Inc. & assigned to General Trading Co. Inc. I Will Sell On 7/13/93 at 1:00 PM At 938 E. 163rd St., Bx., N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Re-serves The Right To Bid. FRANK. E. SEIPP. Auct'r #732224 of F.E.S. AUC-TIONS INC. As Agents.

L. Posner lic #847081 sells for cash 7/23/93 at 10AM at 44 6 E. Main St. New Rochelle 81 Ford Escort #1FABP0524BT134578 Re: J. Bosier. 83 Audi 5000S #WAUGB0843-RD801307 Re: M. Sherman. 11:00AM at 201 Ellis St. S.I. 73 Trojan Plymplate #T.RJ.324801732 Re: R. Jacobs. 66 Uniclean Wood NY Reg 1192EM Re: J. Calienso. 12PM at 47-14 Northon Ave Far Rockaway 59 Egg Harbor Pleaser Boat Re: L. Calhoun.

DEFAULT In Security Agreement Made By Relaw Enterprises of Riverhead. Inc. to Pronic Cards and Gifts, Inc. I Will Sell On 7/13/93 At 10:30 AM At 59 E. Main St., Riverhead, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mort-gages. Secured Party Reserves The Right To Bid. FRANK. E. SEIPP. Auct'r Lic #732224 of F.E.S. AUCTIONS INC. As Agents.

MAGRILL AUCTIONEERS CO. INC As Agents For Gem Pawnbrokers Corp., All locations, Will Sell All Unredeemed Pledges From 0001 12/15/90 To 09.999 9/15/92 To Be Held At Gem Pawnbrokers Corp. 216-15 Jamaica Ave., Queens Vil-lage NY On July 15th, 1993 At 9 A.M.

Lien Sale: 7/27/93 Bklyn. N.Y. 2825 Flatbush 4:00pm '73 Marquis 190 (19) #MER89190A7I8, re: Harry Crossland, James Evans; 5927 Strickland 4:30PM '74 American Marlone Odes (25?) #AM342-53O9M74A(18) re: John & Mary Wetenland; R. Zarrow, Auct'r.

AUCTION NOTICES

IN ACCORDANCE WITH THE PROVI-SIONS OF LAW, THERE, Being Due and Unpaid Charges for which the under-signed, LONGWOOD STORAGE CORP., is entitled to a lien as warehouseman of the goods herein after described and stored at 400 South 2nd St., Brooklyn, New York AND DUE NOTICE of such having been given the owners of said property and all parties known to claim an interest therein, and the time specified in such notices for payment of such having Expired there will be sold at Public Auction at 400 South 2nd St., Brooklyn, New York on Wednesday, July 28, 1993 at 10:30 am o'clock in the forenoon of that day the following proper-ty; Household goods, personal effects and/or office furniture deposited by Sonomayo, W. & I.; Tucker, Lucille; Car-mona, T.; Velasquez, Ana; Abreu, Gladys; Jackson, Jacqueline; Wagner, Toby; Mendez, Cecilia; Ingbrim, Willie; Taylor, M.; Scandisio, F.; McMichael, F.; Scarles, E.; Freeman, L.; Pena, Graciela; Ortiz, Charles; Harriet, Leroy; Pedroza, A. & Nunez, F.; Ortega, O. & M.; Campbell, Alvin; Parker, D.; Samuels, Barbara; Var-gas, Noemalia; Drewin, Ford; Richardson, D.; Ferguson, L.; Steele, Pamela; Santiago, L.J.; Webb, C. & Griffith; Pramer, J. & Times, M.; Judkins, H.; Arnow, V. Wi-lliams, A. & James; McKinnin, P.; All to be more specifically announced and described at the time of said sale. Should it be impos-sible to dispose of all these goods on Wednesday, July 28, 1993 the sale will be continued on every other Wednesday. Fred Reisner Inc. Auct'r Lic #732421 As Agents.

Lien Services Inc Sells For Cash On July 28, 1993: 9:00 AM at 3301 20 Ave, Astoria, NY 1986 Cadillac #1G6EL578XGU6-20625 Re: A. Murtaugh. 9:15 AM at 2233 Nostrand Ave, Brooklyn, NY 1987 Buick #1G4NJ11L1HM045448 Re: J.R. Eneh/ Sears Consumer Finance. 9:30 AM at 215-11 99th Ave, Queens Village, NY 1987 AUDI: #ZARDA13A1H1003084 Re: R. Felix-Vargas. 9:45 AM at 49-12 25th Ave., Woodside, NY 1988 Hyundai #KMHLD-135J1240526 Re: A.C. Kaiser. 10:00 AM at 23-01 41st Ave, L.I.C., NY 1986 Buil-dozer #90L00418 Re: E. Karen; 1985 Mack #1M2P139C4FA012368 Re: Sabins Con-tractors Inc/Oris Credit Alliance Inc; 1982 Bulldozer #0BY02716 Re: J Riggs. 10:15 AM at 148-12 Rockaway Blvd., S. Ozone Park, NY 1983 Truck #1FUPYSYB5DH-223627 Re: Garrett Construction. D. Munao Actie #841590. Licnse May Bid.

FRED REISNER INC. Auct'r Lic #732421 Sells July 28, 1993 at 7:30 A.M. at 656 Rockaway Tpke, Lawrence, N.Y. 1973 Ford #3R91F248575 Re: Hasler, Rene Kurt; 8:00 A.M. at 6315 Metropolitan Ave, Middle Village, 1988 Chevrolet #1G1-LT5114E823137 Re: Cortese, Carmela J.; 3:00 P.M. at 165 E. 118 Street, New York, N.Y. 1985 Yamaha Motorcy #JYA2UK02-FA141490 Re: Wesler, Robert C.; 3:30 P.M. at 231 Kirby St, Clay Pond, Bronx, NY 1986 Century 20' Boat Hull #CEB-MK100386 Re: Cristiano, Brian/Attorney Celli; 1988 Carver 21' Boat Hull #CDR-B500K788 Re: Arana, Aurora, L./Daniel Arana, 1988 Bayliner 20' Boat Hull #BYQA0SC39J788 Re: Lennon, Michael/ John Forte; 4:30 P.M. at 21-13 31 Ave, Long Isl. City, NY 1981 Pontiac #2G2-AK37A5B2376859 Re: Borgio, Joseph. Published 7/12 & 7/19/93.

DEFAULT in a Security Agreement made by Christian Becker to Joel Wasserman & Wasserman Group, Inc., I will sell July 13, 1993 at 2 PM at Nicholas Man Yard, 500 Bashmore Ave., Mamaroneck, N.Y. right, title & interest in & to a 34 Ft. Show Sai-lboat, Hull # O36 Built in 1977 & Designed by Douglas Peterson. Subject to any and all prior liens & mortgages. Secured Party re-serves the right to bid. F.E.S. Auctions, Inc. Auctioneers as Agents.

Lien Sale 7/26/93 9:00AM at 74 Carleton Isla Terrace 82 Kawk #1KAKZF9112-CA001285 Re: J. Pascalido. Published 7/12 & 7/19/93.



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UNDERWRITING
J.P. Morgan Leads Note Offer by Hertz

By WILLIAM GOODWIN

For the second time in three months, J.P. Morgan Securities Corp. on Friday led a note offering for Hertz Corp., the world's largest rental car company.

Hertz is a longtime client of Morgan's commercial banking arm, Morgan Guaranty Trust Co.

Morgan has been building up its securities underwriting business on the strength of corporate client relationships forged through its commercial banking activities.

In the first half of this year, Morgan ranked seventh among lead underwriters of nonconvertible domestic corporate bonds, according to Securities Data Co., an *American Banker* affiliate.

To Repay 1997 Loan

Proceeds from Friday's $400 million offering will be used to repay a Morgan-led bank loan for Hertz's parent, Park Ridge Corp. The loan was made in 1987.

Park Ridge, which is being merged into Hertz, is owned by Ford Motor Co., Volvo, Hertz management, and Commerzbank.

Friday's offering of junior subordinated notes was in two parts: a $150 million issue of 6.625% notes due July 15, 2000, and a $250 million issue of 7% notes due July 15, 2003. The seven-note notes were priced at 99.94 to yield 6.64% and the 10-year notes were priced at 99.88 to yield 7.02%.

In April, Morgan led an offering of $100 million of 6.5% notes for Hertz. □

CREDIT RATINGS

The rating agencies took the following actions last week:

Barnett Banks Inc.: Moody's Investors Service Inc. said it may upgrade the Jacksonville, Fla., company, citing stronger capital and asset quality. Moody's said it will review Barnett's strength and future profitability as well as its prospects for improved efficiency in light of the company's in-market acquisition of First Florida Banks.

Under review are the Baa1 senior debt grade and Baa2 subordinated debt and preferred stock ratings. The A2 long-term deposit ratings of Barnett's bank subsidiaries are also being reviewed. But their short-term deposit ratings were confirmed at Prime-1.

Chase Manhattan Corp.: Fitch Investors Service Inc. assigned a BBB-plus rating to the bank's new $150 million issue of subordinated floating-rate notes due July 15, 2003. It described the company's credit trend as improving. Duff & Phelps also rated the notes BBB-plus.

Credit Lyonnais: Standard & Poor's lowered long-term debt to A from AA-minus. Short-term debt was cut to A1 from A1-plus. S&P attributed the downgrades to the high cost of carrying nonperforming assets, the French bank's large portfolio of equity holdings in industrial companies, and a big increase in loan-loss provisions.

"The Credit Lyonnais group's significant European expansion and increase in high-yield activities in recent years renders the group more sensitive to the economic cycle at a time when the downturn in Europe itself looks worse than expected even six months ago," Standard & Poor's said.

National Westminster Bank: Fitch Investors Service gave an A-plus grade to the company's new senior medium-term notes and an A rating to subordinated medium-term notes. The agency said proceeds from the notes will fund the NationsCredit consumer finance subsidiary, whose operations and earnings base were bolstered by the recent acquisition of Chrysler First Inc. NationsBank's broad base of core retail banking was a major factor in the ratings, Fitch said.

Schroders PLC: IBCA, the British ratings agency, upgraded the bank's issuer rating to B from B/C. It attributed the upgrade to sustained profit growth over the past two years. □

Niagara Asset Corporation
Loan Sale Opportunity

Niagara Asset Corporation, a service corporation managing and selling loans for the FDIC, as Receiver of Goldome, intends to offer the following performing commercial mortgage loans for bid through a Bulk Loan Sale:

Commercial Mortgage Loans Package #000196	Approximate Principal Balance	Bid Date
Strip Plaza/Shopping Center	$5.2MM	August 18, 1993
Multi-family	$3.5MM	August 18, 1993
Office Building	$ .3MM	August 18, 1993

Properties located in TX, OH, OK, MI, and FL.

Each loan must be bid upon separately. There are 8 loans ranging in size from $.3MM to $2.5MM.

For details regarding this sale and bid packages, please contact:

Joanne M. Campagna, Vice President
at (800) 846-6164 or write to:
Niagara Asset Corporation
Waterfront Village Center
60 Lakefront Blvd., Suite 316
Buffalo, New York 14202-4392
Please respond by August 5, 1993.

Niagara Asset Corporation
Loan Sale Opportunity

Niagara Asset Corporation, a service corporation managing and selling loans for Niagara Portfolio Management, as Agent for the FDIC, as Receiver of Goldome, intends to offer the following Loans for bid through a Bulk Loan Sale:

Mobile Home Loans Package #00206	Approximate Principal Balance	Bid Date
Non-performing	$4.7MM	August 11, 1993
Performing	$1.5MM	August 11, 1993

Loan pools are further stratified into 4 separate pools ranging in size from approximately $800M to $3MM

For details regarding this sale and bid packages, please contact:

Joanne Campagna, Vice President
(800) 846-6164 or write to:
Niagara Asset Corporation
Waterfront Village Center
60 Lakefront Boulevard – Suite 316
Buffalo, New York 14202-4392
Please respond by July 29, 1993

RAILROADMEN'S FEDERAL SAVINGS AND LOAN
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has agreed to merge with
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has merged with
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Ann Arbor, Michigan

The undersigned is acting as financial advisor to Railroadmen's Federal Savings

The undersigned acted as financial advisor and assisted in the negotiations leading to this transaction on behalf of Horizon Financial Services, Inc.

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Highlights for Friday, July 9

TOP 10 GAINERS %

Cathay Bancorp	7.1
Baltimore Bancorp	6.9
Hubco, Inc.	5.8
Allied Bankshares, Inc.	4.6
8T Financial Corporation	4.1
Comerica Incorporated	3.9
Central Fidelity Banks, Inc.	3.8
First National Bancorp	3.7
First Merchants Corp	3.7
Merchants Bank of New York	3.6

TOP 10 LOSERS %

Park National Corp.	-6.0
Security Capital Bancorp	-5.5
National City Bancshares	-5.4
Worthen Banking Corporation	-4.5
Shoreline Financial Corp.	-3.9
LSB Corp.	-3.1
AMCORE Financial, Inc.	-3.1
MBT Corp.	-2.9
Boulevard Bancorp, Inc.	-2.8
First of America Bank Corp.	-2.8

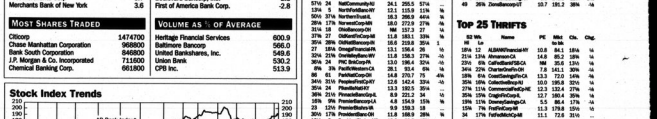
MOST SHARES TRADED

Citicorp	1474700
Chase Manhattan Corporation	968800
Bank South Corporation	846800
J.P. Morgan & Co. Incorporated	711600
Chemical Banking Corp.	661800

VOLUME AS % OF AVERAGE

Heritage Financial Services	600.9
Baltimore Bancorp	586.0
United Bankshares, Inc.	549.6
Union Bank	530.2
CPB Inc.	513.9

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes
Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Month	Year	Day	Month	Year	Day	Month	Year
0.19	0.30	2.27	-0.20	1.57	10.40	0.64	2.69	9.82

Top 225 Banks

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Val.	Chg.	Chg.
26¾	19¾	1stCorpnSpgfld	11.0	149.3	2.3%	—
27¾	21¾	1stFinancial	12.2	157.0	3.4%	¼
21¾	8	AllianceBncrp	12.3	180.8	3.9%	—
37½	25¾	AmSouthBancorp	12.3	180.8	3.9%	¼
30¾	23¾	AtlantaBancGrp	12.2	157.0	3.4%	—
35¾	27¾	BB&T FncpNC	12.2	157.0	3.4%	¼
27½	18¾	BOKFinancial	12.4	250.0	5.4%	—
33	21¼	BT FinCorp PA	11.7	143.8	3.1%	¼
9¾	4	BaltimoreBncrp	8.9	100.2	2.2%	¾
31¾	24¾	BarPennCorpPA	9.6	118.5	2.6%	—
61	43¾	BancOneCorpOH	10.3	390.7	7.5%	¼
52¾	40¾	BancorpHawaii	9.7	148.4	444%	¼
40¾	27¾	BancorpSouthMS	11.9	146.3	37½	¼
54¾	41	BankAmerica Corp CA	10.7	121.8	45	¼
30¾	23	BankAtlantic Cl A	10.2	108.2	2.3%	—
19¾	9¾	BankSouthCorp GA	13.6	185.2	13¾	¼
77¾	59	BankTrustCorp MS	11.7	176.6	3.8%	¼
19¾	13¾	BankersFirstCorp VT	43.8	16.5	3.7%	¼
39¾	29¾	BankersTrustNY	10.0	1,156.3	24.8%	¼
30¾	18¾	BanknorthGroup	12.9	147.2	3.2%	¼
52¾	34¾	BarnettBanksFL	21.9	184.5	48	¼
34¾	25¾	CBT FinCorpPA	10.7	109.3	2.3%	¼
35¾	26¾	CBT CorporationKY	12.4	150.5	35	¼
42¾	30¾	CNB FncpNC	11.9	147.2	38¾	¼
34	23¾	CNB BancsharesIN	10.9	187.5	34	—
29¾	22¼	CPB Inc. IN	9.0	135.7	29¾	¼
13¾	7¾	CVB FinCorpCA	9.3	156.3	12¾	—
54	39	CaliforniaBancshrsCA	14.5	104.8	12	—
25	13¾	CathayBancorpCA	11.5	147.8	15	¼
34¾	24¾	CentralBancorp	10.3	108.2	2.3%	¼
34¾	25¾	CentralFidelityBks	12.5	156.1	37¾	¼
24¼	15¾	CentralIowaBncrp	10.7	158.1	3.3%	¼
31¾	23¾	CentralBancorp MI	9.8	101.2	33	¼
37¾	21	ChemNwBancorpWI	9.8	101.2	33	¼
44	30¾	ChemicalBanking NY	10.1	1,013.8	21.3%	¼
47¾	31¼	ChittendenCorpVT	11.1	147.6	3%	¼
31¾	14¾	ChittendenTrstVT	11.1	147.6	3%	¼
31¾	14¾	Citicorp NY	14.4	135.7	31¼	¼
26	19¾	CitizensBancorpMD	12.4	131.2	25	—
23	16¾	CitizensBankingMI	12.4	135.1	23	¼
7¾	2¾	CitizensFirstCorpIN	11.2	187.7	6%	—
17¾	17¼	CityHoldingCoWV	14.8	173.1	26	—
41¾	4¾	CityNatCorpCA	9.8	138.3	7¾	—
23¾	17	ColonialBancGp AL	9.3	132.8	20¾	¼
34¾	27¾	CommercialBksCA	15.8	175.0	31	¼
20¾	13¾	CommercialBncrMS	18.5	154.8	25¾	¼
23¾	17¾	CommercialFedNE	11.7	147.6	3%	¼
23¾	17¾	CommercialNatlMO	11.7	147.6	3%	¼
34¾	24¾	CommercialWA	14.3	210.8	43¾	—
21	11¾	CommunityBkPA	11.3	136.8	12¾	—
8¾	3¾	ConsolidatedNJ	NM	159.7	8¾	—
28	15¾	ContinentalIL	5.0	94.0	24¾	¼
67¾	47¾	CoreStatesFncpPA	12.3	195.9	59¾	¼
40¾	25¾	CrestarFncpCorpVA	10.0	189.8	44	¼
40¾	21	CullenFrost TX	10.0	160.3	34¾	¼
27¾	20¾	DauphinDeposit PA	12.3	185.2	24¾	¼
35¾	20¾	DepositGuaranty MS	10.2	150.2	30¾	¼
17¾	12¾	F & M NatlCorpVA	11.2	148.8	14¾	¼
22	16¾	FidelBancorpMD	10.8	148.7	21¼	—
18¾	9¾	FifthThirdCorp OH	15.0	158.1	17¾	¼
29	24	FarmersCapitalKY	15.0	138.4	27½	¼
40¾	26¾	FederalNatlMA	11.2	174.5	31	¼
37	31¼	FinancialTrustIN	12.2	174.5	37	¼
55¾	33¾	FirstBancorpNC	14.6	151.7	55¾	¼

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Val.	Chg.	Chg.
38¾	27¾	FirstBancshrsAL	12.8	193.5	35	¼
27¾	19¾	FirstBancshrsMS	12.8	146.0	27	¼
31¾	23¾	FirstBancshrsNC	11.3	135.7	30¾	¼
19¾	13¾	FirstBancorpOH	11.2	135.7	20¼	¼
31¾	23¾	FirstBancorpPR	11.3	135.7	30¾	¼
45	29¾	FirstChicagoIL	NM	122.6	42¾	¼
44¾	31¾	FirstCitizensBc	6.4	131.7	43¾	¼
18¾	14¾	FirstCmtyInd IL	16.4	132.9	17¾	¼
34¾	25¾	FirstCmtyBncshrs	10.2	190.1	30¾	¼
73¾	37¾	FirstCommerceNC	10.3	153.6	71	¼
34¾	25¾	FirstCommercialAR	10.9	183.8	31	¼
31¾	24¾	FirstCommerceBk	11.4	150.4	28	¼
20	14	FirstCommonwealth	NM	139.3	18¾	¼
157¾	127	FirstEmpireNY	11.3	159.0	141	¼
51¾	34	FirstFederalMI	12.0	174.5	49¾	¼
44¾	37¾	FirstFidBncs OH	14.7	192.7	43¾	¼
44¾	37¾	FirstFidelityCorp	14.7	192.7	43¾	¼
30¾	23¾	FirstFinancialCA	10.8	185.4	29¾	¼
30¾	23¾	FirstFinancialIN	10.8	185.4	29¾	¼
29¾	15¾	FirstFinancialCorpWI	13.4	165.5	43¾	¼
24¼	14¾	FirstHawaiianInc	10.2	189.4	36	¼
29¾	17	FirstHorizonTN	10.3	185.1	24	—
29¾	17	FirstIndianaIN	14.2	198.7	29¾	¼
29¾	17	FirstIndianaCorp	14.2	198.7	29¾	¼
30¾	23¾	FirstInterstateBncpCA	13.7	170.0	30¾	¼
30¾	20	FirstKeystoneVA	11.0	183.4	30¾	¼
51¾	35¾	FirstMidAmerIL	10.3	185.1	51¾	¼
51¾	35¾	FirstMidAmerDeIN	10.3	185.1	51¾	¼
30	24	FirstNatlBkAL	12.1	188.8	37	¼
43¾	30¾	FirstNatlBkPA	13.0	182.8	30¾	¼
37¾	28¾	FirstNiagaraNY	10.2	162.8	34¾	¼
37¾	28¾	FirstNiagaraPA	10.2	162.8	34¾	¼
31¾	24	FirstNtlCorpDE	11.0	178.4	31¾	¼
31¾	24	FirstNtlCorpNV	11.0	178.4	31¾	¼
34¾	25¾	FirstOhioBancorp	11.8	145.5	28	¼
34¾	25¾	FirstOhioBancshrs	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaBncp	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaCorp	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaInc	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaTrst	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaTrstCo	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaTrstNY	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaTrstOK	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaTrstTX	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaTrstWA	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaTrstWI	11.8	145.5	28	¼
34¾	25¾	FirstOklahomaTrstWY

STOCKS: Bank Shares Continue to Outstrip the Market

By RICHARD LAYNE

Bank shares continued to outperform the overall stock market last week, and money managers saw no sign of the rally flagging.

Bank stocks, as measured by the *American Banker* index, rose 2% in the five trading days ended last Thursday, versus a flat Dow Jones industrial average.

In the 21 trading days ended Thursday, bank stocks gained about 12%, compared with only a fractional gain for the blue-chip index.

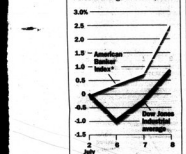
Some bank stocks gained more than 5% in the past five trading days.

Sees Confidence in Industry

"The recent rally reflects what people think the banks will earn as well as confidence in the industry," said James P. Croft, an analyst with Janus Capital Corp. in Denver.

Topping the Blue Chips

Percent change in stock prices



*Weighted average of top 225 banks as ranked by market capitalization

Source: ONE Securities

He predicted record earnings for the industry in the second quarter.

The confidence is new, money managers said. It was lack of confidence in the industry's ability to improve earnings as interest rates rise that ignited a selloff in mid-April. Bank shares fell about 15% before starting to climb again in early June.

Trading is one area where banks have proven they have power to generate earnings, and J.P. Morgan & Co. and Bankers Trust New York Corp., two banks with good track records in this area, gained last week.

Morgan's shares rose 6% in the past five trading days, to close Friday at $71.875. Bankers Trust gained 4.2%, to close at $77.

Turnaround stories, where declining nonperforming loans and foreclosed real estate can boost earnings, also did well.

Citicorp's shares continued their steady climb, rising 3.7%, to close at $31.25.

The New York bank's recent runup has caused one of its biggest Wall Street boosters to change his tune.

Francis X. Suozzo, an analyst with S. G. Warburg & Co., on Friday downgraded his long-time "buy" on the stock to "add." Mr. Suozzo noted that the stock had jumped 42% this year, versus a 13% rise for the other banks he follows.

Another big gainer in the past five trading days was Comerica Inc. Its shares rose 6.4% last week, to $31.

Index Up 10.2%

As of last Thursday's market close, the *American Banker* index is up 10.2% for the year. In the past four weeks, it has gained most of the ground lost during the selloff that began in mid-April. Bank shares for the most part remain below their 52-week highs.

Money managers and analysts attributed the recent jump in bank shares to several factors.

Investor fears of surging inflation, rising rates, and the erosion of bank profits have abated.

Equally important, while other industries, particularly those tied to consumer spending, are expecting disappointing earnings, banks are poised to report record earnings, said money managers.

Even if rates rise, many money managers said that growth in bank earnings will continue.

"I think the financials going forward look good in any scenario you want to paint," said Robert Bissell, a senior vice president and investment manager at Wells Fargo & Co.

Mr. Bissell said that for the banks he follows, a rise in short-term rates of 200 basis points would not have a material impact on earnings.

Analysts said that even though second-quarter earnings are expected to be outstanding, some banks may provide positive surprises.

Last Thursday, analysts at Merrill Lynch & Co. predicted stronger than expected second-quarter earnings at First Interstate Bancorp, Wells Fargo, Mellon Bank Corp., National City Corp., and First Union Corp. □

Huntley Holders Back Merger with Suburban

PALATINE, Ill. — Stockholders of Huntley Bancshares have voted to approve its merger into Suburban Bancorp.

The companies have received regulatory approvals and expect to complete the merger this month.

Huntley Bancshares' subsidiary, State Bank of Huntley, will become the 13th community bank in Suburban's network and bring it to $1.25 billion in assets.

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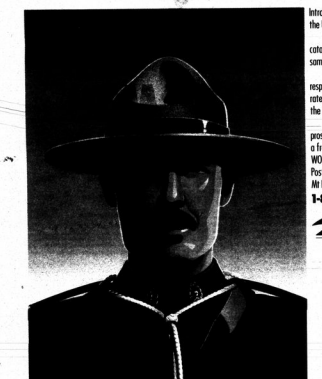

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Now the Worry Is that Reserves Are Too High

By DAVID SIEGEL and BILL ATKINSON

Loan-loss reserves may represent too much of a good thing at many banks.

Since 1990, banks have built up huge reserves for loan losses – in some instances equaling four times the sizes of bad loans.

Regulators, skittish after congressional criticism of the handling of the thrift crisis, ordered the heavy reserving at some banks in the face of growing real estate lending problems.

But the reserves may now need to come down after two years of strong performance by the nation's banks. If banks don't cut reserving, they may understate earnings and book value.

NEWS ANALYSIS

"I think [falling reserves] will have a huge impact on 1994 and 1995 earnings," said Thomas Hanley, banking analyst at First Boston Corp.

He said that 29 of the 35 large banks he tracks were overreserved by a total of $9.9 billion at the end of the first quarter.

At these 29 banks, net income could rise a total of $6 billion next year and in 1995 if quarterly provisions fall to bring reserve coverage of loans to 80% of nonperforming loans from 180% at March 31.

Book Value Seen Rising 6.7%

And the book value of these 29 institutions would increase an average 6.7% from the first quarter.

Some large banks may even be able to take money out of reserves in future quarters, Mr. Hanley added.

He said regulators are starting to reassess their previous insistence on heavy reserving and have asked banks to lower their reserves in the next year.

Where Reserves Are Highest

Mr. Hanley said some of the banks with the biggest surplus reserves are J.P. Morgan & Co., First American Corp., Nashville; Norwest Corp., Minneapolis; First Chicago Corp.; Fleet Financial Group, Providence, R.I.; and First Interstate Bancorp, Los Angeles.

Donald Coonley, chief national bank examiner at the Office of the Comptroller of the Currency, said examiners have been issued no new marching orders regarding loan-loss reserve levels.

Mr. Coonley acknowledged that he has received more questions lately from field examiners

See CAPITAL page 18

INSIDE NEWS

REGIONAL BANKING

NORTHEAST FEDERAL lost $9.4 million in the second quarter as a result of an $18 million provision for loan losses and losses related to foreclosed real estate that the company plans to sell. *Page 6*

SHAWMUT and Bank of Boston appointed senior M&A strategists in the past two weeks, testifying to the inevitable consolidation that is coming to New England. *Page 6*

COMMUNITY BANKING

NEW HAMPSHIRE banks may face another shakeout now that Robert F. Keller is selling New Dartmouth Bank, which he built out of S&L failures in and around Manchester, to Shawmut National Corp. *Page 8*

INVESTMENT PRODUCTS

THE WRAP ACCOUNT, a popular money management product at brokerage houses, is starting to find its way into banks' investment arsenals. *Page 10*

CREDIT CARDS

A UNIT OF EQUIFAX Inc., a leading credit reporting agency, will provide a bankruptcy notification service to MasterCard International and Visa U.S.A. member banks. *Page 15*

CHASE MANHATTAN is test-marketing a gold card with a low "teaser" rate, joining other banks that are trying to lure customers away from high-rate programs. *Page 15*

TECHNOLOGY

SIGNET BANKING Corp. and CoreStates Financial Corp. each struck million-dollar check processing agreements with NCR Corp. *Page 3*

COMMENT

DUBBED "ASBESTOS II" by lawyers for some plaintiffs, litigation over injuries caused by lead paint is growing rapidly. Residential landlords are the prime targets, but mortgage lenders are close behind. *Page 4*

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Pace of Mergers Off 19% in Quarter As Prices of Bank Stocks Dipped

By GORDON MATTHEWS

Bank merger activity plunged in the second quarter in reaction to the retreat in bank stocks.

The pace of industry consolidation slipped 19% when measured by the value of announced deals.

Deals totaled only $3.3 billion, versus $4 billion in the first quarter, according to SNL Securities, Charlottesville, Va.

The tempo slowed a more dramatic 36% when gauged by aggregate assets sold, which tumbled to $26.3 billion from $41 billion in the previous quarter.

The average price paid for acquisitions dropped slightly, to 162.9% of the acquired banks' book value from 164.7% in the first quarter. However, it stayed well ahead of the average price of 139.7% of book value paid a year earlier.

The largest deal unveiled during the quarter was Banc One Corp.'s proposed $707 million acquisition of Firstier Financial Corp., Lincoln, Neb., which has $3 billion of assets.

Stock Drop Blamed

The pall over mergers and acquisitions is widely seen as a consequence of the reversal in bank stocks.

The *American Banker* index, a weighted average of 225 bank stocks, lost 2.9% during the quarter, according to SNL Securities. Some bank stocks fell more sharply than the index.

Banks finance acquisitions mainly with stock. When share prices fall, investors become concerned about earnings-per-share dilution.

That prompts caution by managers of acquiring banks and can put the brakes on dealmaking when "target banks" think they are not being offered

See STOCKS back page

Community Development Plan Excludes Banks, S&Ls

By ROBERT M. GARSSON

WASHINGTON — President Clinton has scheduled a Rose Garden ceremony Thursday to unveil a community development bank plan that apparently would not provide incentives for existing financial institutions to participate.

The most recent draft of the President's legislative proposal would provide $382 million over four years, but only for institutions primarily engaged in community-development lending – a category that would exclude most banks and thrifts.

President Clinton is also expected to direct the bank and thrift regulatory agencies on Thursday to come up with a new approach to the Community Reinvestment Act stressing "performance over paperwork."

Criticism from Bankers

A number of bank groups invited to the ceremony criticized the White House plan for excluding their members from the financial incentives.

"We're very concerned that they will not work through existing commercial banks," said Kenneth L. Guenther, executive vice president of the Independent Bankers Association of America.

Mr. Guenther said his group

See CLINTON next page

Five Southeast Banks Weigh In With Big Profits

By KENNETH CLINE

ATLANTA — The earnings season eased smoothly into gear on Monday as five southeastern bank companies reported record quarterly gains while a sixth had its best quarter in more than two years.

Barnett Banks Inc., the nation's 18th-largest bank company, reported a 66% second-quarter gain over the year-earlier period to $104.2 million, or 99 cents a share.

Stock Gets a Boost

Propelled by cost cutting and improved credit quality, the Florida company bettered analysts' consensus estimate by 6 cents a share, according to First Call.

In afternoon trading, Bar-

See BARNETT page 6

Former B of A Exec Cooper Targets A Florida Thrift; Would Oust Gray

By ROBYN MEREDITH

Thomas A. Cooper, the former BankAmerica Corp. president known for aggressive cost-cutting, is plotting his return to the banking industry by engineering a $65 million takeover of Chase Federal Savings Bank of Miami.

Likely to lose his job in the deal is Edwin J. Gray, the former Federal Home Loan Bank Board chairman, who has been Chase Federal's president and chief operating officer since 1987.



Edwin J. Gray
Could be out of a job

Blue-Collar Aspirations

Leading a group of a dozen investors, Mr. Cooper plans to convert the mutual thrift into a publicly held company and install himself as president and chief executive officer. Among those leaving along with Mr. Gray would be the current CEO, Charles L. Clements Jr., whose father founded the $1.1 billion-asset thrift in 1934.

Mr. Cooper said he wants Chase Federal to be a "blue-collar" bank, concentrating on basic deposit and loan products for people who earn less than $50,000 a year.

He hopes to complete the transaction in August, pending

See B OF A ALUMNUS next page

NEWS *briefs*

Banc One Wins FDIC Servicing Contract

WASHINGTON — The Federal Deposit Insurance Corp. has awarded a Banc One Corp. subsidiary a three-year contract to provide commercial mortgage loan servicing for performing and subperforming mortgage loans inherited from failed banks.

About 5,000 commercial mortgage loans, with a book value of $1.7 billion, will be transferred to Banc One Management and Consulting Corp., a Dallas-based unit of the Columbus, Ohio, banking company.

Banc One Management and affiliates currently manage and service more than 15,000 assets consisting of loans and foreclosed real estate with a book value in excess of $3 billion.

A Treasury Nominee Vows to Spur Lending

WASHINGTON — Richard S. Carnell told the Senate Banking Committee on Monday that he will work to remove regulatory impediments to increased lending if confirmed as assistant Treasury secretary for financial institutions.

Appearing before the committee he once served as counsel, Mr. Carnell saluted the panel for its work in dealing with the thrift bailout and recapitalizing the Bank Insurance Fund.

"Although the job isn't finished, the progress is real: The taxpayers are safer, banks and thrifts are sounder, and the financial system is more resilient," he said.

If confirmed, Mr. Carnell said, he will work "to reduce the total cost of regulations and to remove impediments that prevent credit from flowing to creditworthy borrowers, whether those impediments involve outdated rules, inefficient practices, or invidious discrimination."

Mr. Carnell's nomination is expected to move quickly to the Senate floor. He is not expected to face any difficulty in winning confirmation.

Citicorp to Redeem $262 Million of Debt

Citicorp said it will redeem three debt issues totaling $262.3 million next month.

Most of the notes to be redeemed will be Citicorp Person-to-Person Plus guaranteed subordinated capital notes due March 1, 1998. The notes will be redeemed at par plus interest accrued to Aug. 9. The bulk of Citicorp Person-to-Person's activities were folded into Citicorp Mortgage Inc.

Citicorp is also redeeming its extendible notes due Aug. 15, 1998, at par plus accrued interest to Aug. 15, and the 5¾% convertible subordinated notes due June 30, 2000, at par plus accrued interest to Aug. 16.

Budget Office in Warning on Fannie, Freddie

WASHINGTON — The dominance of Fannie Mae and Freddie Mac in the fixed-rate mortgage market "raises some public policy concerns that this market may not be fully competitive," the Congressional Budget Office said Monday.

The office also said the two government-sponsored enterprises "could be capturing some of the benefits of their GSE status for their shareholders instead of delivering most of those benefits to mortgage borrowers."

The CBO said that during the past five years Fannie Mae, the Federal National Mortgage Association, had a 29% rate of return on equity and that Freddie Mac, the Federal Home Loan Mortgage Corp., had a 23% rate of return on equity.

"In the early 1980s, these two GSEs securitized about 20% of all newly originated conventional conforming mortgages for one- to four-family residences; by 1989, they securitized roughly 70% of the market," the CBO said.

Citing a 1992 Federal Reserve study, the CBO report said: "Some empirical evidence suggests that the GSEs may not have priced their services at fully competitive levels in the 1980s. Certainly, the firms have been able to provide high returns to their shareholders."

The briefs were compiled from staff and wire reports.

Correction

Because of erroneous information supplied by Union Bank, its discretionary trust assets were overstated in a June 30 listing of the top 100 banks by that measure. Union, majority owned by Bank of Tokyo, actually ranked 63d in the nation by discretionary trust assets late last year, with $4.13 billion.

Union's total trust assets – discretionary plus nondiscretionary – were also overstated; they actually equaled $10.8 billion, 6.8% more than a year earlier. Therefore, San Francisco-based Union should not have appeared on a list of banks with large increases in managed assets.

The tables also misstated the trend for trust assets at Bankers Trust New York Corp. Because the company had revised its 1991 total downward, to $353.0 billion, last year's total represented a 14.2% increase, not a decline.

Clinton's Development Bank Plan Lacks Incentives for Banks, Thrifts

Continued from *page 1*

won't oppose the plan, though.

"Right now, the name of the game is to try to change the administration's position," he said. After Thursday, he added, the effort will shift to Capitol Hill where lawmakers may be more sympathetic.

Invitations to Industry

The White House has invited a number of industry groups to attend Thursday's announcement, including the American Bankers Association, the IBAA, and the Savings and Community Bankers of America. Although the White House had previously scheduled other tentative dates for the announcement, industry sources said they expect this one to hold firm.

Edward L. Yingling, director of government relations for the ABA, also expressed dismay that most commercial banks would be ineligible for financial incentives. But he applauded the administration for agreeing to work through existing financial institutions, rather than try to



President Clinton
To unveil proposal Thursday

build a new network of development banks.

In his campaign, President Clinton had talked about creating a network of 100 community development banks along the lines of Chicago's South Shore Bank.

"We're very pleased that their approach is built on the existing system," said Mr. Yingling.

Some congressional aides said the development bill could move very quickly through the House. One senior aide who works on banking issues said the bill would likely be taken up by the full House Banking Committee, rather than any of the three subcommittees that have shared jurisdiction.

The Senate is a different story. Sen. Alfonse M. D'Amato, R-N.Y., has advocated an approach that would give commercial banks CRA credit for investing in a development banks. Because of Senate rules, the Democratic majority may be forced to give some consideration to Sen. D'Amato.

However, interest groups involved in community development are staunchly opposed to the idea of giving commercial banks any kind of financial incentives to participate.

"The money should go where resources are scarce, and banks have access to other resources," said Deepak Bhargava, banking lobbyist for the Association of Community Organizations for Reform Now. □

B of A Alumnus Takes Aim at Chase Federal

Continued from *page 1*

approval from the Office of Thrift Supervision and settlement of a lawsuit stemming from Chase Federal's purchase of $40 million of mortgages from General Development Corp., whose managers were convicted of fraud.

"There will be no recapitalization from TAC Bancshares if there is not a resolution of that class-action suit," said Mr. Cooper, referring to the holding company that would make the deal.

Supervisory Conversion

Chase Federal agreed to the buyout as a solution for its capital deficiency. In what is known as a supervisory conversion, TAC Bancshares will recapitalize the thrift in exchange for OTS' rice of Thrift Supervision permission to take it public without the customary participation of its depositors.

A supervisory conversion, which can involve dismissal of current management, is usually allowed when a thrift's core capital is less than 4% of assets, risk-based capital is less than 8%, and when it might otherwise face seizure. Chase's capital levels are currently 2.67% and 7.6% and it lost $877,000 in the quarter ended June 30.

Mr. Cooper's group has agreed to raise core capital to 4% and risk-based capital to 8% – the estimated $65 million infusion.

Mr. Clements, 64, said he is pleased to have found new capital but has "sweet and sour" feelings about retiring after 40 years.

Mr. Gray declined to comment. As the nation's top thrift regulator from 1983 to 1987, he became embroiled in controversy over the industry's burgeoning crisis.

Mr. Cooper called the 17-branch Chase Federal "a bread-and-butter, straightforward, blue-collar banking institution. That's exactly the type of business we like to focus on." It will eschew investment management, commercial lending, and other services that will tend to raise operating costs, Mr. Cooper said.

Former Minister

Mr. Cooper, 56, a former Methodist minister, will be adding to a resume that includes the presidencies of BankAmerica (1986-87), Invest Financial Corp. (1987-89), and Goldome Federal Savings Bank from 1989 until its seizure in 1991.

He has since been involved in consulting and investment management.

He plans to bring to Chase Federal Richard Hessinger, former Goldome treasurer, Lawrence Trapp, who ran Goldome's investment portfolio, and Donald Baker, formerly of Bank of New England Corp. □

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Correction

Because of erroneous information supplied by Union Bank, its discretionary trust assets were overstated in a June 30 listing of the top 100 banks by that measure. Union, majority owned by Bank of Tokyo, actually ranked 63d in the nation by discretionary trust assets late last year, with $4.13 billion.

Union's total trust assets – discretionary plus nondiscretionary – were also overstated; they actually equaled $10.8 billion, 6.8% more than a year earlier. Therefore, San Francisco-based Union should not have appeared on a list of banks with large increases in managed assets.

The tables also misstated the trend for trust assets at Bankers Trust New York Corp. Because the company had revised its 1991 total downward, to $353.0 billion, last year's total represented a 14.2% increase, not a decline.

NCR Clinches Deals with Signet and CoreStates

By MATT BARTHEL

Signet Banking Corp. and CoreStates Financial Corp. have each struck million-dollar check processing agreements with NCR Corp.

Signet, based in Richmond, sold a check processing business consisting of 35 clients to NCR for $1.7 million.

A CoreStates' unit, CashFlex, based in Langhorne, Pa., contracted Monday to buy a $1.5 million check processing system equipped with imaging capabilities for use in its remittance processing services business. Remittance processing is a cash management service that involves the handling of payments made to companies.

Double Threat

The deals, while unrelated, are noteworthy steps for NCR, an American Telephone and Telegraph Co. subsidiary based in Dayton, Ohio.

It is one of a handful of vendors, including International Business Machines Corp. and Unisys Corp., that both manufacture check processing equipment and provide related services to banks.

The Signet deal is significant, NCR officials said, because it represents the first time that a nonbank data processor and a financial institution will jointly market each other's services.

Virginia, Maryland Targeted

According to the Signet/NCR agreement slated to be announced today, Signet will help NCR promote and sell item processing and data preservation services to financial institutions in Virginia and Maryland. NCR's sales force will then market Signet's other correspondent processing services.

The item processing business picked up by NCR will be moved to one of the company's check processing centers in Columbia, Md. NCR currently has six facilities dedicated to check processing in the United States.

Big Role as Correspondent

The 35 former Signet customers currently generate about 355,000 checks per month.

Signet sold NCR a check-processing business with 35 clients. CoreStates is buying a check system.

"Signet's strength lies in its array of correspondent services, which include all types of cash management products," said Ed Nolley, senior vice president. "NCR brings industry leadership in item processing, and combining these strengths enables us to provide comprehensive services to our customers."

While the 35 bank clients are moving to NCR, Signet will continue to run its own check processing operation in-house, using Unisys systems.

Meanwhile, CashFlex believes the installation of new image-capable check processing equipment will deliver a wide range of benefits to its remittance processing customers. These benefits include faster deposit of funds and quicker responses to customer inquiries. □

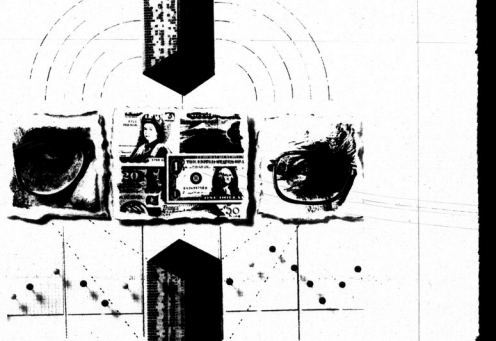
Continental Joins Ecchо Clearing Group

Continental Bank Corp. has joined a nationwide organization designed to speed check clearing.

The organization, called Ecchо, for Electronic Check Clearing House Organization, was formed in 1990 by 13 large banks, partly in response to federal regulations requiring banks to speed up the availability of deposited checks.

Continental is the 38th member of the group. Members transmit check payment data by computer to other banks before the paper item is delivered. That enables them to receive payment sooner. Large processors can also increase fee income by offering other banks settlement services that bypass those of the Federal Reserve System.

Jaeson Ilda



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Opinion

Comment

By David J. Grais

Lenders Face Double Threat From Lead-Paint Litigation

Already dubbed "asbestos II" by lawyers for some plaintiffs, litigation over injuries caused by lead paint is growing rapidly. Residential landlords are the prime targets, but mortgage lenders are close behind.

To them, this litigation is a double threat. The expense will cause many landlords to default on their mortgage loans. And lenders themselves may be sued after their borrowers default.

Lead paint has not been used in residences since the late 1970s, but it remains in millions of public and private housing units. When ingested by young children, mainly by eating chips of peeling paint, lead can cause permanent injuries, including loss of intelligence.

Several million children, most from lower-income families, are thought to have lead levels in the blood higher than the Centers for Disease Control think safe. Hundreds of these children have sued their landlords; thousands more probably will.

What Constitutes Liability

In most states a landlord is liable if he knew or should have known there was a lead-paint hazard in the building yet did nothing about it, and if the child was injured by ingesting the lead.

In practice, landlords have lost most of the cases tried against them. A few have persuaded the jury that the child was not really injured by lead paint, but once the child proves he was injured, he is usually able to prove the landlord had reason to know there was dangerous lead paint on his property.

And the verdicts against landlords have not been small. They average over $500,000 per child, with out-of-court settlements in the same range.

Landlords might fare better with some fellow defendants in these cases, but in most cases they won't have any. Rarely can a landlord identify the specific company that made the lead paint used in its property.

Going It Alone

So far courts have rejected "market share" or "enterprise" theories of liability that would allow a landlord to sue several paint companies without proving whose paint was used on its walls. Some landlords have tried to sue the parents of the injured child for their own negligence in letting the child eat paint chips. Some states permit this, but most do not. So most landlords will face these claims alone.

Even the landlords' own insurers may soon be out of the picture. Most landlords carry liability insurance to protect them from claims for "bodily injury."

SEVERAL MILLION *children are thought to have more lead in their blood than is deemed safe. Hundreds of these children have sued their landlords; thousands more probably will.*

But these policies also exclude coverage for "pollution." Many insurers argue that lead is a pollutant and lead poisoning is pollution, so there is no coverage under these policies.

The highest court of Massachusetts has rejected the insurers' argument, but a lower court in New York has just accepted it. In any case, many insurers are expressly excluding lead-paint cases from new policies, even if lead poisoning is not "pollution" under the old ones.

No Choice but to Default

Especially for landlords without insurance, the cost of defending and paying these claims will be prohibitive, causing many of them to give up their properties and default on their mortgages.

But where a landlord's exposure may end with default, his lender's exposure is just beginning. And the lender's exposure may not be for just the defaulted loan, nor for any lead poisoning that occurs after the default, but for the very claim that drove the landlord to default in the first place.

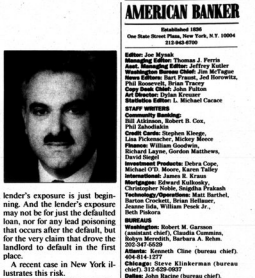
A recent case in New York illustrates this risk.

The child plaintiff began to ingest paint chips when a leak in the roof of the building caused peeling of the paint in her family's top-floor apartment. Complaints to the landlord had no effect. Four months later the City of New York took title to the building under a tax foreclosure. The child continued to ingest the paint chips, and the tenant continued to complain, now to the city.

Costly Delay

Three months later the city de-leaded the apartment. The jury awarded damages of $1,700,000, for which the landlord was 80% responsible and the city 20%. The landlord was insolvent, of course, so under the rule of "joint and several" liability, the city had to pay the entire verdict.

A foreclosing lender will likely be in the same spot used because it did not completely de-lead a residence immediately upon default, and forced to pay the insolvent landlord's much larger share of the damages. □





Comment

By Timothy J. Bergere

Superfund Liability Rulings Give Lenders Cause for Optimism

Several recent court decisions provide cause for optimism in the high-stakes area of environmental liability. They uphold Environmental Protection Agency regulations adopted to protect secured creditors from liability under the Comprehensive Environmental Response, Compensation, and Liability Act, or Superfund law.

In a significant 1992 decision, a federal district court in Minnesota declared that the EPA's lender liability rules (published April 29, 1992) were consistent with language exempting from the law's broad "owner and operator" liability provisions persons who, without participating in the management of a business, hold an indicia of ownership primarily to protect a security interest.

'Participation' Question

The case, Ashland Oil Inc. v. Sanford Products Corp. et al., involved a lawsuit filed by Ashland Oil to recover environmental response costs from two former tenants engaged in wood preserving operations and their lender.

In early 1983, the lender, Industry Financial Corp., foreclosed on and took title to the assets and equipment of its bankrupt borrower, including drums of hazardous substances which allegedly were leaking.

THE DECISIONS *uphold Environmental Protection Agency regulations adopted to protect secured creditors from liability.*

It was undisputed that Industry Financial "owned" and controlled the assets and equipment, including the leaking drums, for approximately one month before selling them to a third party. Industry Financial never foreclosed on or acquired title to the real estate.

Ashland asserted that Industry Financial was an "owner and operator" for purposes of the law's liability provisions based on its one-month "ownership" of the leaking drums and its "participation in the management" of both the initial borrower's and third-party purchaser's business.

Claim Rejected

In reviewing Ashland's claims, the court first upheld EPA's lender liability regulations as a reasonable interpretation of the secured creditor exception to Superfund law liability, finding that the regulations were entitled to deference as an "authoritative interpretation and application of" the law.

The court then rejected Ash-

See **RULINGS** *next page*

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Comment

By Timothy J. Bergere

Rulings Give Lenders Cause for Optimism

Continued from page 4

land's arguments that Industry Financial had improperly participated in the management of its borrowers, or otherwise "arranged" for the disposal of the hazardous substances by acquiring title to, and then selling, the leaking drums.

In the second case, Kelley et al. v. Tiscornia et al. and Manufacturers National Bank of Detroit, the state of Michigan sued the former owners of Auto Specialties Manufacturing Co. and its lender, Manufacturers National, for contamination at two sites owned and operated by Auto Specialties.

The state sought to hold the bank liable as an owner and operator of the two sites based on the bank's alleged "participation in the management" of Auto Specialties during the time of contamination.

Significantly, the state never alleged bank participation in Auto Specialties' day-to-day management of environmental compliance matters.

WHILE THE RECENT *cases provide some comfort, EPA lender liability regulations still face direct challenges.*

The court found that the bank's close monitoring of Auto Specialties' activities, "encouraging" of Auto Specialties to follow a consolidation plan, and imposing conditions on continued financing (including the bank's instituting new management) were activities well within the EPA's lender liability rule protections.

Insufficient Link Seen

In a related development, a federal district court judge in Massachusetts issued a bench ruling in November 1992 that there was insufficient evidence to link a bank to contamination at a former solvent reclamation site operated by a defaulting borrower.

In Grantors of the Silresim Site Trust v. State Street Bank and Trust Co., a private cost-recovery action was filed by the customers of the former solvent recovery business against a bank which held first, second, and third mortgages on the property.

The customers sought recovery from the bank as an "owner and operator" of the site even though the bank never foreclosed on its security interests. Indeed, it was only the bank's failure to take action to put the site operator out of business through foreclosure which caused the plaintiffs claimed gave rise to the bank's liability.

The customers claimed that the bank allowed the operator to continue in business for years, even though the site operator was in default under the loan agreements.

According to the customers, because the bank suspected that site contamination rendered the bank's security interest in the property worthless, the bank put the business "on . . . artificial life support," occasionally advancing additional cash to the site operator to allow it to accept additional drums of solvent, in order to obtain additional revenues for payment on the loans.

These actions, according to the customers, evidenced a "participation in the management" of the borrower's business, thus subjecting the bank to the full range of liability.

Without, apparently, passing on the validity of EPA's new lender liability regulations, the court dismissed the customers' complaint, finding that the bank's actions did not amount to "participation in the management" of the borrower.

Another Reprieve

A Maine lender also received a reprieve from Superfund law "owner and operator" liability under a February 1993 ruling by the United States Court of Appeals for the First Circuit.

In Waterville Industries Inc. v. Maine Finance Authority, the appeals court reversed a district court holding that the Finance Authority of Maine was a "past owner" of contaminated property (at the time the property became contaminated) and, thus, liable for response costs assessed against the current property owner by the EPA.

In so doing, the appeals court determined that the finance authority, a mortgage guarantor which in bailing out a defaulting mortgagor had accepted a deed in lieu of foreclosure, was a nominal owner merely acting to protect its security interest.

The appeals court gave weight to two particular factors. First, the fact that the finance authority had, at the time it accepted the deed in lieu, immediately leased the facility back to the original mortgagor and gave the mortgagor a first option to purchase the property back for $1; and second, after the former mortgagor filed for bankruptcy and discontinued operations, the finance authority had taken prompt action to sell the property to recoup its loan (within six months).

Breathing Room

While these decisions should provide some comfort to lenders, the EPA lender liability regulations still face direct challenges in other jurisdictions.

To be sure, the area of lender liability still has its pitfalls, and the margin of profit on most commercial loans generally does not reflect the increased risk of suit lenders face when accepting security in sites with known or potential environmental problems.

These recent court decisions provide some room for optimism for lenders holding security interests in companies which face a high risk of environmental liability. □

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Shawmut, Bank of Boston Gear Up for Acquisitions

By YVETTE D. KANTROW

From the Regions

TWO OF NEW ENGLAND'S largest bank companies appointed senior merger-and-acquisition strategists in the past two weeks, testifying to the inevitable consolidation that is coming to the struggling region's bank universe.

Shawmut National Corp. last week appointed John R. Berger, an executive vice president, to a new position as director of its merger and acquisition team. A few days earlier, Bank of Boston transferred James J. Pearl, who was chairman and chief executive of its Connecticut bank subsidiary, to sit full time on its four-person acquisition committee.

Bank of Boston and Shawmut – along with Providence, R.I.-based Fleet Financial Group – are preparing to feast on the scores of small and medium-size institutions that have been crippled by the New England economy.

For several years, Fleet has had an open field in New England as its chief competitors were trying to unravel their own problems. But the new M&A appointments at Bank of Boston and Shawmut "obviously show that they have willed their way back to health," said J. Christopher Flowers, a partner who runs the banking M&A practice at Goldman, Sachs & Co.

He and the bankers themselves said that the next few years will be crucial in determining the reach of the larger banks in their home region.

"For Bank of Boston, mergers and acquisitions is a line of business," said Peter Manning, chief financial officer of the $35 billion-asset company.

Bank of Boston, which formed its merger group a year ago, recently bought Hartford's Society for Savings Bancorp and has approval to buy Multibank Financial Corp. in Dedham, Mass. Mr. Manning said his company continues to search for banks, thrifts, trust companies, consumer finance companies, and loan portfolios inside and outside New England.

Northeastern Consolidation

Some major acquisitions by New England banks since the beginning of 1992

Acquirer	Seller	Assets in billions
Bank of Boston	Society for Savings	$2.4
	Multibank*	$2.5
Shawmut National	New Dartmouth Bank*	$1.7
Citizens Financial	Boston Five Bancorp*	$1.8
	New England Savings Bank*	$0.9

*Pending

Honing Takeover Strategy

At Shawmut, Mr. Berger's appointment is viewed as significant evidence of the company's desire to fine-tune its acquisition strategy. Mr. Berger, a 20-year veteran of the bank, most recently headed bank investments and funds management.

Shawmut executives have said that over the next two to five years, consolidation in the Boston area in particular and New England in general, is bound to accelerate. The company, which has $25.3 billion of assets, has a deal pending to enter New Hampshire by purchasing New Dartmouth Bank.

Fleet, which emerged as New England's largest banking company when it swallowed the failed Bank of New England in 1991, has had a 10-member merger and acquisition team in place since 1982.



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Barnett, SouthTrust, Amsouth, 1st Virginia, And Synovus Post Record 2d-Quarter Gains

Continued from page 1

nett's stock rose 62.5 cents a share to $50.375.

Several smaller companies also reported strong quarters as credit costs and overhead shrank, compensating for commercial loan demand that remained sluggish.

SouthTrust Corp., the Birmingham, Ala.-based company with $13.7 billion of assets, said net income soared 36% to $37.2 million during the second quarter. Its Birmingham neighbor, $11.1 billion-asset Amsouth Bancorp., earned $35 million, up 41% from the second quarter of 1992.

First Virginia Banks Inc., a Falls Church-based company with $6.9 billion of assets, earned $29.2 million in the quarter, up 22% from 12 months earlier.

18% Rise for Synovus

Synovus Financial Corp., a Columbus, Ga.-based community-bank holding company with $5.4 billion of assets, reported an 18% jump to $17.9 million.

In New Orleans, Hibernia Corp. said it restored its earnings to a level last seen in 1990. The company, which has $4.7 billion of assets, reported a profit of $11.5 million, up from a slim $587,000 a year earlier.

Shares of SouthTrust rose 12.5 cents to$22.125, while Amsouth lost 87.5 cents to $35.875 a share.

First Virginia jumped 50 cents to $40 a share, while Synovus gained 12.5 cents to $18.625 a share in late afternoon trading.

BARNETT BANKS INC.

The Jacksonville, Fla.-based company has been preaching an expense-control story, and more than fulfilled its promise. Noninterest expense fell 9% to $378.5 million, from $418 million in last year's second quarter, mostly due to staff reductions and fewer writedowns of foreclosed commercial real estate.

BARNETT BANKS INC.
Jacksonville, Fla.
(Dollar amounts in millions (except per share))

SECOND QUARTER	1993	1992
Net income	$156.2	$62.6
Per share	.99	0.80
ROA	1.11%	0.68%
ROE	15.51%	10.07%
Net interest margin	5.10%	5.02%
Net interest income	427.9	428.1
Noninterest income	152.5	140.3
Noninterest expense	378.5	418.0
Loss provision	34.5	51.6
Net chargeoffs	34.5	55.2
YEAR-TO-DATE	**1993**	**1992**
Net income	$196.3	$132.2
Per share	1.25	0.85
ROA	1.04%	0.69%
ROE	14.82%	9.88%
Net interest margin	5.11%	5.00%
Net interest income	854.7	845.5
Noninterest income	301.0	287.3
Noninterest expense	773.3	818.2
Loss provision	77.7	127.7
Net chargeoffs	85.0	122.5
BALANCE SHEET	**6/30/93**	**6/30/92**
Assets	$37,255.2	$37,723.0
Deposits	32,418.1	33,092.4
Loans	26,159.3	26,978.3
Reserve/nonp. loans	134%	97%
Nonperf. loans/loans	1.40%	2.36%
Nonperf. assets/assets	0.98%	1.70%
Tier 1 cap. ratio	8.73%	8.10%
Tier 1 cap. ratio	NA	NA
Tier 1+2 cap. ratio	NA	NA

Cost cutting and better credit quality helped Barnett.

including 331 positions since March. It now has 19,006 employees.

Barnett also cut the two banks' branch system to 633 outposts from 742 at the time of merger.

The company's credit quality also continues to rebound. Barnett's loan-loss provision of $34.5 million was 20% lower than the $43.2 million set-aside in the first quarter, while net chargeoffs dropped 32% from the first quarter, to $34.5 million.

Prices Slashed

An aggressive markdown of nonperforming real estate allowed Barnett to sell $48 million of foreclosed properties during the second quarter, up from sales of $27 million during the first quarter.

Nonperforming assets fell 13% to $684 million during the second quarter.

Net interest and noninterest income remained healthy. Barnett's net yield on earning assets rose to 5.10% from 5.02% a year earlier. Noninterest income inched up 4% to $153 million.

Loans and deposits, however, continued to erode. Loans fell 3% to $26.2 billion from $27 billion in the year-ago quarter, while deposits fell a seasonal 2% to $32.4 billion, reflecting the summertime migration of many Florida residents to their homes in the north.

Barnett is pursuing a a "deliberate strategy" of repricing commercial credits and deemphasizing commercial realty lending, said the company's controller, Pat McCann, in explaining the loan drop.

Small Business, Consumers

He added that Barnett's strategy is to focus more on higher-margin small-business and consumer loans.

"We're focusing on trying to profitably price the relationships that we already have and that we're entering into," Mr. McCann said.

Barnett said its small-business lending initiative, begun last year, produced $80 million in loans in the first half.

But it has not been enough to replace runoff elsewhere in the commercial portfolio, Mr. McCann said.

"Corporate customers are either paying down debt or able to find cheaper sources of funding," Mr. McCann said. ☐

Northeast Loses $9.4 Million; to Shed Realty

Northeast Federal Corp., parent of one of New England's biggest thrifts, said Monday that it lost $9.4 million in the second quarter as a result of an $18 million provision for future loan losses and for writeoffs related to foreclosed real estate that it plans to sell.

The Hartford, Conn.-based company, whose Northeast Savings subsidiary has 53 branches and several nationwide mortgage lending offices, also said that it planned to file a rights offering proposal that could raise up to $60 million.

Big Property Sale

The quarterly loss compares with a gain of $158,000, or 21 cents a share, for the second quarter of 1992.

Although Northeast meets regulatory capital requirements, it has struggled with loan problems.

The thrift said it plans to sell up to half of its foreclosed residential real estate soon in a single transaction. A company spokesman said about $30 million to $40 million of foreclosed property – which already has been marked down about 10% – is to be sold at about 45% of its carrying value.

In a prepared statement, Northeast chairman and chief executive George Rutle said the "accelerated disposition of nonearning assets and a capital infusion through the rights offering should dramatically speed up the return to profitability."

The company, which has $4 billion of assets, took a $6 million provision during the quarter to facilitate the bulk sale.

Shares Drop

Northeast set aside $12 million for potential loan losses during the second quarter versus $2.5 million a year earlier.

Its total allowance on June 30 was $28 million, up from $18 million a year earlier.

Its total nonperforming assets fell 9% from the end of the first quarter to $178.3 million.

In early afternoon trading on the New York Stock Exchange, Northeast shares had lost 37.5 cents, changing hands at $4.375 a share.

— Jed Horowitz

Harris Bankcorp's Incoming Chief Aims to Triple Earnings

Alan G. McNally will succeed B. Kenneth West as chief executive of Harris Bankcorp, the Chicago-based subsidiary of Bank of Montreal Corp., in September.

A vice chairman of Bank of Montreal, Mr. McNally, 47, holds an undergraduate degree from Cornell University and an MBA from York University. The native of Quebec City also is chairman of MasterCard International Inc.

Chicago bureau chief Steve Klinkerman recently interviewed Mr. McNally about his new assignment.

Over a decade, we want to build a bank with annual earnings on the order of $300 million, versus $100 million today. That entails tripling the distribution system in Chicago.



Alan G. McNally
Outlines growth plans

Q.: What is your mandate?

McNALLY: The objective is to build a bigger asset. Over a decade, we want to build a bank with annual earnings on the order of $300 million, versus $100 million today.

That entails tripling the distribution system in Chicago, and it implies investment on the order of $600 million or $700 million.

Priority No. 1 is greater Chicago, but we will be looking more broadly in the Midwest as we evolve.

Q&A

Q.: Are major acquisitions in the offing?

McNALLY: Nothing dramatic is in the cards. It is a matter of executing a set of marketing priorities and, a year at a time, expanding the distribution system through small acquisitions and de novos.

Q.: What is your analysis of Harris as it stands?

McNALLY: I see a bank that has strong capital and liquidity – and a parent that stands ready to invest further in it – but has lagged in the-pack productivity, profitability, and asset quality.

Growth in comparison with peers has not been strong. And, in fact, it is this growth that is the missing variable.

Q.: What opportunities do you perceive?

McNALLY: Retail banking and small business lending are two prime opportunities in this market – which goes back to the need for a larger branch network. But we also want to expand the existing strong businesses in the portfolio – corporate banking, foreign exchange, cash management, corporate and institutional trust, and personal banking, trust, and asset management.

Q.: Is there any one key to making progress on so many fronts?

McNALLY: One thing I value enormously is marketing, using the full range of elements in the marketing mix to achieve differentiation and competitive advantage – from product, price, and promotion to market segmentation, distribution, teamwork, and after-sales service.

Q.: You obviously are going to need quite a bit of support from the more than 5,000 employees of the bank. Could you talk a bit about your management style and how you hope to rally the troops?

McNALLY: The most important characteristic of success and leadership is teamwork, and I believe in it absolutely.

Serving customers well obviously is a prerequisite to success, and the key to outdoing the competition is having a team of skilled, trained, motivated, committed employees. You can't have customer satisfaction without employee satisfaction.

It also is terribly important to have strong, clear goals. Goal orientation implies a commitment to results, and it also implies the need for a strong commitment to measurement.

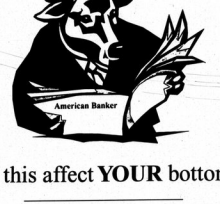
Q.: Coming to Harris marks a major inflection point not only for the bank, but for your career. What are your feelings about the upcoming move to Chicago from Canada?

McNALLY: I've been dealt a wonderful deck. This is a chance to be at the top of the list in terms of the flow of reinvestment monies.

I have a clear understanding of how to access the experience, expertise, and resources required to facilitate and support Harris in its evolution into new businesses – and the bank has a fine complement of executives.

There is so much to be excited about that I am simply that: excited. ☐

BANKERS ARE BULLISH on Mutual Funds



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New Dartmouth Sale May Alter Landscape In New Hampshire

By PHIL ZAHODAKIN

Now that Robert P. Keller is selling New Dartmouth Bank, which he built out of S&L failures in and around Manchester, N.H., a shadow has fallen over the state's small banks.

Back on Oct. 10, 1991 – when Mr. Keller unveiled his deal to establish New Dartmouth out of three savings banks – seven of the state's banks were shut; 23 others eventually would disappear in consolidations.

That leaves 58 banks, almost all of them small, in the state of New Hampshire.

Selling to Shawmut

Since the failures, New Hampshire banking has regained a measure of respect – thanks, in part, to the salvage effort led by Mr. Keller.

But his agreement to sell $1.7 billion-asset New Dartmouth – the state's fourth largest bank – to superregional Shawmut National Corp. might mean a new round of consolidations.

"New Hampshire is rapidly heading for the oligopoly structure you see elsewhere in the country, where you have four entities in control of the market," said Ed Furash, president of Furash & Co., Washington.

The other three players in a four-bank monopoly would be the $963 million-asset Bank of New Hampshire, $1.7 billion-asset Fleet Bank New Hampshire, and $3.4 billion-asset First New Hampshire.

Community Banks Strong

According to Sheshunoff Information Services Inc. data for the fourth quarter of 1992, First New Hampshire held 19.1% of all deposits at the state's banks, thrifts, and credit unions; New Dartmouth, 10.2%; Fleet, 9.6%, and Bank of New Hampshire, 5.9%. Community banks as a group held 46.5% of the deposits.

Spokesman Robert Guenther says that to establish its identity, Shawmut will, among other things, promote a small-business lending operation unveiled in April.

"We'll also offer trust department services and commercial lending, which New Dartmouth wasn't offering."

Wariness of Big Banks

However "banks are losing their share of the financial services market, and the first step in surviving is ensuring depth in the share you have – and taking over banks in the tough initial period helps you deepen your share of wallets and households," Mr. Furash says.

Shawmut might also have to surmountt a wariness of big banks based largely on the failures of 1991.

But Doug O'Brien, president and chief executive of First New Hampshire, views Shawmut's arrival as an opportunity. "Even though we have theBank of Ireland behind us, we'll be seen even more as the hometown guys. We're an amalgamation of 24 banks, and the branches make the lending decisions.

When Shawmut does arrive, which probably will be late in the third quarter or early in the fourth, "we'll have locally oriented TV, print, and radio marketing ready to run," Mr. O'Brien adds.

Litany of Failures

High profile ads notwithstanding, the rate of deposit growth lately has been strongest among the state's small banks, according to Jerry Little, president of the New Hampshire Bankers Association.

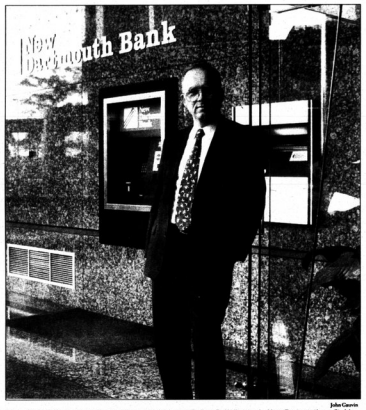
Mr. Little says it's too early to tell if this is a trend. But the litany of failures on Oct. 10, 1991, showed that most of the state's largest institutions were in a shambles.

The failed institutions, with assets as of December 1990: $950 million-asset Dartmouth Bank; $636 million-asset Numerica Savings FSB; $1 billion New Hampshire Savings Bank; $985 million Amoskeag Bank; $847 million BankEast; $441 billion Nashua Trust Co.; and $118 million Bank Meridian.

Dartmouth, for one, had been grossly mismanaged, says Mr. Keller, who had signed on as president – at the bank's urgent request – at the end of 1989.

Before taking over, he served as chief operating officer at American Federal Bank, a resolution bank in Texas made up of 12 failed thrifts. It didn't take him long to determine that his new bank was headed for the same fate as the Texas thrifts.

"Dartmouth had been making commercial real estate loans like they were going out of style, and the assets were turning bad," Mr. Keller said.



John Gauvin

SALVAGE JOB: By cleaning up a "deplorable" mess, Robert P. Keller made New Dartmouth profitable.

He eventually proposed a deal that regulators had never before allowed – merging a group of its affiliated, failing banks and starting a new one with public guarantees and public and private investment.

"We told the FDIC that a combination makes sense, and they said, 'No, we've never done it that way.'

FDIC Was Won Over

"Later on, they said, 'A combination makes sense. Two would be nice, three would be better.'"

Given a green light, Mr. Keller, and investment bankers at Kidder, Peabody & Co. started pitching a deal that would allow the newly established institution to "put" to the Federal Deposit Insurance Corp. any failing assets for up to three years. That, and an airtight business plan, enabled the team to raise $41 million.

"The guarantee was very important, but we wouldn't have persuaded anyone if we didn't have a sophisticated business plan," Mr. Keller said.

"Dennis Ballieu, our CFO, developed a series of computer models for every eventuality. Whenever we presented our plan, people would ask, 'What if interest rates did this, at this point in time?' We'd just pull the relevant model out of a briefcase," Mr. Keller said.

With the $41 million raised by the team, and the $37 million

See next page

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PEERLESS

Continued from page 8

kicked in by the FDIC, Mr. Keller bought the assets of New Hampshire Savings, Dartmouth, and Numerica and reopened the banks as New Dartmouth on Oct. 11, 1991.

His methods have yielded "plain vanilla" bank returning 1.27% on assets. But he also has drawn a number of criticisms, with the most serious being a Community Reinvestment Act rating – "needs to improve" – which was issued in March.

To some, like New Hampshire Gov. Stephen Merrill, a Republican, the rating was proof positive that New Dartmouth was founded solely for a "flip."

First Things First

Mr. Keller, a soft-spoken, nonsense individual, bristles at the allegation.

"I think CRA is important – but, when you're on your way to put out a fire, you don't stop to help an elderly person across the street. You take care of the business at hand."

The first "fire" to put out was "the deplorable state of recordkeeping at the three banks," Mr. Keller said. "So we had to clean up, rebuild, and merge the back offices before we put lending in top gear."

Mr. Keller adds, "We identified 72 community groups that we planned to work with, and we had started working with 26 of them at the time of our CRA exam. We're now in touch with all 72 groups, and we've got two full-time CRA staffers."

The sale to Shawmut could mean a new round of consolidations.

He also notes that New Dartmouth bought back from the FDIC about five hundred loans "because we knew the businessmen involved were good people, and our workout committee helped some of them. Regulators. Isn't that community reinvestment?"

Shawmut, which has a "satisfactory" CRA rating, is being investigated by the Justice Department and Federal Trade Commission for alleged lending bias in 1990.

John Taylor, who heads the Washington-based National Community Reinvestment Coalition, says "allowing the New Dartmouth deal to go through when New Dartmouth has a poor CRA rating, and before the Justice and FTC investigations are completed, would show a lack of seriousness about the Community Reinvestment Act."

Mr. Guenther said Shawmut "is committed to improving New Dartmouth's rating, and making [its own] rating 'outstanding.'"

Assailed for Slashing Staff

Mr. Keller also has been assailed for slashing staff at the merged bank from 1,100 down to its present 605. But he is "not a believer in all the bureaucracy I see at banks.

"When I got here," Mr. Keller adds, "there were five tiers of management between the branch managers and the CEO. Now there's one."

In fact, Dartmouth's staffing levels are "par, or a bit over par," says Bob Warren, a Ferguson & Co. analyst. "They've got 0.33 employees for every billion in assets, and their peer group works out to 0.32."

Mr. Keller also drew fire for repricing deposits and renegotiating or breaking leases, but those activities are allowed by the' Financial Institutions Reform, Recovery, and Enforcement Act of 1989, notes FDIC spokesman David Barr.

Growing Rapidly of Late

Repricing the deposits "chased out a lot of hot money," says Mr. Keller, pointing out that the merged bank started out with $2.2 billion in assets.

But the bank lately has enjoyed rapid growth. "We did $31 million in lending in April, and $35 million in May.

The rate of deposit growth lately has been strongest among the state's small banks.

"We're now the No. 1 lender in the state's Capital Access Program (which offers state lending guarantees), the No. 2 Small Business Administration lender, and the No. 1 student lender," Mr. Keller said.

Ahead of Schedule

Mr. Keller said the implementation of New Dartmouth's three-year business plan ran well ahead of schedule, largely because of the drop in costs for deposits. It was planned that, at the end of the three-year period, the bank would affiliate with a larger institution, Mr. Keller said.

With the acceptance of Shawmut's offer, that point was reached in just 18 months, and the price offered by Shawmut – $140 million, or 187% of book value – represents a 310% profit for the investors.

"You would have made more than that if you had just bought Shawmut or Bank of Boston stock [in 1991]."

House Up for Sale

He adds, "The FDIC is earning 7.2% on the preferred New Dartmouth stock it holds."

For Mr. Keller, who spent most of his 28-year banking career at Indian Head, now Fleet Bank New Hampshire, the future is uncertain. "I've got two years left on my contract, that's all I know."

Mr. Keller's house on Sunapee Lake is up for sale because, he says, he is tiring of the commute to Manchester. Clearly, however, working deals, and making deals, and cleaning up troubled banks, are his favorite pursuits.

For Shawmut, the future also holds uncertainties.

Manchester, which once had the world's largest textile industry, is showing signs of recovery – especially with the many small businesses leasing space in the mills.

But the region still is depressed – and Gov. Merrill says he will be watching to make sure, as his spokesman Jim Rivers put it, "that Shawmut isn't coming here just to take our deposits."

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Cusip	Coupon	Maturity	Redeemed Amount	Type	Date	Price
033267B53	10.250	09/01/99	$1,050,000	Prerefunded	09/01/93	102.00
033267U77	9.700	09/01/14	$260,000	Prerefunded	09/01/93	102.00
033267Z64	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
033267Z1	9.700	09/01/96	$315,000	Prerefunded	09/01/93	102.00
033267M0	10.100	09/01/97	$740,000	Prerefunded	09/01/93	102.00

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Banks Looking to Flat-Fee 'Wrap' Accounts

By KAREN TALLEY

The wrap account, a popular money-management product at brokerage houses, is starting to find its way into banks' investment arsenals.

Chase Manhattan Corp. is steadily building its wrap business, targeting upscale executives and professionals. And Chemical Banking Corp. is preparing to come on line with a wrap product. Other banks, meanwhile, are believed to be eyeing the market closely.

Wrap accounts take their name from the fact that charges for investment advice, money management, and trades are all "wrapped" together in a flat fee. The package appeals to investors who prefer predictable costs to fees that vary with trading volume.

Recommends Money Managers

In the Chase program, believed to be the the first at a commercial bank, the consumer pays 3% annually on assets under management.

Chase itself does not manage the investments. Instead, it recommends any of 16 money management firms and shares the fees. Chase would not specify its portion of the fees, but it clearly likes the product.

"There are profits to be made, and we're bringing another dimension to the Chase organization," said Barry Westerland, chief administrative officer of Chase Manhattan Investment Services, the unit offering wraps.

Wrap providers like Chase say these products make professional money management available to more investors. That's because in return for the volume wrap providers can generate, money management firms often agree to reduce investment minimums.

Minimum Investment $100,000

Still, the price of entry isn't cheap. Chase, for example, requires a minimum investment of $100,000 per customer.

Chase has been slowly building its wrap program for the last three years.

The bank had over 400 account holders and $125 million under management at the end of April, according to Cerulli Associates, a Boston-based consulting firm.

This makes Chase a flea on the back of such elephants as Shearson Lehman Brothers, which has over $20 billion in wrap account assets.

Stepping It Up

But Chase is stepping up its activity through its investment services division, which offers wrap products and other financial services to upper income professionals and entrepreneurs.

The division operates 14 retail offices, including a recently-opened office in the heart of Manhattan. Two suburban centers – on Long Island and in White Plains – are to open later this year.

Chase recognizes that the centers serve a strategic role. In part, they act as a safety net for middle-to-upper-income customers that might be missed by Chase's other investment programs.

Others Likely to Follow

For lower-end retail customers, Chase offers mutual funds and annuities through an in-branch program with third party marketer GNA Corp.

Chase also has private banking and trust services for very high-end customers.

Exactly how many other banks will jump into the wraps market is unclear. But Chemical confirms that it is preparing a product.

According to Cerulli Associates, Banc One Corp. also is planning one. Officials at the Columbus, Ohio-based company declined to comment.

Experts say it's just a matter of time before other financial institutions follow suit.

The growing interest in the wrap business may also spur regulators to move on measures that would more closely monitor all wrap programs, said Eli Neusner of Cerulli Associates.

"There are a number of gray areas in terms of performance measurements and accountability when it comes to these products," Mr. Neusner said. □



Eli Neusner
"A number of gray areas"



Courts Need to Resolve Right to Sell Insurance

By DAVID W. RODERER
Partner
Winston & Strawn, New York

Viewpoint

THE U.S. Supreme Court's recent decision to reverse the U.S. Court of Appeals for the District of Columbia regarding the statutory authority for national banks to sell insurance in small towns hit much yet undone.

In a unanimous 24-page opinion penned by Justice Souter in U.S. National Bank of Oregon v. Independent Insurance Agents of America, the court reached back over 75 years to "repunctuate" a 1916 act of Congress so as to preserve that provision, commonly known as Section 92, in the federal statutes.

Section 92, among other things, authorizes national banks located in communities with populations of less than 5,000 to act as agents for insurance companies.

Enacted in 1916, the provision, formerly codified as Section 92 of the Title 12 of the United States Code, has been omitted since 1952 by the codifiers. The Congress, the Office of the Comptroller of the Currency, and most courts have, however, continued to presume the validity of the provision.

In 1992, the U.S. Court of Appeals for the District of Columbia in the USNB case ruled that Section 92 had been inadvertently repealed in 1918.

American Land Title Case

Subsequently, the U.S. Court of Appeals for the Second Circuit disagreed in American Land Title Association v. Clarke.

Unfortunately, the second circuit also found that, inasmuch as Section 92 is an explicit grant of statutory insurance authority to national banks, no other implied or incidental authority exists for national banks to engage in such activities.

The appeals court in the latter case ruled against the proposed sale of the insurance by Chase Manhattan Bank as being incidental to its mortgage lending activities.

The Supreme Court has delayed acting upon the petition for review in the American Land Title case, presumably pending resolution of the predicate question presented in the now-decided USNB case.

Consequences Uncertain

The new decision in the USNB case dealt only with the existence and continued validity of Section 92. Justice Souter gave no indication about the consequences of the Supreme Court's ruling as to the authority of national banks to export insurance products to nonresidents of the small communities. Nor did he give any indication as to the asserted additional statutory authority for national banks to offer insurance and insurance-related products as "incidental" to the business of banking under Section 24 (seventh).

In resolving only the conflict between the two appeals courts over the existence of Section 92, the Supreme Court left looming the threat of the second half of the second circuit's opinion: that no other statutory basis exists for national banks to offer insurance products.

The essential flexibility given to national banks by the incidental powers provision of the National Bank Act to develop and offer innovative financial products and services is at risk in the American Land Title case.

New York Court Ruling

In contrast to that restrictive federal appeals court decision is the wisdom ably articulated last month by Judge Crew of the New York Supreme Court Appelate Division, in New York State Association of Life Underwriters, Inc. v. Considine.

Judge Crew stated "that the 'incidental powers' clause was intended to permit banks to expand their banking services over the time consistent with evolving practices and their customers' needs."

The state court thus unanimously ruled that New York chartered banks possess "incidental" authority to sell annuities under state law that is essentially identical to the federal statute.

The justices' refusal to take note of that wisdom, by accepting the Chase petition and dispatching the faulty legal reasoning of the second circuit in the American Land Title case leaves the job begun in the USNB case only half done.

Litigation elsewhere is likely to entail these same issues as bank and insurance interests continue to struggle to redefine financial services. With no congressional resolution likely to be forthcoming, the lower courts are again left to redefine the future of financial services with seemingly little or no consideration of the benefits to consumers of expanded competition. Maybe next time up, the Supreme Court will get it right. □



David W. Roderer

Mr. Roderer represents six regional banks that have filed friend-of-the-court briefs in the American Land Title Association case.

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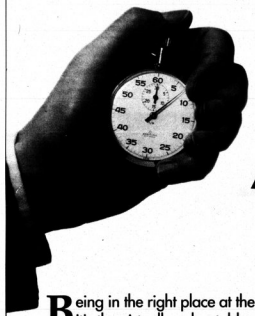

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Foreclosures Climb Sharply in California

By EDWARD KULKOSKY

Mortgage foreclosures surged in California during the first five months of this year, according to figures from TRW Redi Property Data, Riverside, Calif.

And no letup is in sight, as delinquencies also climbed sharply.

Southern California was hit hardest, with the number of foreclosures reaching 18,750, up about 79% from 9,968 through May of last year. The foreclosures involved $4.4 billion of loans.

Los Angeles

While the figures include commercial foreclosures, the TRW unit estimated that 85% involved owner-occupied residences.

Los Angeles was hit especially hard. Foreclosures in the county almost doubled, climbing 98.3% to 8,703, from 4,388.

Most northern counties were also hit. A total of 2,670 residential and commercial foreclosures was recorded in the Bay Area, a 45% increase from 1,840 a year earlier. The value of the defaults was put at $755 million.

In San Francisco, foreclosures jumped 68.9%, but the numbers were small. This year, 277 properties were foreclosed, as against 164 last year.

Southern California and the Bay Area together showed an increase in foreclosures of 74%. They account for more than 90% of the state's mortgages.

At the other end of the scale, Marin, Alameda, and San Diego counties have experienced relatively small increases in foreclosures.

Courthouse Filings

The figures from TRW are considered especially accurate as they represent actual courthouse filings of trustee deeds.

Meanwhile, a report by Mortgage Information Corp., San Francisco, says serious delinquencies in the Los Angeles area – three or more missed payments – jumped by 69% in the first quarter from the year-earlier level. Serious delinquencies doubled in the Santa Rose-Valejo area and rose 48% in the San Francisco area.

Los Angeles was hit especially hard, as foreclosures there almost doubled.

Almost all of the big increases in delinquencies were in California, but the worst rise in the country was in Honolulu, where delinquencies jumped 114%.

Nationally, the three areas with the highest rates of serious delinquencies were all in New Jersey: Monmouth and Ocean counties, the city of Newark, and Bergen and Passaic counties.

New York City was in fourth place, and Nassau and Suffolk counties in New York ranked fifth.

The delinquency rates for those areas of New Jersey and New York, however, were little changed since last year.

A few areas in the country – especially in the Northeast – showed sharp drops in serious delinquencies. Those areas included New Haven, Hartford, and Fairfield County in Connecticut, and Boston. Others were New Orleans; Oklahoma City and Tulsa; Tucson, Ariz.; and Austin, Tex. □

Refinancers Cut Average of 2 Points, Fannie Mae Says

By EDWARD KULKOSKY

Homeowners who refinanced their mortgages in the first quarter cut their average interest rate by almost two percentage points and reduced their loan terms by an average of four years, according to the Federal National Mortgage Association.

Last year, borrowers saved some $16 billion on their mortgage payments, the Mortgage Bankers Association estimated. The group is expecting a further reduction of $7 billion this year.

New information for May also showed that the flow of adjustable-rate mortgages into the secondary market declined to the lowest level in many years, accounting for just 2.8% of Fannie Mae's purchases. In January 1991, 10% of the company's purchases were adjustable loans.

However, a relatively small percentage of adjustables find their way to the investment market. Portfolio lenders such as thrifts are major adjustable-rate lenders and prefer holding the loans to selling them.

Fannie Mae's numbers also showed that intermediate-term mortgages, such as 15-year loans, accounted for one-third of its business. Overall, 30-year fixed-rate loans represented 54.6% of the company's loan volume. □

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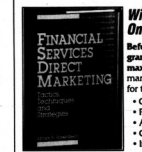

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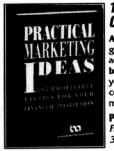

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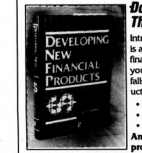

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Equifax Unit to Offer Bankruptcy Notification Service

By STEPHEN KLEEGE

A unit of Equifax Inc., a leading credit reporting agency, is planning to announce today that it has signed a three-year contract to provide a bankruptcy notification service to MasterCard International and Visa U.S.A. member banks.

The program, to begin in September, is seen as a significant enhancement of the Issuers Clearinghouse Service, which the card associations jointly set up in 1988 to combat fraud in credit card applications.

Bankruptcy fraud, including card applications from people who have filed for bankruptcy protection, is believed to cost the credit card industry more than $1 billion a year.

The program is designed to help combat fraud.

In addition to ferreting out applicants who have filed with a bankruptcy court, the Equifax service is designed to speed notification to card issuers when a cardholder files for protection.

Atlanta-based Equifax Financial Information Services will take bankruptcy court data gathered for Visa and MasterCard by other vendors, and match it against information in account files and applications. Bankruptcy notifications will then automatically go to MasterCard and Visa issuers via the Issuers Clearinghouse Service.

Equifax officials said they beat out TRW Information Services of Orange, Calif., and Trans Union Corp. of Chicago to win the contract.

Focus on Prevention

Brian G. Olsen, vice president of member profitability at MasterCard, estimated that as many as 35% of bankruptcy filings may be fraudulent or abusive. Card issuers prefer to focus on bankruptcy prevention, because the debt-collection process on card accounts is costly and time-consuming.

Once the new system is up and running, issuers will receive notification of bankruptcy filings by cardholders within 72 hours, said Jeffrey Dodge, senior vice president of Equifax.

Currently, it can take weeks for such word to reach a card issuer, and errors in court documents often prevent lenders from ever learning of a filing, he said. □

Chase Testing Gold Card with 'Teaser' Rate

By MICKEY MERCE

A Chase Manhattan Corp. unit is test-marketing a gold card with a low "teaser" rate, joining other banks that are trying to lure customers away from high-rate programs.

At a rate of prime plus 3.4% – currently 9.4% and adjustable monthly – the pricing is the lowest of any major credit card issuer, Chase Manhattan Bank U.S.A. claims.

Effective Sept. 1, 1994, the rate under Chase's preferred pricing plan jumps to prime plus 9.4%, which would now be 15.4%. Customers in good standing receive the preferred rate. The non-preferred rate is a fixed 19.8%.

Fee Waived for Some

Customers who qualify for preferred pricing pay no annual fee, while those who do not pay $50.

A Chase spokeswoman said the bank does not comment on market tests, which it runs throughout the year.

Chase Gold Visa cardholders can accrue Chase bonus dollars, defer two payments each year, and pick the day of the month they want for billing as part of the card's enhancements. The invitation to take advantage of the card expires on Aug. 13.

Citi Offers 9.9%

Other major card issuers hit the market this spring with a variety of teaser offers. Citicorp set a 9.9% rate on balances transferred to Citibank MasterCard or Visa cards. That rate jumps to 15.4% on Sept. 30.

Associates National Bank, an affiliate of Ford Motor Co., enticed customers to its GTE MasterCard with a 6% rate. After Oct. 31, that rises to prime plus 10.4%, or 16.6%.

Fleet National Bank offered new MasterCard or Visa customers a 9.9% annual rate, which holds until customers pay off their balances.

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CAPITAL: Huge Reserves Raise Worries

Continued from *page 1*

about how to judge whether a bank's reserve is excessive or not.

But he said the overall number of inquiries is still small – less than 10 requests in the past two months, mainly involving banks in the Southeast.

"Two years ago, we were getting comments from examiners – they don't have enough reserves," Mr. Cooney said. "Now we are getting the question, Do they have too much reserves?"

He has plans to talk to OCC district managers to ensure that the issue is addressed properly.

"You want to be sure you have a fair balance-sheet presentation, and when times get bad you don't want reserves currently at hand to be used to mask deterioration," he said.

He declined to comment on individual banks.

Orders to Cut Provisions

But executives at small banks said the Comptroller's office has already begun ordering their institutions to cut quarterly provisions or take money out of reserves.

Ron Edwards, president and chief executive officer of First National Bank and Trust Co. of Ardmore, Okla., said that OCC examiners last summer ordered his bank to put $180,000 from the reserve back into income.

"When I heard about it, it blew my hat into the creek," he said. "We wish we didn't have to do it. It flies in the face of everything we've seen in Oklahoma."

Threat of a Suit

Michaux Nash Jr., chairman and chief executive officer of EastPark National Bank in Dallas, said he reduced the bank's provision after examiners said they could sue his bank's directors.

"We said we can't believe this," Mr. Nash said. "Three or four years ago they came blasting in here and said we were underreserved. Then they come in and say we are overreserved. We said it is pointless for us to be a little overreserved. We have been taught all our lives to save for a rainy day."

Off the Record

Big banks, too, have started to notice a change among regulators.

"It's interesting that we in the industry are starting to hear the regulators change their tune a little bit, not exactly on the record, but a little bit in conversation," said Malcolm Murray, chief credit officer at First Union Corp.

Mr. Murray said regulators started to get "itchy" when reserves that are not allocated to specific loans hit 20% of loans at First Union. However, he said that regulators have not specifically told the bank to reduce its reserves.

"They are raising the issue, and I think they are feeling a little funny suggesting that reserves may be high," he said.

First Union's reserves equaled 98% of nonperforming loans on March 31.

Slow Loan Growth

Mr. Murray said that in past economic recoveries, loan growth "essentially absorbed any excess reserves."

If banks don't cut reserving, they may understate earnings and book value.

In the current recovery, weak loan growth means it will take longer to absorb reserves, he said.

Lower provisions in the industry will reflect both the lower levels of nonperforming loans and decreasing chargeoffs.

"I think we should see banks will see provisions declining over the next four to six quarters," he said. □

NEWS ANALYSIS

DEALS

Chase Is Both Adviser and Lender In Harsco Purchase of Multiserv

By WILLIAM GOODWIN

Chase Manhattan Bank is playing multiple roles as financial adviser and lender in Harsco Corp.'s planned purchase of Britain's MultiServ International for about $30 million.

The acquisition agreement, disclosed Friday, provides further evidence that merger-related financing activity is picking up.

Hanson PLC's pending purchase of Quantum Chemical Corp. is expected to result in a multibillion-dollar refinancing of both companies' debt in the bank loan market, while banks are also backing Corning Inc.'s recent winning bid for Damon Corp.

Funding Source

In a statement Friday, Harsco said up to 28% of the MultiServ purchase would be financed internally, while the rest would come from "various committed sources."

Harsco later identified Chase as the funding source.

On Monday, Chase officials confirmed that the bank had underwritten $400 million in financing. Of that amount, it is expected that $100 million will be available as working capital for MultiServ, once the acquisition is completed.

MultiServ provides metal reclamation and other steel mill services in Europe, Latin America, and other markets outside of North America.

Final terms haven't been worked out, but the loan probably will be priced at 50 to 75 basis points over the London interbank offered rate, depending on whether Harsco's debt rating is downgraded.

Rating Outlook

Following the acquisition announcement, Standard & Poor's Corp. affirmed its A rating on Harsco's senior debt but changed the rating outlook to "negative."

Moody's Investors Service went a step further and placed its rating under review for possible downgrade.

As a result of the acquisition, Harsco's ratio of debt to total capitalization will increase to 44%. But that ratio is expected to fall back within a few years to a level that is consistent with an A-rated company, said Martin Kaboolian, an S&P analyst.

The uncertainty about Harsco's credit rating is one reason the company turned first to bank loans as a funding source.

"Depending on the outcome of the rating review, some of the bank debt may later be refinanced in the public debt markets.

Chase is still working on its syndication strategy, but the bank is expected to approach Harsco's other relationship banks and some foreign lenders. □

THE MARKETS

Rates Steady as Good Inflation News Seen

Long-term interest rates held steady Monday in anticipation of good news on inflation.

The yield on the 30-year Treasury bond was unchanged at 6.63%, a record closing low. Ten-year notes yielded 5.73%, also unchanged on the day.

The government today will announce its Producer Price Index for June. Economists are expecting that the index was flat or fell as much as 0.3% because of tobacco price cuts. The Consumer Price Index is due out Wednesday. — **Bart Fraust**

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Highlights for Monday, July 12

TOP 10 GAINERS ⅝

Park National Corp.	6.7
Citizens First Bancorp, Inc.	5.7
Bank of Granite Corp.	5.7
Liberty National Bancorp, Inc.	4.7
NBT Bancorp	4.6
National City Bancshares	4.3
Shoreline Financial Corp.	4.0
Susquehanna Bancshares, Inc.	4.0
Security Capital Bancorp	3.9
Hancock Holding Company	3.2

TOP 10 LOSERS ⅝

FNB Corporation	-6.0
Allied Bankshares, Inc.	-5.9
CBT Corporation	-5.7
BT Financial Corporation	-4.8
Omega Financial Corporation	-3.9
S&T Bancorp	-3.7
Hibernia Corporation	-3.6
Central Fidelity Banks, Inc.	-3.2
UST Corp.	-3.2
AmSouth Bancorporation	-3.0

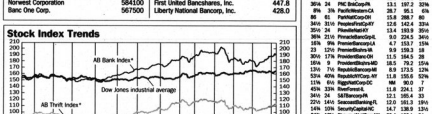
MOST SHARES TRADED

Citicorp	1267500
J.P. Morgan & Co. Incorporated	733500
Chase Manhattan Corporation	599400
Norwest Corporation	584100
Banc One Corp.	567500

VOLUME AS % OF AVERAGE

First Colonial Bankshares	710.5
First Financial Savings Corp Florida	568.0
AmSouth Bancorporation	495.7
First Interstate BancSystem	447.8
Liberty National Bancorp, Inc.	428.0

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.09	1.16	0.94	-0.10	2.26	10.12	-0.01	3.38	9.88

Top 225 Banks

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg. to 6/30
38¾	27¾	FirstAlabama Al.	13.6	189.3	34¼	-⅛
31¼	19	FirstAmerBc Fl.	14.0	140.0	18	-½
33¾	23¾	FirstAmerCorp Tn	14.3	159.7	30	-¼
31¼	24¼	FirstBancorp Pr	13.4	151.2	30¼	-¼
33¾	23¾	FirstBankSystem MN	20.0	188.3	30¾	-¼
31¾	24¼	FirstBkHldg Co	14.1	1,000.0	30¾	-¼
27¾	20¾	FirstBkMidwest Co	13.4	182.4	27½	-⅛
27¾	19¾	FirstBkSystem Co	11.8	183.0	48	-¼
22¼	15¾	FirstBkSystem Co	12.6	180.8	20¾	-¼
23¾	17¾	FirstBkSystem Co	13.5	172.4	24¾	-⅛
43¼	30¾	FirstBostonCorp NC	11.8	183.0	48	-¼
20¾	16¾	FirstBostonCorp NC	11.8	122.4	19¾	-⅛
23¾	17	FirstCitizBc NC	14.2	198.7	23¾	-⅛
43¼	30¾	FirstCitizBc NC	13.5	183.0	39¾	-¼
39	34	FirstCommerce NE	10.3	153.6	71	-¼
34¼	25¾	FirstCommerce NE	10.7	139.9	33¼	-⅛
31¾	24¾	FirstCommBk PA	11.4	150.4	28	-¼
39	31¾	FirstCtzBc Al	9.6	141.2	38	-¼
157⅛	127	FirstCtzsInc NY	11.3	1051.1	142	-1
51¼	34	FirstDataCp Ga	12.9	174.5	48¾	-¼
44¼	37¼	FirstFidBanc OH	14.6	182.2	43¾	-¼
53¾	36¾	FirstFedCorp Fl	11.9	143.7	52¾	-¼
30¾	23¾	FirstHawaiian Hi	10.7	194.0	29	-¼
36¾	29¾	FirstHorizon TN	12.4	188.1	36¼	-¼
27¼	19¼	FirstMichBkCorp MI	13.4	182.4	27¼	-⅛
27¾	19¾	FirstMichBkCorp MI	11.8	183.0	48	-¼
22¼	15¾	FirstNatBancorp CA	12.6	180.8	20¾	-¼
23¾	17¾	FirstNatBancorp CA	13.5	172.4	24¾	-⅛
31¾	25¾	FirstNatCorp NC	11.8	183.0	48	-¼
20¾	16¾	FirstNatCorp NC	11.8	122.4	19¾	-⅛
39	34	FirstNorthIL A	12.1	198.8	37	-¼
43¼	30¾	FirstNorthIL A	13.2	188.2	39¾	-¼
37¾	28¾	FirstPennsylvania	18.2	182.2	34¼	-¼
44¼	34¼	FirstPennsylvania	14.2	198.7	43¾	-¼
31¾	24	FourRivBnCorp Ky	12.7	178.8	31	-¼
28	20¾	FourthFinCorp OK	12.3	198.1	27¼	-¼
30¾	24	FranklinNatnlCp OH	11.3	145.5	28	-¼
31¾	24¾	FranklinNatnlCp OH	11.8	183.0	48	-¼
20¾	16¾	FranklinNatnlCp OH	11.8	122.4	19¾	-⅛
23¾	17	FranklinNtlBC	14.2	198.7	23¾	-⅛
43¼	30¾	FranklinNtlBC	13.5	183.0	39¾	-¼
39	30	FranklinNtlBk IA	10.2	185.2	39¼	-¼
39	30	FranklinNtlBk IA	11.8	183.0	48	-¼
20¾	16¾	FranklinNtlBk IA

Major Private Merger Deals Announced in the Second Quarter

Dollars in millions; largest deals are listed

Acquiror/ assets	Acquired/ assets	Deal price
Banc One Corp. Columbus, Ohio **$69,705**	**Firstier Financial** Lincoln, Neb. **$3,014**	**$707**
First Fidelity Bancrp. Lawrenceville, N.J. **$31,480**	**Peoples Westchester*** Hawthorne, N.Y. **$1,797**	**$263**
National City Corp. Cleveland **$28,963**	**Ohio Bancorp** Youngstown **$1,731**	**$224**
First Security Corp. Salt Lake City **$7,885**	**First National Financial** Albuquerque **$1,283**	**$202**
PNC Bank Corp. Pittsburgh **$61,124**	**United Federal Bancorp*** State College, Pa. **$812**	**$165**
Huntington Bancshares Columbus, Ohio **$14,032**	**Commerce Banc Corp.** Charleston, W.V. **$900**	**$155**
First Alabama Bancshares Birmingham **$7,882**	**Secor Bank FSB*** Birmingham **$2,066**	**$139**
Bank South Corp. Atlanta **$6,404**	**Two Barnett subsidiaries** Atlanta **$789**	**$125**
Banc One Corp. Columbus, Ohio **$69,705**	**Central Banking Group** Oklahoma City **$644**	**$105**
Ammouth Bancorp. Birmingham, Ala. **$5,786**	**Midstate Federal Savings*** Ocala, Fla. **$766**	**$99**
Citizens Financial Group* Providence, R.I. **$4,437**	**Boston Five Bancorp*** Boston **$1,662**	**$95**
Huntington Bancshares Columbus, Ohio **$14,032**	**Railroadmen's Federal S&L*** Indianapolis **$689**	**$87**
Dauphin Deposit Corp. Harrisburg, Pa. **$4,900**	**Valley Bancorp** Chambersburg, Pa. **$333**	**$69**
First Interstate Bancorp Los Angeles **$49,063**	**Cal Rep Bancorp** Bakersfield, Calif. **$698**	**$68**
CB Bancshares Honolulu **$729**	**International Holding** Honolulu **$465**	**$52**
Southern National Corp. Lumberton, N.C. **$4,393**	**Regency Bancshares** Hickory, N.C. **$279**	**$50**
Huntington Bancshares Columbus, Ohio **$14,032**	**First Bancorp Indiana** Lafayette **$284**	**$48**
Keycorp Albany, N.Y. **$31,917**	**Jackson County Federal*** Medford, Ore. **$361**	**$46**
Bancorp Hawaii Honolulu **$12,699**	**International Holding*** Honolulu **$467**	**$43**
First Virginia Banks Falls Church **$6,836**	**Cleveland Bank and Trust** Cleveland **$223**	**$42**
Central Bancshares of the South Birmingham, Ala. **$6,900**	**1st Performance National Bank** Jacksonville, Fla. **$274**	**$36**
Fouth Financial Corp. Wichita, Kan. **$6,462**	**Western National Bancorp.** Tulsa, Okla. **$213**	**$34**
First Commerce Corp. New Orleans **$5,990**	**First Acadiana National** Opelousas, La. **$218**	**$33**
Banc One Corp. Columbus, Ohio **$69,705**	**Mid States Bancshares** Moline, Ill. **$199**	**$33**
Standard Federal Bank* Troy, Mich. **$9,799**	**Interfirst Bankcorp*** Ann Arbor, Mich. **$262**	**$32**
Sovereign Bancorp* Wyomissing, Pa. **$5,058**	**Valley Federal SBL*** Easton, Pa. **$278**	**$21**
First Commercial Corp. Little Rock, Ark. **$2,928**	**Texas Commerce units** Longview, Tex. **$307**	**$28**
Fourth Financial Wichita, Kan. **$6,462**	**Floridatrust FSB*** Jacksonville **$278**	**$27**

STOCKS: Bank Mergers Fell in Quarter

Continued from page 1

the price they are worth.

"Acquiring managements are sensitive to the market's response to dilutive pricing," said bank analyst Thomas H. Hanley of First Boston Corp.

At the same time, selling managements are concerned about maximizing value received, he added.

Upturn Seen

But most observers believe the dropoff is only temporary.

"My guess is that we'll see more activity in the second half of the year," said Francis X. Suszco of S.G. Warburg & Co.

"Acquisition activity will pick up, perhaps substantially," said Mr. Hanley, who expects bank stock prices to rise over the next three to six months. The second quarter stock price pullback "will enable both sides to come to a more realistic assessment of value."

Most observers think the overriding reason that dealmaking will pick up again soon is that banks must continue merging to maintain growth of profits.

With loan growth slow, Mr. Hanley said the banking industry remains under pressure to consolidate "to ensure earnings momentum" by "acquiring assets and originating capability."

A Trend Toward Thrifts

Duplication of facilities and functions in general and overlapping branch networks in particular also provide enormous opportunities "to rationalize costs," he said.

Analysts at Salomon Brothers Inc. agree that many capital-rich banks will look toward acquisitions as a viable alternative to increase profits.

Besides the slowdown in deals, another notable aspect of the second quarter was the number of acquisitions of healthy thrift institutions by banks.

This trend got off to a fast start in the third quarter -- with ABN Amro Bank's announcement of plans to buy Cragin Federal Bank for Savings in Chicago and Fifth Third Bancorp's deal to buy Tristate Bancorp in Cincinnati.

First Fidelity Deal

The second-largest deal of the second quarter was the pending purchase of Peoples Westchester Savings Bank, Hawthorne, N.Y., by First Fidelity Bancorp, Lawrenceville, N.J.

The New Jersey superregional is paying $233 million, half in cash and half in stock, or 1.4 times Peoples' book value. It likely will have to spend some more to boost the thrift's loan loss provision.

Nevertheless, the thrift's stock price fell on the disappointment of some investors, notably arbitragers, that the purchase price was not higher.

Other Purchases

Also announcing thrift-buying plans during the quarter were PNC Bank Corp., Pittsburgh; First Alabama Bancshares, Birmingham; Amouth Bancorp., Birmingham; Huntington Bancshares, Columbus, Ohio; Keycorp, Albany, N.Y., and Bancorp Hawaii, Honolulu.

PNC will pay $166 million in stock, a healthy 16.3% of book value, for United Federal Bancorp., State College, Pa.

First Alabama won a bidding contest, apparently with Amsouth, to acquire Secor Bank, the state's largest thrift, for $139 million, or 123% of Secor's estimated book value. Amsouth, meanwhile, is buying Midstate Federal Savings, Ocala, Fla.

Huntington unveiled the two most expensive thrift purchases of the quarter. It is buying Railroadmen's Federal Savings and Loan, Indianapolis, for $87 million, or twice the thrift's book value. And it is acquiring First Bancorp Indiana Inc., Lafayette, for $48 million, or 169.5% of book.

"While the prices of these transactions still lag behind bank acquisition pricing, the gap appears to have narrowed," said Thomas J. Maier of Kemper Securities Inc., Chicago. □

Major Private Merger Deals Completed in the Second Quarter

Dollars in millions; largest deals are listed

Acquiror/ assets	Acquired/ assets	Deal price
Washington Mutual Savings* Seattle **$65,085**	**Pacific First Financial*** Tacoma, Wash. **$5,916**	**$663**
Banc One Corp. Columbus, Ohio **$69,705**	**Key Centurion Bancshares** Charleston, W.V. **$3,040**	**$545**
First Bank System Minneapolis **$18,133**	**Colorado National Bankshares** Denver **$3,192**	**$528**
First Union Corp. Charlotte, N.C. **$61,326**	**First American Bankshares** Washington **$4,858**	**$453**
First Union Corp. Charlotte, N.C. **$61,326**	**Georgia Federal Bank*** Atlanta **$4,432**	**$153**
Banc One Corp. Columbus, Ohio **$69,705**	**First Community Bancorp** Rockford, Ill. **$795**	**$125**
Worthen Banking Corp. Little Rock, Ark. **$2,732**	**Union of Arkansas Corp.** Little Rock, Ark. **$693**	**$100**
Comerica Inc. Detroit **$26,084**	**NorthPark National Corp.** Dallas **$766**	**$81**
Crestar Financial Corp. Richmond, Va. **$11,800**	**CFS Financial Corp.** Fairfax, Va. **$962**	**$66**
TCF Financial Corp.* Minneapolis **$4,129**	**Republic Capital Group*** Milwaukee **$908**	**$65**
United Missouri Bancshares Kansas City, Mo. **$4,597**	**CNB Financial Corp.** Kansas City, Kan. **$468**	**$65**
Collective Bancorp. Egg Harbor, N.J. **$2,499**	**Montclair Bancorp.** Montclair, N.J. **$699**	**$61**
Old National Bancorp. Evansville, Ind. **$2,829**	**DCB Corp.** Jasper, Ind. **$289**	**$60**
WestAmerica Bancorp. San Rafael, Calif. **$1,365**	**Napa Valley Bancorp.** Napa, Calif. **$611**	**$59**
United Missouri Bancshares Kansas City **$4,597**	**Overland Park Bancshares** Overland Park, Kan. **$191**	**$39**
Hawkeye Bancorp. Des Moines **$3,400**	**First Dubuque Corp.** Dubuque, Iowa **$304**	**$36**
Area Bancshares Corp. Hopkinsville, Ky. **$797**	**Commonwealth Bancorp** Glasgow, Ky. **$275**	**$31**
First Fidelity Bancorp. Lawrenceville, N.J. **$31,480**	**Northeast Bancorp** New Haven **$5,866**	**$29**
Metropolitan Financial* Minneapolis **$1,142**	**Western Financial*** Overland Park, Kan. **$466**	**$23**
Great Financial Federal* Louisville, Ky. **$1,201**	**Cardinal Financial Group*** Owensboro, Ky. **$278**	**$22**
BOK Financial Corp. Tulsa, Okla. **$2,029**	**Brookside Bancshares** Tulsa **$112**	**$22**
Union Planters Corp. Memphis **$3,786**	**Bank of East Tennessee** Knoxville **$912**	**$21**

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Bankers' Hopes For Clinton Take a Beating

By ROBERT M. GARSON

When Bill Clinton was elected President, bankers thought they had found a champion to lead them in their fight for regulatory relief.

At the economic conference in Little Rock last December, the President-elect sounded as enthusiastic as a bank president about the industry's agenda for cutting red tape. And in March, he added action to his words by announcing a package of reforms aimed at spurring lending.

Today, however, with Mr. Clinton attempting to repair his damaged presidency, some sense a different tone taking hold within the White House -- one less receptive to the industry's arguments.

NEWS ANALYSIS

The administration is developing new rules on mutual fund sales, and it apparently has decided against proposing legislation aimed at curbing the burden of regulation. Moreover, its aggressive stance on fair lending gives some industry leaders the willies.

Heavier Burden Seen

And with the last of the bbbs-era regulations beginning to take effect, bankers have begun to wonder if the compliance burden is not actually on the rise.

"The combination of what they are doing on fair lending -- plus regulations still coming down the pike -- is putting much more regulatory burden on banks than was taken away" by the March initiatives, said Kenneth A. Guenther, head of the Independent Bankers Association of America.

"It's a mixed bag," added Marty Farmer, a lobbyist for Barnett Banks Inc.

"They did what they did in the name of easing the credit crunch," he said, referring to the March initiative. "But the mutual fund package they are coming out with is a tightening up of regulations, and the lending discrimination stuff is worrisome."

Disappointment Widespread

Though Mr. Guenther doesn't hold the Clinton administration responsible for the regulatory actions mandated during the Bush era, there is considerable disappointment among bankers that the White House will not propose legislation to undo those rules.

The Federal Financial Institutions Examination Council had begun examining bank regulations

See OPTIMISM page 18

INSIDE NEWS

COMMUNITY BANKING

TINY CENTERPOINT BANK of Bedford, N.H., has just opened its first branch, and it's all geared up for a turf fight with the giants. The $54 million-asset bank makes small-business lending its top priority. *Page 8*

A MONEY ORDER SCAM being run from the Mississippi State Penitentiary is stinging banks across the country. Last year, it cost them an estimated $2 million. *Page 8*

MORTGAGES

THE MOOD IS SUNNY as the 21st annual western secondary mortgage market conference gets under way in San Francisco. With attendance up 20% from last year, many people will come purely to do business: to buy and sell mortgages. *Page 9*

INVESTMENT PRODUCTS

FISERV INC., a leading supplier of technology services for banks, is considering providing mutual funds to its huge customer base. *Page 11*

FINANCE

A CREDIT LYONNAIS preferred stock offering was more than tripled in size to $400 million amid strong demand from yield-hungry institutional investors. *Back page*

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LATE NEWS

RTC Choice Named

President Clinton nominated Stanley G. Tate as president and chief executive officer of the Resolution Trust Corp. on Tuesday.

Mr. Tate, 65, is president of Stanley Tate Enterprises, a real estate company, in North Miami, Fla. Since 1989 when the thrift bailout agency was created, Mr. Tate has been chairman of a regional group of citizens that advises the RTC.

The RTC has been run by Deputy Treasury Secretary Roger Altman since March 15, when former RTC president Albert Casey resigned.

Turmoil Sends Omaha S&L's Stock Soaring

By RICHARD LAYNE

Speculators smell blood at Commercial Federal Corp. in Omaha.

Its stock has soared 30% since mid-June, when the $4.8 billion-asset thrift's biggest shareholder began an attempt to force a recalcitrant management to find a buyer.

CAI Corp., a private investment company in Dallas that owns 9.9% of the outstanding shares, sent a letter on June 14 to management, requesting that shareholders vote at the annual meeting in November on a proposal to sell the company.

CAI filed a report of its intention with the Securities and Exchange Commission on June 15.

"We don't think management is looking out for the interests of the shareholders," said Steven M. Ellis, a partner with CAI. "The way you get the maximum value is to sell the company."

Firing Back

Management has counterpunched. It sent shareholders a letter on June 30 saying that a sale did not serve their best interest. It said it hired Merrill Lynch & Co. to find alternatives to a buyout.

"It makes better sense for the stockholders to operate under

See TAKEOVER back page

Bank of N.Y. Net Up 49%, 1st Fidelity 28%

SunTrust, Society, Boatmen's Gain

An American Banker News Roundup

Bank of New York Co. raised its dividend 18% and reported a 49% jump in second-quarter earnings, leading seven large regional companies that reported strong results Tuesday.

The New York bank company, the nation's 17th largest, netted $130 million in the quarter, or $1.42 a share. The profit exceeded analysts' consensus estimate by about 5 cents, according to Zacks Investment Research.

Despite the strong report and a dividend hike to 45 cents, the company's stock fell 50 cents to close at $59.375 a share. Analysts said many investors who bought bank stocks in recent weeks in anticipation of strong earnings were bailing out, fearing that long-term gains won't be sustained.

First Fidelity Up 28%

Also weighing in with a hefty gain was New Jersey-based First Fidelity Bancorp., which netted $97.9 million in the second quarter, up 28% from a year ago. The earnings translated into $1.13 a share, a penny higher than the consensus estimate compiled by Zacks.

Shares of First Fidelity, which has $32.3 billion of assets, lost $1 to $48.25.

Profit Scorecard

Second-quarter net income, in millions, versus year-earlier period

	Net income	Percent gain
Bank of New York	$130.0	49.4%
Boatmen's	76.2	38.8
First Fidelity	97.9	28.3
Society	66.6	18.8
State Street Boston	43.2	12.0
Star	28.3	29.3
SunTrust	118.7	12.3

Georgia-based SunTrust Banks Inc., the nation's 19th-largest bank company, reported net income of $118.7 million, or 94 cents a share, driven by strong trust fees and improving credit quality. The 12.1% increase over the 1992 quarter was slightly above analysts' consensus expectations. The company's stock fell $1.25 a share to $46.50 on Tuesday.

Improved Credit Quality

In the Midwest, Cleveland-based Society Corp. attributed

See BANK OF N.Y. page 6

As Funds Boom, Trade Group Chief Worries

By DEBRA COPE

When the Investment Company Institute staged its annual convention recently, chairman Matthew P. Fink was introduced to the assembled mutual fund executives as "the consummate worrier."

He doesn't quarrel with the description.

Though the industry is riding high as consumers bring billions of dollars into stock and bond funds, Mr. Fink acknowledges that he can't help thinking about the dark side of all that success.

"I tend to wear my sleeve and to vocalize it a lot," he said in a recent interview.

Lately, one of Mr. Fink's biggest worries is that someone in the mutual fund business -- perhaps a bank -- will stumble, tainting the entire industry.

He is also concerned that the industry, in its euphoria, may be overestimating its growth potential. This may be particularly true of banks, he maintains.

'It Isn't a Revolution'

According to the institute's research, he said, the proportion of U.S. households that invest in mutual funds has grown only slightly in the last few years, to 27% from 25%. So the bulk of the new money invested in funds has come from current shareholders, not new ones.

In the case of the banks, Mr. Fink thinks there is a simple explanation for the much-ballyhooed mutual fund explosion.

"I talk to bankers and they tell me that the vast majority of assets are trust or custody funds that they've moved," he said. Actual sales account for a relatively small portion of the growth in bank


Walter P. Calahan

MATTHEW FINK frets that the explosion in bank mutual funds isn't all it is cracked up to be.

proprietary funds, he maintained.

"I'm not saying something isn't going on," Mr. Fink said. "But clearly, it isn't a revolution."

Mr. Fink has developed his reluctance over

See FUNDS page 10

GRAPEVINE/ *Edited by Yvette D. Kantrow*

GE Eyes Shearson Unit

General Electric Capital Corp. is poised to buy the mortgage banking unit of Shearson Lehman Brothers, according to industry sources.

The acquisition of Shearson Lehman Mortgage would make GE one of the nation's five largest mortgage servicers, processing monthly payments on some $56 billion of home loans.

As of March, GE ranked No. 9, according to the newsletter *Inside Mortgage Finance.* Shearson Mortgage ranked No. 25, servicing $17 billion of home mortgages.

Spokesmen for GE and Shearson declined to comment, but an announcement is believed to be imminent. GE, the sources said, recently topped a handful of other bidders and is now in final talks with Shearson.

The Wall Street giant, which recently agreed to divest its retail brokerage unit, has been trying to sell the mortgage unit for more than two years.

Sources say the effort was intensified this year by Harvey Golub, who in February became chief executive of Shearson's parent, American Express Co.

Terms of the proposed deal could not be learned. But in 1991, Shearson had tentatively agreed to sell the unit to a group of Arabian and U.S. investors for $238 million. That deal ultimately collapsed over terms.

— Phil Roosevelt

* * *

S.F. on $250 a Day

BankAmerica Corp. is giving its work force a $25 million pat on the back as thanks for pulling off one of the biggest bank mergers in history.

Employees were informed last week that they would each receive a $250 bonus and an extra vacation day for their role in the 1992 merger of BankAmerica and Security Pacific Corp. "The idea was to have a day off and the money to do something fun with it," said Pat Lindh, a BankAmerica spokeswoman.


Richard Rosenberg

All employees below the rank of senior vice president – 93,000 worldwide – will get the bonus, provided they were on BankAmerica's payroll on April 23, 1993, the anniversary of the merger.

The bank will pay social security taxes on the bonuses, lifting the price tag to about $25 million, Ms. Lindh said.

Bank sources said the awards were the idea of BankAmerica chairman Richard M. Rosenberg – who himself pocketed a 32% wage and bonus increase in 1992 – and retail banking chief Thomas E. Peterson.

Mr. Rosenberg announced the bonuses last Thursday in a letter to employees.

The show of goodwill could help share up morale, which has flagged since the merger because of job and benefit cuts.

— Debra Cope

* * *

The Private BayBanks

There's gold in BayBanks' customer base, and Jack Arena plans to mine it.

The president of BayBanks Investment Management Inc. is gearing up to aggressively sell private banking services to some 20,000 customers of the bank company.

The targeted group – which represents 3% of BayBanks' 750,000 depositors – comprises customers with at least $750,000 to invest.

"We have close to 4,000 private banking clients right now," Mr. Arena said. "But where are the other 16,000? Why aren't they doing business with us?"

One reason may be that the Boston-based company never heavily promoted its private banking services, which Mr. Arena termed traditional.

To change that, he is shifting the unit's focus to investment management, and says he's hiring the staff he needs to make the change.

"The real issue is to marshal a real good number of people to make a real good effort at tapping into the customer base BayBanks has," Mr. Arena said.

"Most of them view us as their primary bank, and we'd like to take advantage of that." □

Correction

An article July 13 on Northeast Federal Corp.'s earnings misspelled the name of George Rutland, the company's chairman and chief executive.

Clinton's Nominee for SEC Vows Cooperation with Other Agencies

By CLAUDIA CUMMINS

WASHINGTON — The Clinton administration's nominee to head the Securities and Exchange Commission on Tuesday pledged closer coordination with bank and futures regulators to avoid inefficient and duplicative oversight and to prevent panic in the financial markets.

At his Senate confirmation hearing, Arthur Levitt Jr. said he is not "overly sanguine" about regulators' ability to work together as closely as Congress would like.

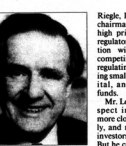
But Mr. Levitt said he would set up meetings with the Federal Reserve, the Office of the Comptroller of the Currency, and the Commodities Futures Trading Commission to discuss closer cooperation in regulating financial markets.

'Clearly Is Duplication'

"There clearly is duplication in terms of regulation of our financial markets," he said. "In the best of all possible worlds, I would say that should not be."

But the former chairman of the American Stock Exchange rebuffed calls to merge the agencies into a single financial "supervregulator," saying he preferred a less drastic "step-by-step" approach.

Nonetheless, he urged Congress to continue pushing regulators to work together.


Barbara Rios

Sen. Donald W. Riegle
Lists priorities for agency

"You as an overseer have got to nudge us," he said.

At the hearing, members of the Senate Banking Committee repeatedly called for a more cordial relationship among the agencies.

Sen. Christopher J. Dodd, D-Conn., called the previous administration's record of financial coordination "an abysmal failure," recalling instances of regulators' "publicly bickering with one another" at congressional hearings.

"The SEC cannot do its job in isolation," he said.

A Warm Reception

Mr. Levitt received high praise from the senators, who promised swift approval of his nomination. Sen. Donald W. Riegle, D-Mich., the committee chairman, outlined five areas of high priority for securities regulator: reducing fragmentation within stock exchanges; competing with foreign markets; regulating derivatives; improving small business' access to capital, and overseeing mutual funds.

Mr. Levitt said he wants to inspect investment managers more closely and more frequently, and make sure mutual fund investors understand their risks. But he cautioned against requiring so much disclosure that the information becomes useless to consumers.

The nominee also pledged to scrutinize explosive growth in derivatives and to work with other regulators in overseeing it.

Maintaining 'Fire Walls'

When asked about the involvement of commercial banks in the securities market, the nominee responded that their involvement so far "has been handled with reasonable discretion."

"We've adjusted to that circumstance reasonably well," Mr. Levitt said. "I don't have a problem with what I've seen so far."

He did caution, though, that the "fire walls" between bank/traditional activities and their securities business need to be "high and strong and firm." □

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TECHNOLOGY/OPERATIONS

Wells Installing System to Combat Fraud

By JEANNE IIDA

Wells Fargo plans to install a sophisticated computer system that uses artificial intelligence software to detect credit card fraud.

Wells, the 12th-largest card issuer, with $3.7 billion in credit card loans outstanding, according to a 1992 study by *American Banker*, plans to have the system operational for its entire card portfolio in the fourth quarter of 1993.

Wells declined to say whether fraud at the institution had risen significantly in recent years.

$2 Billion in Losses in '92

Industry observers say bank losses worldwide from credit card fraud in 1992 were at least $2 billion, and are expected to reach at least $2.4 billion in 1993.

The software Wells is installing is called a neural network, a type of artificial intelligence programming designed to discern patterns in large amounts of data in a way that mimics the human brain's nervous system.

The software, which is produced by HNC Inc., San Diego, can change the weights it assigns to variables automatically, as if learning from experience.

Up to $2 Million to Install

Few banks have installed these systems, which some bankers consider costly and unproven. Such systems cost between $250,000 and $2 million to install, according to HNC.

HNC says that Wells should be able to reduce fraud by 15% to 20% in the first year of operation.

A handful of banks have installed such systems, including Mellon Bank Corp., which has installed software from another vendor, Nestor Inc. in Providence, R.I.

Companies that have installed the HNC software, which is called Falcon, include: First USA Inc., Dallas; Colonial National Bank USA, Wilmington, Del.; and the issuer of the General Motors card, Household Credit Services, a unit of Household International, Prospect Heights, Ill.

'False Positives' a Problem

Critics of neural network technology say that it is difficult for operators of the system to understand how the system reaches a conclusion, making it difficult to evaluate and adjust the system's decisions.

Others say that neural networks are more accurate than other kinds of fraud detection systems, because they can discern patterns in data that are not linked in a logical fashion.

Bankers say the biggest problem with fraud detection systems generally is that they frequently identify fraud where none has occurred. Depending on how a bank handles the information, cardholders could be inconvenienced if a suspect card is deactivated.

Ken Jones, marketing manager of HNC, says that most bankers are comfortable with 50 misidentifications of fraud for every real fraud that is identified. But the software can be customized to make a greater or fewer number of "false positives," Mr. Jones said.

Mr. Jones said that one institution, which he declined to identify, was saving $3,000 a day in averted fraud using the software.

Wells, like most of the other banks, will update the software every night. The software can also be updated during the day in order to give credit officers the opportunity to issue stops on transactions during the course of the day.

The software that Wells is installing is programmed with two types of data: data on fraudulent transactions culled from the general population, and purchase patterns of individual accounts. The system can theoretically learn how a given cardholder normally behaves, and can pinpoint behavior that deviates from that norm. □

Centura Sets Up Service Company

Centura Banks Inc. and Independent Fiduciary Services Inc. has formed Midsouth Financial Services, based in Charlotte, N.C.

Midsouth officials said it formed the service company after receiving approval from the Federal Reserve Board last Friday.

Support Services

Centura Banks is based in Rocky Mount, N.C., and has $2.7 billion in assets.

Centura officials said Midsouth Financial will provide data processing as well as operational and administrative support to banks and other entities that offer trust and other fiduciary services.

— Dow Jones



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Comment

By Paul S. Nadler

Radio Ads Can Speak Volumes About a Bank's Character

The ads that banks and thrifts place on the radio tell a lot about the character and tone of the individual bank and leave an impression about the industry as a whole.

Television ads are expensive to prepare and to run, so most institutions take a lot of time in developing them. But radio is easier. It has far more stations than television, so the commercials can be used to target a small area at a reasonable price per potential customer. So the radio airwaves are saturated with bank ads, many of which are intended just to get the bank's name ahead of those of its competitors.

I have often mentioned the meeting of the Savings Institution Marketing Society at which I heard a professional state, "If you have nothing to say, sing it."

A Discordant Note

And I can truly say that every bank marketing commercial has left me with the feeling that the bank being advertised was pretty inefficient, since it had nothing worth talking about.

Mr. Nadler is a contributing editor of *the American Banker* and professor of finance at the Rutgers University Graduate School of Management.

Banks are serious places – they hold our money. And sensible people do not want to have their money in a place whose only message seems to be "We are friendly, la, la, la."

But while companies often use radio just to keep their names in people's minds, they also risk harming their image while trying to build it.

I am thinking in particular of the major airline whose ad – which I heard several times in mid-April – touted an offer of a free domestic ticket to anyone who bought one international ticket by April 1, 1993. If an airline can be so sloppy, one wonders if it has the same standards in maintaining planes.

All Talk, No Action

Banks have another problem. Their ads and their actions must have some semblance of similarity. New Yorkers, for example, constantly complain that while radio ads boast of the wonderful service a certain bank offers city residents, but when they walk into a branch at 9 a.m. they find one teller window open and long lines of people waiting.

One must wonder, "What other lies are they telling me?"

What can banks talk about? New laws and regulations on Truth-in-Lending, Truth-in-Savings, and the like make it hard to talk about rates unless you have a good law firm go over your material several times.

Courting Disaster

Gone are the days when savings banks would advertise: "When you need money, don't pull it out of your Schmidlap account, which is earning you a full 4%; borrow what you need at Schmidlap Savings Bank's low 3% discount rate – only $3 per hundred per year."

Any banker who tried to put that one over today would end up in court or at least get a stern lecture from the regulators.

If a bank really has a lower rate than others, it can crow about this. But most don't have such discounts. If you really have longer hours than most other banks, let it be promoted.

A Little Too Cute

Some banks are stressing their entry into annuities and mutual funds – all to the good. It takes time to get the public to realize that such products are now available at banks. Others push their ties to the middle market. But again, ads must be backed up by actions to win over this previously neglected group of potential borrowers.

But sometimes bank radio ads are a little too cute, with dangerous overtones.

I am thinking in particular of a New York bank's skit in which a couple talk about not having enough money to pay their bills. One then mentions that the bank in question has a home equity loan program to provide the needed money, and "it may even be tax deductible."

The husband ends the skit saying, "Wow, we even can get enough money to build a pool."

Over Their Heads

We know that many people are going over their heads into home equity loans without thinking of the earning power that will be needed to pay them off. And I worry that when defaults on these loans start sprouting, the media will scream about the "dirty banks" that threw people out of their homes.

And just as Chapter 12 of the bankruptcy act now protects farmers from having to meet their full debt obligations, I fear we will see a similar chapter to protect those who used home equity lines for nonessential purchases because unscrupulous bankers made them feel this was the easy route to solving financial problems and satisfying wishes to boot.

Lender liability suits all protest that the banker almost forced the debtor to borrow and thus should be denied a return and be assessed damages – for it should have known the debtor would be unable to repay."

So ads like the "build a pool" skit may be cute and may offer something for the bank to promote. But using radio advertising in this manner can have consequences that harm both the individual bank and the entire financial services industry. □

Comment

By Howard L. Siegel

Markets Emerging for Bank Loans, Whether They're Distressed or Triple-A

In a drastic departure from prior practice, when banks retained and worked out their own problem loans, more and more have engaged in or are planning bulk sales of problem-loan portfolios to nonbanks. Such efforts have been well received in the marketplace.

A second trend, not yet widespread, involves the securitization of commercial loan products. Securitization has been very well accepted and, in fact, is the predominant mode of investment in the residential first-mortgage market.

Efforts are under way to design and introduce to the market the concept of securitization of commercial loans, whereby banks would retain their historical role of origination and servicing but would seek secondary market placement of these securitized commercial loan portfolios.

Wall Street Sees Bargains

Fueling the bulk-sale trend has been Wall Street's tremendous appetite for distressed bank loans, which can be purchased at a discount to book value.

Both institutional investors and special funds that did a number of transactions with the Resolution Trust Corp. appear enthusiastic about continuing to buy troubled loans in the bank market.

Bulk loan sales allow banks to write down troubled assets, take a one-time writeoff against profits, and achieve a balance sheet goal.

In many cases in New England, such writeoffs may have already occurred so that the loan portfolios may be offered to the market at a discount without any negative present balance sheet effect.

And once the investment community perceives that a bank has put its problem loans behind it, the bank's stock price has improved. The bank also is free to pursue its traditional business of making loans and investing in businesses.

Structuring Loan Pools

These portfolios usually are structured by pooling large groups of bank loans. Depending on the viability of the loans, different segments of the pools are assigned different values.

For the borrowing community in general, bulk loan sales introduce a whole new ball game. Borrowers will see their loans sold to third-party strangers, who have bought the loans at a discount.

Whether these buyers are institutional investors or special funds, they have the right to collect 100% of the loans, plus interest. They will take many different approaches to getting the returns they need to justify purchasing the loans in the first place.

New Secondary Market

At the same time that banks are selling off their troubled loans, they also are anticipating the securitization of their commercial loan products. Just as Fannie Mae and Freddie Mac demonstrated a secondary market for residential mortgages, banks are actively looking for a means to standardize commercial loans so that they, too, can be repackaged and sold.

Unlike bulk loan sales, commercial loan securitization will not be distressed products and will be intended to sell at par. Since the key to securitization is uniformity, criteria for this new product will include solid collateral and cash flow ratios.

Banks will conduct extensive appraisals and submit detailed financial statements before their loans will be securitized. Underwriters will be vigilant in enforcing these tough commercial loan securitization guidelines. □

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Comment

By Joe Belew

Senate Plan for Student Loans Is Lesser of the Two Evils

As congressional conferees face the choice between the Senate and House versions of legislation creating a direct student loan program, the Consumer Bankers Association is supporting the Senate proposal.

The Senate bill caps the volume of direct government loans at 50% of the total, as opposed to the House's 100%.

We prefer the Senate version not only because we abhor having the government in the banking business, but because a significant number of lenders associated with our group have concluded that the Senate bill represents a viable – albeit leaner – future for the student loan program.

Some in Opposition

However, the Student Loan Marketing Association and some lenders oppose the Senate bill [See Comment in the July 9 *American Banker*, page 5, by David V. Noshkin, president of Durand (Ill.) State Bank.] Certainly, it includes some changes to the student loan program that are onerous to most lenders.

Some changes, however, are more onerous to some lenders than others. These include the lender-paid loan origination fee and a loan-transfer fee, which fall much heavier on those that make and sell loans into a secondary market rather than hold them to term.

The CBA agrees that some adjustment in these provisions is called for. But the reality is that this is a budget bill that will necessarily force some lenders and guarantee agencies out of the student loan program. This is the outcome, despite warnings from CBA and others that the budget savings estimates are wildly unrealistic.

Opportunities Remain

CBA believes the extent of the disruption to lenders has been overstated. A number of financial institutions have concluded that some opportunities for medium-size and smaller lenders, including those who sell to a secondary market, will remain.

Secondary markets, especially the not-for-profit state markets utilizing tax-exempt funds, will alter loan purchase policies and adjust them to maintain opportunities for these lenders to participate in the program.

The CBA also hopes that the most detrimental provisions will be altered in the House-Senate conference. For example, the loan transfer fee should be struck from the legislation and replaced with a loan conversion fee that would affect all holders, regardless of business strategy.

It May Not Fly

Most important, lenders are confident that after two years, the Department of Education, Congress, and the public will revisit the issue of financing student loans and determine direct lending to be unworkable.

Faced with the possibility of tacitly endorsing a federalized student loan program or continuing the current private-sector-based program, CBA is endorsing the Senate legislation.

Opponents like Sallie Mae or smaller banks have an obligation to offer a workable alternative that meets the budget-savings requirements of the reconciliation bill.

Otherwise, they should support continuation of the current program on the principle that it is inappropriate for the government to make direct loans, and on the hope that at some point the program will be modified to permit participation by a broader array of financial institutions. □

THE SENATE BILL *represents a viable – albeit leaner – future for the student loan program.*

Letters to the Editor

Society Corp. Upbeat On Indiana Market

To the Editor:

The June 28 article "Indiana: Proving Ground for Consolidation" [page 1] appears to create the impression of large out-of-state banks struggling with their affiliates in Indiana.

A paraphrased statement by me seems to reflect a sense of despair and was highlighted so as to imply that a sale of Society Corp.'s Indiana banks was uppermost in my mind.

That interpretation is just not correct.

The management and employees of Society Indiana Bank have had much success at shrinking problem credits and building new business. Also, our bank's performance is ahead of plan – as confirmed by its 1.1% return on assets in the first quarter, compared with 0.77% for yearend 1992.

I am proud of both the progress and trend in this Society affiliate is producing.

Society will always maintain high performance standards for affiliates, including the Indiana franchise, and will continue to look for opportunities to grow and prosper in that state.

Hunter Harper 3d
Vice chairman
Society Corp.
Cleveland

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Bank of N.Y. Leads Regionals Reporting Strong 2d-Quarter Earnings

Continued from page 1

its $96.9 million quarter – a 10.5% gain over 1992 – to a sharp improvement in credit quality. Shares of the company, which has $25.9 million of assets, rose 12.5 cents to $35.125.

Boatmen's Bancshares Inc. notched a 28.8% gain over the year-earlier quarter, reporting a record profit of $76.2 million, or $1.55 a share. The St. Louis-based company said improved asset quality and a wide net interest margin continued to spur profits. Boatmen's shares gained 25 cents to $61.50.

Star Banc Corp. recorded profits of $25.3 million, up 29.3% from a year ago. The Cincinnati-based company cited increased efficiency and higher fee revenues as major factors in the improved performance. Star's shares were unchanged at $36.75.

In New England, State Street Boston Corp. reported net income of $43.2 million, or 56 cents a share – a 12% gain over the second quarter of 1992. Highlighting the report was an 18% surge in revenues. The company's shares dropped 25 cents to $32.375 on Tuesday.

BANK OF NEW YORK CO.

The company said it accelerated its earnings release by one day to correspond with the announcement of its dividend hike. The dividend change was the bank's first since April 1991, when the payout was cut 15% to 38 cents a share.

"It's a very big increase," said David Berry, an analyst at Keefe, Bruyette & Woods Inc.

Profits at the New York company were driven by interest spreads that continued to widen and fees from credit card operations, securities transactions, and other processing businesses.

The bank also booked a pretax gain of $24 million during the quarter related to the sale of 20% of its interest in Hong Kong's Wing Hang Bank.

On the credit quality side, nonperforming assets fell for the eighth consecutive quarter to $717 million, down 17% from the end of the first quarter. The company's loan-loss provision fell to $70 million from $85 million three months earlier.

"They are reaching a level where [credit expenses] are not an enormously significant issue for them," said Mr. Berry.

The company's net interest income of $341 million inched up $7 million from the previous quarter, while its net yield climbed 7 basis points to 3.76%. Analysts said they expect Bank of New York's net interest income to remain high throughout the year.

"It's sustainable because there's a better asset mix and lower credit costs," said John Leonard, an analyst at Salomon Brothers Inc.

Noninterest income rose 19% to $326 million over the year-earlier quarter – led by a 14% gain in processing fees to $112 million.

— Kenneth Cline

FIRST FIDELITY BANCORP.

Rising interest income, along with improved fee revenue and tight expense control, continued to drive profits at New Jersey's biggest bank company. First Fidelity also shaved its loan-loss provision to $41 million from $45 million in the first quarter and $59 million a year earlier.

Noninterest expense grew $15 million over the first quarter to $253.8 million, primarily because of the purchase of Connecticut's Northeast Bancorp. But overhead costs would otherwise have been flat during the quarter, the company said.

"Expense management is definitely a strength of this company," said Jeff Naschek, an analyst at Salomon Brothers.

Fidelity's chairman and chief executive, Anthony Terracciano, said in a prepared statement that profits from Northeast's Union Trust Co. bank are "looking somewhat better than our original estimates."

The company's nonperforming assets increased 3.8% during the quarter to $665.9 million at June 30, but were down 17% from a year ago. Without Northeast, nonperforming assets would have fallen to $598.9 million.

Net interest income rose to $348.3 million from $334.6 million in the first quarter because of an increase in earning assets from the Northeast acquisition. But the average yields declined as the company found it difficult to reinvest maturing or prepaid securities at comparable rates.

Noninterest income, excluding securities gains, was up 12% to $94.8 million.

— Karen Gullo

SOCIETY CORP.

The Cleveland-based company said problem assets fell by 26% since the end of the first quarter to $335.7 million, making up 1.96% of gross loans at June 30. The ratio was 3.89% a year earlier. The company's loss provision of $18 million fell from $24 million in the first quarter and from $46 million one year earlier.

Robert Gillespie, the company's chairman and chief executive, predicted further improvements in credit quality as the year progresses.

Society's net interest margin widened by 3 basis points to a hefty 5.35% during the second quarter. But treasurer Martin Walker said he expected a mild and gradual compression of the margin over the next few months as higher-yielding loans and securities investments mature.

Loan demand remains flat in the midwestern markets served by Society, Mr. Walker said. Henry Dickson, an analyst with Smith Barney, Harris Upham & Co., said he expects the question of revenue growth to become an issue for Society in 1994.

— Steve Klinkerman

BOATMEN'S BANCSHARES

The Missouri-based company said it earned $146.5 million for the first six months of this year, a 28% gain over last year.

In the second quarter, the company gave investors a stellar return on assets of 1.28% – up from 1.05% a year ago – and a return on equity of 16.19%, up from 13.92%.

In a prepared statement, Andrew Craig 3d, Boatmen's chairman and chief executive, predicted that "results for the full year should exceed the current consensus earnings estimate of approximately $5.75 per share."

Boatmen's, which has $24.6 billion of assets, said nonperforming assets fell 9% during the quarter to $310.8 million, or 2.23% of total loans and foreclosed property. Chargeoffs decreased 64.3% to $6.9 million from $19.4 million the year before.

"Essentially they've run out of things to charge off," said Mark T. Lynch, an analyst at Lehman Brothers, who recently initiated coverage of Boatmen's with an "outperform" recommendation. "When you don't have anything to charge off, you make more money."

Noninterest expense jumped 10.5% almost half of which was attributed to acquisitions. But for the ninth consecutive quarter, Boatmen's net interest margin improved, hitting 4.62%, versus 4.40% a year ago. Mr. Craig predicted "no significant change" in the margin for the rest of the year. — John Racine

STATE STREET BOSTON

The company, which disappointed Wall Street in the first quarter with slow revenue growth and climbing expenses, reassured investors with Tuesday's earnings report. Assets under custody at the Boston-based company grew 22% to $1.4 trillion while assets under management increased 23% to $128 billion.

Fee revenue hit $205.3 million, a 21% increase over the same period in 1992.

"Revenues have come back across the board," said Livia S. Asher, an analyst at Merrill Lynch & Co. "They are back on track."

— Yvette D. Kantrow

STAR BANC CORP.

Sustaining an earnings surge that started in the first quarter, the Ohio regional reported returns equaling 1.36% on average assets and 16.11% on average equity – up from 1.16% and 13.76% respectively one year earlier.

The results largely stem from an aggressive overhaul that got under way in earnest after Star Banc last year rejected an unsolicited takeover offer from rival Fifth Third Bancorp.

The company's ratio of operating expenses to operating income dropped to 56.66% from 59.96% a year ago. Noninterest income increased by 20.9% from a year ago, with revenues from mortgage loan servicing and trust operations leading the way.

— Steve Klinkerman

REGIONAL BANKING

EXECUTIVE changes

Banc One Names Donald Winkler To Head Consumer Finance Unit

Donald A. Winkler has become president and chief executive officer of **Finance One Corp.**, a newly formed affiliate of **Banc One Corp.**

Finance One, a direct subsidiary of **Banc One Diversified Services Corp.**, was created as a national consumer finance company with multiple lines of businesses.

Mr. Winkler had been with Citicorp since 1976. He served in a number of executive positions there in operations, consumer finance and corporate banking.


Donald A. Winkler

Since 1990, he had been Citicorp's division executive of global funds transfer and financial information businesses.

— Franklin Smith

MIDDLE ATLANTIC

CORESTATES Financial Corp., Philadelphia, has named **Migdalia R. O'Leary** as corporate secretary.

Ms. O'Leary was vice president and chief corporate exchange manager at CoreStates Bank.


Migdalia R. O'Leary

She succeeds **Clinton S. R. Gibson Jr.**, who requested a change of assignment after a community affairs role for the corporation.

UNITED STATES TRUST Co., New York, has promoted **Marion R. Scida** to vice president.

She is a senior project manager in the unit investment trust division.

THE FEDERAL RESERVE Bank of New York has named **Jane W. Hayward** an officer with the title of manager.

Ms. Thomas is responsible for the bank supervision resource support area.

SOUTHEAST

MERIDIAN Capital Markets announced that **Elliot Jacobs** and **Barry Lewis** have been appointed vice presidents in its mortgage finance group.

Fort Lauderdale, Fla.-based Meridian Capital Markets is a division of Meridian Bank, Reading, Pa., whose parent is **Meridian Bancorp.**

Mr. Jacobs will be involved with the origination, acquisition, and disposition of mortgages and mortgage servicing rights. He most recently was president and chief executive officer of Home Investors Mortgage Corp., a residential mortgage banking firm in New Jersey.

He also has been a senior vice president at United Jersey Mortgage, where he was responsible for the residential mortgage lending group.

Mr. Lewis will be involved with the evaluation and disposition of whole loans and mortgage servicing.

He previously was a senior vice president of Barnett Bank of Broward County, where he managed the retail residential production.

Earlier, he was with Southeast Bank, Miami, as senior president of secondary marketing and wholesale lending.

SUNBANK of Tampa Bay, Tampa, Fla., a unit of **SunBanks Inc.**, Orlando, has promoted **Kevin H. Kilgannon** to executive vice president in charge of the corporate banking division.


Kevin H. Kilgannon

Mr. Kilgannon has been with SunBank since 1988. He previously spent six years with NCNB, now NationsBank.

SunBanks Inc. is part of **SunTrust**, Atlanta, a $37.5 billion-asset superregional bank holding company serving Florida, Georgia, and Tennessee.

HIBERNIA NATIONAL BANK, New Orleans, has promoted **Judy S. Dawson** and **Charlyn A. Myers** to vice president rank.

The bank is a subsidiary of **Hibernia Corp.**

Ms. Dawson, named a vice president in customer service, manages the statewide customer service and research operation in Louisiana.

Ms. Myers, named vice president-special services, manages Hibernia's automated teller machine operation and its branch balancing, adjustments, and domestic collection functions systemwide.

In addition, **Karen T. Braun** was promoted to assistant vice president in retail banking in St. Tammany Parish.

She is manager of the bank's Mandeville, Madisonville, and Lacombe banking offices in the parish.

And **Drew Kall** and **Lawrence J. Montz** have joined the bank as assistant vice presidents in real estate appraisal.

Mr. Kall orders and reviews real estate appraisals, performs residential appraisals, and has other statewide responsibilities in the real estate appraisal department.

Mr. Montz has statewide responsibility for real estate appraisal and provides assistance in real estate management.

WEST

FIRST INTERSTATE Bank of California, Los Angeles, has promoted **Dennis Shirley** to senior vice president.

He is manager of the marketing department.

The bank is the principal subsidiary of **First Interstate Bancorp.**

CENFED Financial Corp., Pasadena, Calif., has appointed **Lawrence J. Winslow** as executive vice president of lending and administration for its subsidiary bank, **Cenfed Bank.** □

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Centerpoint of N.H. Not Afraid of Giants

Small Business

By PHILZAHODAKIN

TINY CENTERPOINT BANK has just opened its first branch, and it's all geared up for a real fight with the giants.

Centerpoint, based in Bedford, N.H., has made small business lending its top priority since day one, which was back on May 30, 1990.

Since then, the de novo has grown rapidly; it now holds $34 million in assets. But its new branch in nearby Manchester – strictly for small businesses – is just a couple of blocks away from an office building that soon will house the New Hampshire operation of Shawmut National Corp.

But that doesn't worry Centerpoint's chairman and president, Philip M. Stone. For one thing, he has a technological innovation going for him. And, like most community bankers, he feels his knowledge of the community gives him an edge.

The high tech gimmick is new software, known as the MAC Icon System, for the bank's automatic teller machines. It will enable businessmen to, among other things, exchange coins for currency, deposit checks without using envelopes, pull daily transaction statements of up to 75 lines in length, and cash checks to the penny.



Philip M. Stone

"We're the first bank in New England with this technology," says Mr. Stone, who has spent most of his professional life as a consultant to banks. Now, having started his own bank, he's about to mix it up with Shawmut and the state's other big players.

The new office has been set up in the lobby of City Hall Plaza, a gingerbread skyscraper built last year which happens to be New Hampshire's tallest building.

Across the street is the main office of $3.4 billion-asset First New Hampshire. The $963 million-asset Bank of New Hampshire also has a major downtown presence, as does $1.7 billion Fleet Bank New Hampshire. Shawmut will gain entry by taking over 37-branch, $1.7 billion New Dartmouth Bank.

Shawmut in April unveiled a small-business lending unit. Aimed at businesses with less than $2.5 million in sales, it features speedy servicing using simplified forms and procedures.

"That'll work for some of the market," says Mr. Stone, "but our main positioning will be personally working with the businessman, and a system to make turnaround time as fast as possible. We will have a lending structure for the larger loans, but our commercial lenders [in City Hall Plaza] are all very experienced, and we'll deliver answers as fast as possible."

As fast as Shawmut?

"That's impossible to say, but their approach is totally different than ours," Mr. Stone says of Shawmut's plan to distribute 40 specially trained "community business bankers" – at the superregional puts it – throughout its three-state branch network. "They're taking an overview approach."

Thus, Centerpoint isn't "frightened of them, or First N.H., which will be our main competitors."

Mr. Stone's efforts to attract small businesses seem to be working. "We have twice the demand deposits – $12 million – banks our size would normally have. That's because we deal with businesses, and we develop full relationships with them."

The Personal-Service Advantage

"It's the classic Walmart story," says Kevin Tynan, president of Tynan Associates, Chicago. "What do you do when Walmart moves in? Sam Walton said in his book that the best way to beat Walmart, or live with them as neighbors, is finding out what they don't offer.

"Where businesses have done that, they've survived. But you can't beat Walmart on price, or on clothes. And you can't beat Shawmut on price or sophistication or technology. But the Achilles' heel for any large bank is paperwork.

"Any large bank achieves economies through structure – and they're locked into certain formalities. The small bank has an advantage with personal service, which allows them to delve into a customer's needs."

Frank J. Barkocy, managing director of Advest New York, says Mr. Stone and other community bankers trying to carve out a small business-lending niche have a solid shot at success as long as "they stick to their niche and their service areas. The danger is overreaching.

Inmates' Money Order Scam Stinging Banks Around the U.S.

By BILL ATKINSON

The U.S. Postal Service is warning banks of a money order scam being run from the Mississippi State Penitentiary.

Last year, banks lost nearly $2 million by cashing altered money orders from inmates in the Parchman, Miss., prison.

"It's virtually a cottage industry," said David Higginbotham, a postal inspector based in Memphis. "Banks in all 50 states have been victimized by it."

How It Works

Mr. Higginbotham said the scam has been in operation for years, but last fall the number of bogus money orders entering banks surged to 500 a month. The pace has since dropped to 100 a month.

Here's how a convict can loot a bank: A visitor gives an inmate a money order worth $1 to $5.

The face value of the money order is then altered using bleach, a simple cut-and-paste technique, or word processors and dot matrix printers available in the penitentiary.

The inmate then persuades an unsuspecting pen pal to deposit the money orders in his bank account.

People are duped into depositing bogus orders, then withdrawing cash.

Days later, the inmate asks the pen pal to withdraw the funds from the account and mail them to a friend on the outside.

Seniors Targeted

Mr. Higginbotham said inmates typically target elderly women and make up stories that they have been unjustly convicted.

They also say the funds are urgently needed to pay attorneys' fees.

"The bank has no reason to question her," Mr. Higginbotham said. "She has been a loyal customer."

Once the funds are withdrawn the banks have little recourse except to sue the customer. But cracking down on an elderly woman duped by a convict doesn't play well in the local media, Mr. Higginbotham said.

Too Little, Too Late

To stop the flow of bogus money orders from entering banks, Mr. Higginbotham travels to institutions to teach tellers how to recognize the altered paper.

But "banks don't request us to come out until they are victimized," he said. □

Adams National in D.C. Finding Bargains By Shopping for Loans at Failed Local Banks

By BILL ATKINSON

WASHINGTON — Adams National Bank is hunting for good loans at failed community banks.

The $72 million-asset bank snapped up $6.6 million in loans July 12 from failed City National Bank for 96.2 cents on the dollar.

The deal follows last year's acquisition of Metropolitan Bank, another failed local institution. In that deal, Adams picked up $9.1 million in loans and $24.3 million in deposits.

'Not Taking Advantage'

"People are not taking advantage of small bank closings," said Barbara D. Blum, chairwoman and chief executive of Adams National, which is owned by women.

"It is very hard to get good loans in this market," she said. "If you can cherry-pick loans . . . then you are further ahead."

Ms. Blum said the bank acquired about half of City National's loan portfolio, which included small business and real estate loans.

"By and large, what we picked up were good performing loans," she said. "We for sure got a good deal."

Failures Not Unusual

City National's $22.2 million in deposits were acquired by Crestar Bank for $614,000.

The one-office bank had $24.5 million in assets, and was closed by federal bank regulators on June 25.

Such failures are not uncommon in Washington, where institutions are still suffering from



Barbara D. Blum
"Got a good deal"

the region's real estate bust. Collectively, the city's banks eked out a mere $511,000 profit in 1992 following a $454 million loss the prior year.

Adams National earned $633,000 in 1992, after a $1.4 million loss in 1991. The Washington-based bank earned $255,000 for the first six months this year and had a return on average assets of 0.72%.

Bankers have had a hard time finding borrowers who are good credit risks. Commercial and industrial loans at all Washington banks plunged in the first quarter by 25.3%, according to the Federal Deposit Insurance Corp.

To compound problems, many banks are still working out bad real estate credits. According to the FDIC, 19.55% of Washington real estate loans in the first quarter were troubled.

Ms. Blum said growth will continue to be slow, but the bank will keep looking for more acquisitions. □

Focus on Community Banking . . .

Floods Pose Greater Risk to Small Midwest Banks

Agricultural loans and total assets by bank size, dollars in billions, in the Dakotas, Iowa, Kansas, Nebraska, Minnesota, and Missouri

Banks with assets under $1 billion

	Number of banks	Total agricultural loans	Total assets
1990	2,933	$16.41	$152.11
1991	2,889	17.50	152.81
1992	2,768	18.32	155.82

Banks with assets over $1 billion

	Number of banks	Total agricultural loans	Total assets
1990	21	$0.85	$79.04
1991	22	1.15	80.10
1992	23	1.25	86.17

Mood Is Sunny at Western Bankers' Meeting

By CHRISTOPHER NOBLE

SAN FRANCISCO — As the industry gathers here this week for the 21st annual western secondary mortgage market conference, it is clear that the mortgage business is in high gear.

Attendance at this year's meeting is up 20% from last year, with registrations hitting 1,200, according to the California League of Savings Institutions, the conference's sponsor. Many people will come purely to do business – to buy and sell mortgages.

"I think there will probably be a lot of deals made," said Mario Antoci, chairman of the league and chief executive of American Savings Bank, Stockton, Calif.

Concern for the Future

Others will be using the conference as an opportunity to take the industry's pulse.

While a long refinancing boom is producing spectacular mortgage originations nationwide, many lenders are beginning to fret about what will happen when interest rates eventually rise and refinancings cool off.

Industry leaders predict a significant consolidation in the mortgage business as lenders, accustomed to sharing an apparently endless supply of loans, are forced to fight each other for smaller slices of a seriously diminished mortgage pie.

The resulting war over loan pricing will hurt smaller lenders, says Muir Atherton, who heads La Jolla, Calif.-based American Residential Mortgage Corp.'s secondary marketing division.

A Few Dominant Players

Mr. Atherton predicts that 10 to 20 mortgage lenders will emerge as gigantic national players that dominate the origination and servicing businesses.

Richard T. Pratt, chief administration officer for Norwest Mortgage Co. in Des Moines, adds a wrinkle about the shrinking-pie theory.

As refinancings become less important, Mr. Malloy says, the mortgage industry will have to depend on increased home buying to boost revenue. That, in turn, will depend on homes becoming affordable to more people, he says.

In a related issue, he and others say, lenders and secondary market agencies must redouble efforts to eliminate racial discrimination in mortgage lending. Analyses of loan data collected under the Home Mortgage Disclosure Act have suggested that bias may be widespread.

Efforts in the area by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. are sure to be a topic of discussion at the conference. The chief executives of both agencies are slated to give speeches.

Since the secondary market agencies were created to increase opportunities for home ownership, it makes sense that they should play a central role in ending racial barriers to home-ownership, industry experts say.

Perhaps in recognition of that, both Fannie Mae and Freddie Mac are under congressional mandate to increase the share of their loan portfolios devoted to low-income mortgages.

Another likely subject of interest this week is regulatory changes that face the industry.

For example, many mortgage lenders say that nonbank mortgage companies could soon be faced with regulations similar to the Community Reinvestment Act. These regulations could mirror Fannie and Freddie's regulations, which specify that 30% of the loans purchased by the agencies support low-to-moderate-income housing. □



Mario Antoci
Expects a lot of dealmaking

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More Lenders Offering Fixed Rate Around 7%

More and more lenders are offering 30-year fixed mortgages at 7% or lower, according to HSH Associates, Butler, N.J.

The research firm last week found 425 lenders offering the loans at or below 7%, up from 380 lenders the week before. The findings were based on surveys of more than 2,000 lenders nationwide.

Last week, the average 30-year fixed mortgage was offered at 7.24%, down two basis points from the previous week, HSH said. That was the fifth week in row that the rate declined. — Phil Bouvard



Walter P. Calahan

WHAT IF? Matthew Fink of the Investment Company Institute worries about the fallout if a bank or some other seller should stumble.

Funds Group Chief Frets Amid Boom

Continued from *page 1*

22 years in the mutual fund industry. A graduate of Brown University and Harvard Law School, he joined the Washington-based institute's legal staff in 1971, and was named general counsel in 1977. In 1991, he succeeded David Silver as chairman.

Now 52, he oversees a 130-person organization, spread out over several floors in a terraced building owned by the National Geographic Society.

Mr. Fink's roomy office is stocked with model ships, old photographs, an antique dealer's sign, and other paraphernalia from New Bedford, Mass., where he has summered since boyhood.

In his tenure at the institute, he has witnessed immense change. When he began, mutual fund assets totaled $55 billion. Money market mutual funds and tax-exempt bond funds hadn't even been invented.

Today, industry assets total more than $1.7 trillion, and are on course to pass the $2 trillion mark within a year. In fact, mutual funds could soon hold more consumer savings than commercial banks do.

Mr. Fink sees some of this change in personal terms. Once, in the mid-1980s, he and his wife, Elanor, threw an impromptu, post-convention bash at their Connecticut Avenue apartment. Fifty mutual fund executives – fully a third of the convention's attendees – crowded into the Finks' living room.

"It was everybody in the industry," Mr. Fink recalled. "What would you need now? You'd need the Taj Mahal."

Low interest rates and the entry of banks into the mutual fund area explain only some of the industry's growth, Mr. Fink said.

Equally important, he said, are the rise of 401(k) retirement plans; the decline of direct stock and bond investing; and the booming interest in international investing.

Little growth in fund assets is coming from new investors, the group says.

"The bank thing is not of a greater magnitude than any of them," Mr. Fink said.

Nevertheless, he has made special efforts to recruit bank mutual fund organizations into the Investment Company Institute. Today, 90 banks are members of the institute, and several bankers serve on the board of directors. A few years ago, there were no bank members at all.

"We are very welcoming toward the banks," Mr. Fink said. "We want everybody in the industry to be involved in industry affairs."

Embracing Regulation

Banks that join the institute may be in for a bit of culture shock, however. "We seem to be the one financial industry that asks for and wants tighter regulation," Mr. Fink said. That, he said, is because "the only thing we have going for us is strong public confidence."

Currently, the institute is working with its bank members to develop comprehensive guidelines for mutual fund sales. The standards would be proposed to regulators as a model.

The problem, Mr. Fink said, is. that the banking regulators have been issuing a patchwork of regulations. "They're absolutely inconsistent with one another. It's a total mess."

Though the institute is extending a hand to its bank members, it hasn't always been so eager to court them. Bankers say they used to be so unwelcome at the institute that they practically had to sneak into meetings.

Assimilating Banks

Mr. Fink expressed confidence that the mutual fund industry will be able to assimilate banks into its culture. In fact, he said, the industry has plenty of experience along these lines.

"When the modern industry started in 1940, almost all the players were mutual fund-only firms. But over the years, we've had waves of new industries entering," Mr. Fink said.

In the late 1960s, he noted, about a third of all mutual fund management firms were acquired by insurance companies. In the mid-1970s, brokerage houses began launching mutual funds.

Though the mutual fund industry's old rivalries with the banks run deep, Mr. Fink said he is doing his best to overcome them.

Four years ago, during the institute's annual membership meeting, he organized a panel on bank mutual funds. It wasn't a popular idea with the institute's rank-and-file members, Mr. Fink recalls.

One of the panel members was James Hoolahan, then a Chase Manhattan Bank executive. Mr. Hoolahan, now with Signature Financial Group, recalls that Mr. Fink gave each participant a present at the end of the session, and asked them to open it in front of the audience.

The gift was an intriguing 1933 photograph of Franklin Delano Roosevelt signing the Glass-Steagall Act into law.

Was it a reminder that the banks shouldn't get too far into the securities industry, or just a momento of a bygone era?

Mr. Hoolahan said he still isn't sure, but "everyone got a good laugh out of it."

Mr. Fink took a stab at an explanation. "I suppose what it was is, we've come full cycle. The world has reversed itself." □

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Fiserv Studies Feasibility of Offering Funds to Clients

By KEITH DuBAY

Fiserv Inc., a leading supplier of technology services for banks, is considering providing mutual funds to its huge customer base.

Fiserv and its Denver-based subsidiary, First Trust Corp., are analyzing whether it would be feasible to enter the so-called third-party marketing and account servicing businesses.

Third-party marketers normally set up agreements to sell mutual funds between fund families and.banks. Some train bank employees to sell securities, while others act as broker-dealers and place their own brokers in banks.

Fiserv's primary business is supplying data processing services to about 5,000 banks.

"Our situation is, we'll do it if our clients want us to," said Fiserv chairman George Dalton. "We're in a very exploratory stage. We've had people [customers] inquire about it, but nobody has said go do it yet."

Observers said Fiserv could be a significant factor in the growing third-party distribution market.

"Strong companies coming into the industry indicate the importance of this market," said Michael Maher, a spokesman

One option is to sell an established fund family.

for Portland, Ore.-based Marketing One, a leading third-party marketer of investment products to banks.

When asked if Fiserv could succeed, Jeff Cathie, a marketing vice president with Liberty Financial Co.'s bank products section, said, "I don't see a reason why not."

Decision by Yearend

Gordon Rockafellow, president of Fiserv subsidiary First Trust, is leading the investment products project for Fiserv. Mr. Rockafellow said the project is his first priority and he hopes to come up with an answer before year's end.

First Trust is a Denver-based individual retirement account and benefit contribution servicer with $10.2 billion under administration, including $570 million in FDIC-insured deposits.

First Trust operates under a Colorado state banking charter, offering money market funds and servicing for self-directed IRAs and other accounts brought to it by brokers and financial planners.

Community Bank Clientele

Fiserv provides a range of services mainly to community banks, from automated teller machine servicing to item processing (check handling), to asset and liability software management systems.

The company and its five subsidiaries had $332 million in sales last year. Fiserv has offices in 44 cities.

Mr. Rockafellow said his objective is to make the idea work profitably at the community bank level.

The initial thinking, according to Fiserv executives, is to sell an established fund family, using First Trust's computer systems for servicing and possibly training bank employees to sell securities or have the banks hire experienced brokers. A relationship with an established broker-dealer is another option.

Among Mr. Rockafellow's concerns:

● "How do we get enough money to banks to make it worthwhile to them? How do we protect the banks to make sure the client list is secure and doesn't fall into the hands of the mutual fund companies?"

● "How do you make sure there's a balance between an aggressive sales force needed to get

Fiserv supplies data processing services to about 5,000 banks. Observers said the company could be a significant factor in the growing third-party distribution market.

the job done and the culture of the community bank, to make sure the two don't get out of balance?

● "I'm not so sure you need a broker-dealer [or bank premises]. If someone walks into your bank and says, I want to buy 100 shares of IBM, you don't want him to walk out the door to Merrill Lynch. It would require a broker-dealer affiliation somewhere, even though you may wish there not be. The relationship [with the customer] has to be salvaged," Mr. Rockafellow said.

Well-Known Brand

Mr. Rockafellow's immediate superior, Fiserv executive vice president Ken Jensen, said he doesn't want to look "foolish" by unveiling any plans. He added that hooking up with an established fund family would be the most logical way to start.

"We know that banks are selling [investment products], and is there a feasible way for us to do it?" Mr. Jensen said.

For his part, Mr. Dalton says he is viewing the boom in bank investment sales with caution. He has been in banking 40 years and has seen investment products come and go with interest rate fluctuations.

"Fifteen or 20 years ago they were extremely popular for a while and then they fell out of popularity," Mr. Dalton reflected. "Higher-yielding things like CDs amid double-digit inflation came back." □

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INVESTMENT PRODUCTS

Variable Annuities Add a Steady Flow To Bank Brokerages' Revenue Streams

By KURT CERULLI and DAVE NADIG
Cerulli Associates, Boston

Perhaps the most significant challenge facing established retail bank brokerage operations is how to broaden the relationships and revenue stream from a finite deposit base.

One response is to reduce dependence on transaction-based commissions and move toward more asset-based investment products. To this end, trail payments on mutual funds and even wrap account fee structures are getting increased interest in the bank environment. (The latter is slightly ironic, since the great-grandparent of all wrap accounts is the bank trust department relationship.)

Another approach, however, is for the brokerage group to bring its existing mutual fund investor base slightly further up the sophistication ladder through variable annuities.

Our research shows that mutual funds account for approximately 32% of bank brokerage sales activity industrywide, while annuities (both fixed and variable) represent around 7%. The annuity sales component further divides into roughly two-thirds fixed annuities and one-third variable annuities.

This 2-to-1 mix of fixed to variable annuities sales is similar to the profile in many of the more traditional life insurance sales forces. However, other distribution channels have a radically different mix to their annuity activity. Independent representative financial planning firms, for example, often have variable annuity sales levels that outweigh fixed annuities sales.

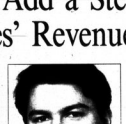
A Growth Spurt

Variable annuities are in a phase of tremendous growth and change, much like mutual funds in the early 1980s. Currently, there are some $90 billion in variable annuities, and we expect this number to double in the next few years.

Variable annuities are attractive to a bank brokerage group not only for their commission potential, but because they provide an opportunity for anadditional product relationship with existing customers.



Kurt Cerulli



Dave Nadig

Attractive Features

From a bank investor's perspective, a variable annuity is attractive for the following reasons:

- Variable annuities provide the potential for tax-deferred asset growth unavailable in retail mutual funds.
- Variable annuities have increasingly diverse money management alternatives, with relatively flexible tax-free switching capabilities.
- Asset management fees in variable annuities subaccounts are slightly lower than similar portfolios of mutual funds. (Realistically, this lower asset charge is more than offset by higher contract-level charges that provide the insurance component of a variable annuity.)
- Most variable annuities carry no front-end load or commission charge to the customer.

Profit Potential

From the bank registered representative's perspective, the product is attractive for these reasons:

- The potential payout is significant. Gross commissions on variable annuities average over 5%, while mutual funds average 4% or less.
- The product lends itself to asset retention. As retirement planning vehicles, these are inherently long-term investments.
- Once an initial investment is made, subsequent additions are likely.
- Compensation structures are attractive. Registered representatives often receive a combination of an up-front payout and a trail on assets. These trails can create substantial long-term revenue for a high-producing sales force.
- Selling variable annuities is as much an educational process as a sales process.

Once a client understands the product, the sale is often a matter of suitability. This is a strong fit with the traditional bank/client relationship.

No two bank brokerages are alike. but there are a few common characteristics in those successfully selling variable annuities. Virtually all are full service, not discount brokerages. Creative active-equity pursue relationship selling, often acting as a financial planner to their clients. Their focus is similar to low-end trust services: capital preservation, retirement planning, college planning, rudimentary real estate planning.

In many ways, the easiest environment in which to convince a client of the value of paying a commission. It is precisely this relationship that has resulted in the impressive sales of load mutual funds through banks.

We have observed a pattern in more aggressive bank brokerage operations. Initially, fixed annuities predominate, gradually giving way to a more even balance, and finally shifting to favor the variable version. Boatmen's Bancshares in St. Louis is a classic example of this evolution. which is perhaps one reason for Boatmen's Investment Services' having an average annual commission revenue per registered representative of nearly double the industry average.

With intense press attention and increased coverage from data houses such as Morningstar and VARDS. customers are becoming more sophisticated. Our work with bank customers, as well as bank brokers. suggests that the following product features are crucial for a competitive variable annuity offering:

- Manager Recognition. The investment manager is often the primary indicator of quality in variable annuities. Name recognition has allowed companies such as Putnam to expand rapidly, and leverage off the awareness of well-known mutual funds.
- Stepped-Up Death Benefits. Varying levels of guaranteed death benefit exist in the market. Cutting-edge products that offer some form of market-based fallback are achieving good results. Variations available in some products include guaranteed market percentages or index-tied minimum increases. The estate planning feature seems particularly appropriate in bank sales.
- Fixed Account Guarantees. In the last 18 months, this provision has become an important sales point. With money market rates at or below 3%, and the S&P 500 relatively volatile, investors view these guaranteed rates of 3% to 4% for the life of the contract as more attractive.

Fleet Financial's joint venture with American Skandia Life Assurance Co. established it as the first bank to offer a proprietary variable annuity. The Galaxy variable annuity uses four no-load portfolios mirroring their Galaxy mutual funds.

Beyond the novelty of being bank sold, the structure of the annuity bears mention. The mortality and expense charges (which cover the cost of the insurance rather than the investment components of the product) are only .55%.

This is less than half the typical "M&E" charge. However, this savings is offset mostly by the relatively high investment management fees charged by Fleet (greater than 100 bps on average). At this level of M&E expenses, Skandia is obviously taking a long-term position in the profitability of its participation in the venture.

The most noteworthy feature of the Fleet annuity is that it has no surrender charges. Most variable annuities contracts have no front-end loads, but rather substantial surrender charges on amounts withdrawn. Starting as high as 8% in the first year. these charges often decrease over time and eventually disappear after the eighth year or so. Also, many variable annuities allow for some modest amount, say 10%, to be withdrawn without incurring the surrender charge. Fleet's Galaxy has none of these surrender tolls. allowing the investor to "try on" the product and transfer out early if dissatisfied.

While Fleet does not yet disclose sales levels, and the product is too new to appear in the traditional tracking sources, industry estimates are that approximately $20 million had been raised as of the end of May. The initial roll-out to a partial distribution channel makes it much too early to assess market response, but it is reasonable to expect that the full ongoing introduction to Fleet's retail customer base will increase substantially the asset base of this variable annuity.

Staying Tuned

The entrance of banks into variable annuities is a development worth watching. Great Western recently announced that it will follow Fleet's lead, and is rolling out a proprietary variable annuity in conjunction with American General Life of Houston. Like Fleet, it hopes to leverage off the success of its proprietary mutual fund group, Sierra Trust. Signet Bank and First of America Bank have also announced plans to roll out a proprietary product, although little additional detail has emerged.

In our opinion, efforts to increase the profitability and diversity of a bank brokerage operation without careful consideration of a variable annuity program would be woefully deficient. □

The products are attractive not only for their commission potential, but because they provide an opportunity for an additional relationship with existing fund investors.

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INVESTMENT PRODUCTS

NBD Bancorp Chopping 'Preferred List' Of Nonproprietary Fund Families in Half

By MICHAEL O'D MOORE

NBD Bancorp is trimming the number of outside mutual fund families on its list of "preferred" products – the ones it recommends to customers – from four to two.

The shift, set for next month, was decided upon in anticipation of guidelines from the Office of the Comptroller of the Currency for selection and marketing of mutual funds, said Russ Browne, first vice president in charge of retail investments and the insurance group.

In two sessions, a committee of sales and investment employees reviewed sales patterns and product offerings at the Detroit-based bank, Mr. Browne said. The committee decided to strike three families – Alliance Capital Management, Dreyfus Corp., and Kemper Financial Services – from the list and add one, Putnam Investments.

Franklin Resources Inc., which will remain on the roster, now offers two funds, making recently acquired Templeton Funds.

More Funds per Family

Mr. Browne sidestepped questions on the selections but said the changes will help the bank meet its own needs and those of his customers better. "The big difference is that we have a significantly larger number of funds in each family."

With more fund offerings, NBD expects that sales of its proprietary mutual funds, the Woodward Funds, might slow somewhat over the short run, Mr. Browne added. The 13 Woodward Funds have $5.3 billion in assets.

The guidelines from the Comptroller's office are expected within two weeks. NBD expects them to aim at keeping proprietary funds from having any unreasonable advantage over outside funds, and to require a fund selection process that ensures quality offerings.

The fund families NBD is dropping from its preferred list will still be available at its offices, through Essex Corp., which the bank uses to market and sell investment products.

* * *

SEI Corp. Introduces Flexible Sweep Account

SEI Corp. has introduced a system to let banks sweep cash into their own proprietary mutual funds or SEI's mutual funds.

The company's cash management investment service automatically invests excess cash from bank checking accounts into money market mutual funds. It also allows instant access to balances in money market funds to cover checks.

The program runs on a bank's own hardware.

Corporate customers typically keep four times as much cash in money markets as in checking accounts, according to SEI. If said its system lets banks recapture the money and help customers grow assets faster.

SEI, based in Wayne, Pa., has more than $36 billion under management.

* * *

Mass. Financial Services Offers New Living Trust

Massachusetts Financial Services is offering a revocable living trust product to banks and other clients.

Smaller banks without trust departments are a target market for the MFS Entrust Wealth Preservation Plan. The Bostonbased mutual fund company also expects financial planners to be interested.

MFS requires a $100,000 investment in securities and mutual funds. At least $50,000 must be invested in MFS funds.

In addition to receiving ordinary fees for the sale of funds, banks will receive an additional 10 basis points on assets in the second year, said Walter G. Kenyon, MFS vice president.

A living trust allows an investor to put assets into a special account managed for heirs. Unlike most trusts, however, it becomes effective when the investor is alive.

Entrust is administered by Boston Safe Deposit and Trust Co. The product offers investors three plans, with different levels of personal control. Using models and a packaged sale process allows MFS to offer the product to investors who have less than $200,000 in assets to invest.

That amount would hardly get investors in the door at many trust departments, Mr. Kenyon said. "We are not really trying to go head to head with banks with established trust products."

MFS, which manages $32 billion in assets, has rolled out the program in five northeastern states. □

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J.A. Pope, Asct'r, DCA Lic# 794209 sells 7/22/93 at 9AM at 3198 Skidmore Rd Deer Park NY 1040 Chevy Blazer 1GNDT13Z9K0167769 Rec: D. Centrone, Chemical Bank; 10AM 660 Westwedge Rd East Meadow NY 1984 Toy Tercel 4T1AL32V1ES349985 Rec: F. Jones, 1981 Olds Cutlass 42G3AR47A382491098 Rec: R.Cumiskis, 1983 Jeep Cherokee 41UCJL7733T7T014727 Rec: C. Kendall; 11AM 229 E Merrick Rd Valley Stream NY 1987 Isuzu Trooper #JAACH18L0H8A02950 Rec: K. Rafferty,Town of Hempstead/Emp FCU; 11:30AM 212-27 99 Ave Qns. NY 1988 Chev Camaro #1G1FP21B6JL183-784 Rec: A. Iglesias, 1991 Nissan Maxima #1N4EB32A1MC714979 Rec: E. Gacherne, Nissan Mtr Acceptc Corp; 12:30PM 2140 Jamaica Ave QnsNY 1987 Pont-Trans-Am #1G2FS23E1H8N264721 Rec: N.Marchio, Sears Consumer Fin Corp, 1984 Datsun 300ZX #JN1HZ14S3EX240984 Rec: C. Hoskins, 1985 BMW 735i #WBAF10400-3F0793530 Rec: B. Mbe, 1.2.3PM 95-50 Tuckerton St Qns,NY 1990 Infiniti Q45 #JNKNG01C7LM000403 Rec: R. Carrasco, A. Fernandez; 1PM 133-01 Atlantic Ave Qns,NY 1985 Ford Tempo #2FABP37X-9GKB137483 Rec: Lease and Rental Mgmnt Corp, GE Capital Corp;1PM Ford Aerostar Van Rec: Ford Motor Credit;2PM 56 St. Campbell, BW Emp FCU; 2PM 71-20A Annex Blvd Rvdl. 1985 Nissan Sentra ATV ATC #ATV013135485 Rec: S. Christopher; 1PM Nissan Pulsar #JH2AB03BNK100670 Rec: M.Milligan; 1PM 602 Beach 63rd St Arverne NY 1988 Mazda 626 #JM1GD2340K1134712 Rec: Sarma Milagros;1992 Ford Explr #1FMDU-62FDLF47382NCA50745 Rec: Uncle Sam's Automotive Corp. On 7/23/93 at 10AM 1439 Ogden Ave Bx, NY 1981 Merca Zephyr #2MEBP7J63BX600-1981 Rec: Isboh, 1978 Ford P/Up #F15HCC-23103 Rec: M. Santiago; 11AM-4:30 PM 39 St Qns,NY 1984 Buick Century #1G4AH1-9HG8540924 Rec: Kathy Anthony; 1PM 72 St Qns,NY 1985 Nissan Sentra #JN1-PB12SBFU199400 Rec: C. Lopez, Teachers FCU; 1PM 104 Dovse St Bklyn,NY 1988 Olds Cutlass #1G3AM47PHB8347371 Rec: M. Cuttler; 2PM 61-28 Fresh Meadow Ln Qns,NY 1986 Olds Calais #1G3NF6NU-9M371433 Rc: R. Rodriguez, 2.3PM 186-04 Jamaica Ave Qns,NY 1984 Chev Camaro #1G1AS8711EN-265139 Rec: S.Pushkin; 4PM 115 Glen St Glen Cove NY 1968 Jaguar "310" Rec: Frederick Mahler; 1977 Cdn Boat Trailer "PCFT2350G213133 Rc: H. Bernstein. Published July 7, 1993 and July 14, 1993.

By virtue of a default in a Security Agreement made by Rodolfo Jara and Diana Jara to Security Pacific Automotive Financial Services, New York 1501, the chattels of the undersigned Security Agreement consisting of the proprietary lease covering Apartment 3B in the building located at 87-10 51st Avenue, apt. 3B, Elmhurst, New York and 100 Shares of Capital Stock of 87-10 51st Avenue Owners Inc., allocable to said apartment. The secured party reserves the right to bid/or purchase at this UCC Foreclosure Auction Sale. ELIOT B. MILLMAN CO., Auctioneers as agents for the Secured Party.

By virtue of default in a certain security agreement made by Vincent DiNapoli, debtor to the Wheatley-Hazlet Corporation, secured party, David Strauss & Co., Inc., Auctioneers, will publicly auction, July 15, 1993, at 10:00 A.M. at premises, 45 Locust Place, Manhasset, New York, Certificates # 1 (10) Shares in the name of Ames Rosa (pursuant to Agreement between DiNapoli & Rosa) Certificate # 2 (10) Shares in the name of Vincent DiNapoli. Secured party reserves the right to bid.

Promto Line Service Ltd.# 869242 Sells on 7/22/93 at 8AM 1589 Macombs Rd. Bx NY 79 Buick RLM #4M743A9H2293636 Rec: W. Velasquez, 83 Olds Delta 88 #1G3-AN69YJDM736607 Rc: R. Reyes, 85 Dodge 2 DSD #1B5BW35E4FG306194 Rc: I. Guzman; 9AM 18 Mt Tremont Ave Bx NY 83 Cadi Seville #1G6AS6983ED80-7360 Rec: R. Hernandez. Published 7/7 & 7/14/93.

C.Lasdisi & Assocs. Inc. DCA#0696654 asct's sell July 22, 1993 at 9 AM at 880 So. Oyster Bay Rd., Hicksville 1983 Mak's Van #VG4M1128MF8064425 Acct. D.J. Anderson; 10 AM at 170-28 Jamaica Ave., Qns. 1988 Ford 4 dr. #1FABP30DXJG225402 Acct. C.M. Telhar vehicle S.C. Yong. 1987 Acura 2 dr. #JH4DA3349HS032764 Acct. R.H. Hall; 11:30 PM at 70-11 80 Ave., Qns. 1988 Ford 2 dr. #KNJBT07K1J6115676 Acct. F. McCarthy. 1PM at 57-11 79 Ave., Qns. 1989 Chevy Van #1GBCM31Z5KB-242577 Acct. I. Ballie and/or D. Ballie; 1.30PM at 120 E. 91 St., NYC 1986 Ford S/W #2FABP44F3EX129863 Acct. C. Hernandez; 2 PM at 115 Rockaway Beach Bv, 1983 Buick 4 dr. #1G4AS69PXDK4-27368 Asct- Joan or John Doe etal; 3 PM at 50 Bank St., White Plains 1986 Mi/B 4 dr. #WDBEA30D9GA170867 Acct. Sports Imports Inc. and/or M. Camaj. Published July 7th & July 14th, 1993.

By virtue of a default in a security agreement made by Mohamed Zia Esmaeldzada to Jay D'Amico & Frank Castelli, 1 as hereby foreclose upon and sell at public auction sale on Friday, July 16, 1993 at 11:30 A.M. at 22-19 Jamaica Avenue, Queens Village, NY the chattels of the aforementioned security agreement consisting of the Furnishings, fixtures & equipment of a pizza store. The secured party reserves the right to bid/or purchase at this UCC foreclosure auction sale. Eliot B. Millman Co., auctioneers as agents for the secured party.

DEFAULT In Security Agreement Made By Ballardo Soto, Evelyn Baez & B & B Supermkt Corp. to Jesus Castillo 1 Will Sell On 7/15/93 At 10:30 AM At 564 Flatbush Ave., Bklyn, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Asct'r Lic #733234 of F.E.S. AUCTIONS INC. As Agents.

L. Posner lic #847081 sells for cash 7/29/93 at 10:30AM at 4 Orangeburg Rd. Orangeburg NY 1983 Thunderbird #1FABP-36X3JH230358 Rec: D. Cordon 83 Plymouth K-Car #1P3BK26B8DF256103 Rec: S. Gaspard; 10AM at 36 School Street 73 International Scout #3583RCGD25373. Rec: J. Ryan; 12PM at 191 Fordham St. City Island 81 Seidelmann #XER25-267MHC Rec: J K Marine Inc.

CITATION NOTICE

File No. 3376-1991

CITATION

THE PEOPLE OF THE STATE OF NEW YORK,
BY THE GRACE OF GOD,
FREE AND INDEPENDENT

TO Fabian Guevara Diaz;
Fausto Guevara, on behalf of Fabian Guevara Diaz
Elvira Diaz, if living, and, if dead, her executors, administrators, successors and assigns, whose names and post office addresses are unknown and cannot, after diligent inquiry, be ascertained by the petitioner hereinafter mentioned;
Victor Guevara;
And to the distributees of Rufino Guevara, deceased, whose names and post office addresses are unknown and cannot after diligent inquiry be ascertained by the petitioner hereto, being the persons interested as creditors, legatees devisees, beneficiaries, distributees or otherwise in the estate of Rufino Guevara, deceased, who at the time of his death was a resident of 325 West 71st Street, New York, N.Y.

Send Greeting:

Upon the petition of the Public Administrator of the County of New York, having her office in Room 311, in the Surrogate's Court Building, 31 Chambers Street, New York City, N.Y.

You and each of you are hereby cited to show cause before the Surrogate's Court of New York County, 31 Chambers Street, in the County of New York, on AUGUST 11, 1993, at 9:30 a.m., why the account of proceedings of the Public Administrator of the County of New York, as administrator of the goods, chattels and credits of said deceased, should not be judicially settled, why a hearing should not be held to determine the identity of the distributees of decedent, why the entire proceeds from the settlement and acceptance of the estate by action should not be allocated to the cause of action for the decedent's wrongful death and why the fee of Philip Bekerman, P.C. in the sum of $4,500.00, of which $2,700.00 has been paid, should not be approved and a reasonable additional fee be fixed and allowed for Philip Bekerman, P.C. for any services to be hereafter rendered by Philip Bekerman, P.C., in connection with proceedings on kinship, claims, etc., prior to the entry of a final Decree of this accounting.

Dated, Attested and Sealed, June 16, 1993.

(L.S.) HON. RENEE R. ROTH
A Surrogate, New York County

ROBERT M. REAVES
Chief Clerk

Attorney:Philip Bekerman, P.C.
Address: 291 Broadway
New York, New York 10007
Tel. No. (212) 732-9400

PARTNERSHIP NOTICE

Notice of formation of limited partnership ("L.P."). Name: LRC REALTY ASSOCIATES, L.P. Certificate filed with Sec. of State of NY ("Sec.") on 5/13/93. Office location: NY County. The Sec. has been designated as agent of the L.P. upon whom process against it may be served. The Sec. may mail a copy of any process to the L.P., c/o Cedar Management Corp., 20 Vesey St., NYC. Attn: Mr. Harvey Levine. The name and address of each general partner is available from the Sec. Latest date to dissolve: 1/30/2043. Purpose: Real Estate.

FOUNDATION NOTICE

NOTICE

The annual report of the **MARIE LAZARE FOUNDATION, INC.** for the fiscal year ended May 31, 1993 is available at its principal office located at c/o Jesse Jones Box & Company, 270 Madison Avenue, 7th Floor, New York, NY 10016, (212) 679-4500 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Paul Lazare.

Do You Have an Important Legal Notice? Call Lisa Logan at 212/943-5739

Creditors Agree To 'Rebalance' Brazil's Options

Dow Jones

BRASILIA — A majority of creditors have agreed to consider options on how to restructure Brazil's medium-term and long-term commercial bank debt, Citibank said.

The government of Brazil and Citibank, as closing agent, said they received enough responses to Brazil's request for a "rebalancing of options" to determine that there is room for agreement, Citibank Victor Guevara;

And to the distributees of Rufino Guevara, deceased, whose names and post office addresses are unknown and cannot after diligent inquiry be ascertained by the petitioner hereto, being the persons interested as creditors, legatees devisees, beneficiaries, distributees or otherwise in the estate of Rufino Guevara, deceased, who at the time of his death was a resident of 325 West 71st Street, New York, N.Y.

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A Surrogate, New York County

ROBERT M. REAVES
Chief Clerk

Attorney:Philip Bekerman, P.C.
Address: 291 Broadway
New York, New York 10007
Tel. No. (212) 732-9400

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Penny Papakostas
or Lisa Logan
AMERICAN BANKER
One State Street Plaza
New York, NY 10004
(212) 943-5716
FAX (212) 943-8815
1-800-221-1910

Puerto Rico's 1st Federal Boosts Earnings by 34%

SAN JUAN — First Federal Savings Bank, the largest thrift in Puerto Rico, said it increased its second-quarter earnings by 34%, to $4.9 million, or 55 cents a share.

First Federal also more than doubled its earnings for the first half, to $16.4 million, from $6.9 million in the year-earlier half.

Contributing to the increase, 87 cents a share, to the 1993 first-half result was implementation of Financial Accounting Standard 109, which covers reporting of deferred tax assets.

The second-quarter operating earnings were fueled by a $3.4 million increase in net interest income, to $21 million. The $1.9 billion-asset thrift also gained $1.6 million on the sale of mortgages in May through collateralized mortgage obligations, which were offset by $2.5 million in additional loan-loss provisions. □

Bush Subpoenaed in Lavoro-Iraq Case

Associated Press

WASHINGTON — Former President George Bush has been called to testify in the trial of a banker accused of making $5.5 billion of unauthorized loans to Iraq through an Italian bank, a lawyer said.

Mr. Bush has been asked to submit documents and to appear in the trial of Christopher Drogoul, former director of the Atlanta branch of the Italian government's Banca Nazionale del Lavoro, said Robert Simels, the defense attorney.

Trial Set for Sept. 8

The case stirred a great deal of controversy last year, tainting Mr. Bush's reelection campaign because of its revelations about U.S. policy toward Iraq.

Mr. Drogoul pleaded guilty to some of the charges but withdrew the plea last summer. The federal judge in Atlanta, who said he suspected a government cover-up in the case, accepted his plea withdrawal, and the government ordered a new trial. The trial is scheduled for Sept. 8.

By subpoenaing Mr. Bush, the defense hopes to prove that Mr. Drogoul was a tool in a far larger U.S.-Italian, British, and German government scheme to help Iraqi President Saddam Hussein defeat Iran during the Inter eight-year war between the two Persian Gulf neighbors.

Cover-Up Efforts Claimed

Mr. Simels said that among the 37 documents he had subpoenaed were records of conversations that Mr. Bush held with Giulio Andreotti, who was Italy's prime minister at the time, and with Boyden Gray, then Mr. Bush's White House counsel.

Mr. Simels argues that these conversations will point to an active damage-control operation mounted by the White House and designed to cover up the administration's illegal role in the lending to Iraq between 1985 and 1989.

Iraq used the loans to buy weapons and build up its nuclear weapons program. □

Niagara Asset Corporation
Loan Sale Opportunity

Niagara Asset Corporation, a service corporation managing and selling loans for the FDIC, as Receiver of Goldome, intends to offer the following performing commercial mortgage loans for bid through a Bulk Loan Sale:

Commercial Mortgage Loans	Approximate Principal Balance	Bid Date
Package #000196	$5.2MM	August 18, 1993
Strip Plaza/Shopping Center	$3.5MM	August 18, 1993
Multi-family	$.3MM	August 18, 1993
Office Building		

Properties located in TX, OH, OK, MI, and FL.

Each loan must be bid upon separately. There are 8 loans ranging in size from $.3MM to $2.3MM.

For details regarding this sale and bid packages, please contact:

Joanne M. Campagna, Vice President
at (800) 846-6164 or write to:
Niagara Asset Corporation
Waterfront Village Center
60 Lakefront Blvd., Suite 316
Buffalo, New York 14202-4392

Please respond by August 5, 1993.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Offering Circular.

New Issue

2,990,000 Shares

ROCHESTER COMMUNITY SAVINGS BANK®

7% Noncumulative Convertible Perpetual Preferred Stock, Series B

The Series B Preferred Stock is convertible by the holder thereof at any time, unless previously redeemed, into the common stock of RCSB (the "Common Stock") at a conversion price of $16 per share. (Conversion Stock (equivalent to a conversion ratio of 1.5625 shares of Common Stock per share of Series B Preferred Stock), subject to adjustment under certain conditions.

Price $25 Per Share

Plus accrued dividends, if any, from July 1, 1993.

Copies of the Offering Circular may be obtained in any State in which this announcement is circulated from only such of the Underwriters, including the undersigned, as may lawfully offer these securities in such State.

Bear, Stearns & Co. Inc. | **Salomon Brothers Inc**

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Oppenheimer & Co., Inc. | **First Albany Corporation**

July 7, 1993

Bankers' Optimism About Clinton Fades

Continued from page 1

tion in the last year of the Bush administration, and was expected to make legislative recommendations this year.

"I had expected legislative proposals to come out by early summer, and that would imply administration support," Mr. Guenther said. "That would have gotten the ball rolling."

However, he said, Comptroller of the Currency Eugene Ludwig recently told the bank trade group that the administration does not intend to propose legislation now.

"Of even greater concern is the administration's approach to fair lending," he said. "The agency is moving more aggressively to investigate complaints of lending discrimination, and Mr. Ludwig plans to send testers into banks to see if minorities are treated on the same footing as white applicants.

"The ground rules are changing," said Mr. Guenther. "They are no longer looking at overt discrimination, but at more subtle forms," such as how much help white and minority borrowers receive with their applications.

Criticism Seen as Premature

Karen Shaw, president of the Institute for Strategy Development, thinks banks' disappointment with the administration is premature. In the long run, she said, its performance on fair lending will be a credibility test on regulatory relief.

The administration should husband its political resources

The struggling President seems less like a champion of regulatory relief.

"and then come back later with a 'competitive relief' package, rather than a regulatory relief package," she said.

In particular, she said, bankers should give the President a chance to make good on his promise to rewrite the Community Reinvestment Act to stress performance over paperwork – a goal many bankers have endorsed.

Directive to Regulators

A draft of a letter President Clinton is expected to sign this week directs regulators to rewrite the Community Reinvestment Act.

The draft, a copy of which was obtained by *American Banker*, **says "banks rightly complain about excessive paperwork and inconsistent implementation of the law."**

The letter, addressed to the four bank and thrift regulatory agencies, asks them to overhaul the system of CRA enforcement by next Jan. 1.

"I ask that, in undertaking this effort, you work to promote consistency and evenhandedness, and develop and set forth clear, measurable performance-based CRA assessment standards that reduce the compliance burden on financial institutions while stimulating improved CRA performance," the letter adds.

Ms. Shaw concedes that banks have been burdened with new guidelines under the reinvestment act, even if paperwork is reduced.

Bankers, she said, "have realized that the big stick of 'performance over paperwork' is qualitative performance standards that are easier to administer, but which smack of credit allocation."

Consumer Groups Dismayed

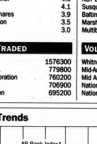
Still, the Clinton administration has managed to disappoint groups on all sides of the issue. As unhappy as bankers may be with the President's performance, consumer and minority organizations are equally dismayed.

"We are not pleased with the direction that things seem to be heading," said Chris Lewis, the banking lobbyist for the Consumer Federation of America.

One reason both sides are unhappy could be that administration's wants to please too many people, Mr. Lewis said.

Mr. Ludwig, he said, "is saying the right things, but he suffers from the same fault as the President – he thinks we can all be happy in the big family.

"Sometimes you have to lead and take the risk of making some people unhappy." □



Becky Pickler

Chris Lewis
Activists disappointed, too

RTC Scheduled Auction of Nonperformers

WASHINGTON — The Resolution Trust Corp. will auction $600 million in nonperforming loans Aug. 24 and 25, the agency announced Monday.

The loan packages range in book value from $500,000 to $9 million, and comprise loans to four-family mortgages, commercial real estate loans, and consumer loans. □

Highlights for Tuesday, July 13

TOP 10 GAINERS %

Hibernia Corporation	7.4
Trustmark Corporation	6.9
UST Corp.	6.7
First Bancorporation of Ohio	5.6
BancorpSouth, Inc.	4.7
Jefferson Bankshares, Inc.	4.6
Mid-America Bancorp	4.1
Community First Bankshares	3.9
CCB Financial Corporation	3.5
S&T Bancorp	3.5

TOP 10 LOSERS %

Riggs National Corporation	-7.1
CPB Inc.	-6.5
Imperial Bancorp	-5.8
Pikeville National Corporation	-5.6
Park National Corp.	-5.0
NBT Bancorp	-4.4
Susquehanna Bancshares, Inc.	-3.9
Mercantile Bancorp.	-3.8
Marshall & Ilsley Corporation	-3.6
Multibank Financial Corp.	-3.5

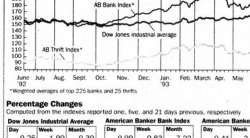
MOST SHARES TRADED

Citicorp	1576300
Chemical Banking Corp.	779800
Chase Manhattan Corporation	760200
Hibernia Corporation	709900
BankAmerica Corporation	695200

VOLUME AS % OF AVERAGE

Whitney Holding Corp.	887.1
Mid-America Bancorp	446.9
Mid Am, Inc.	440.7
National Commerce Bancorp.	434.8
National Bancorp of Alaska	424.8

Stock Index Trends



Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.25	1.90	0.30	0.99	0.83	7.22	0.41	3.18	9.71

TOP 25 BANKS

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cap.	Chg.
35¾	24⅞	MercBanCorp/PA	11.9	153.6	35⅛ -⅛
44	30½	1stSouthernCp/VA	NM	110.9	57 ¼
37⅛	18	AMCORE Finl.	11.4	128.3	24 -⅛
17½	6¼	MidSouth Corp.	11.3	104.5	16¾ -⅛
35¾	26⅜	AmSouthBancorp/A	11.1	152.3	32⅜
42⅜	29⅜	FirstCommerce	12.3	137.5	41⅜
35¾	27¾	BB&T FinCorp/NC	12.2	157.6	34⅝ -⅛
27½	11¼	BOK/Financial Cp	13.7	256.1	25 ⅛
33	21⅜	BT FinCorp/PA	11.1	137.0	30
9¾	6	BalboaHoldings/MD	8.6	90.9	9¾ -⅛
31¾	24⅜	BankPrinceGp/FB	9.6	118.5	28
61	42⅜	BankAmerica/CA	15.4	2523.4	50¾ -1⅛
52¾	40⅜	BancorpHawaii/HI	9.7	146.4	44½ -⅛
42⅜	30⅜	BankAtlantic/Cl A	9.7	146.4	34⅜ -⅛
34¾	41	BankAtlanticCp/Cl A	10.6	320.4	46½ -⅛
14⅜	8⅜	BankCentral/NV	8.3	57.2	8⅜
14¾	9¾	BankCorp/GA	14.3	172.9	14¾
77⅜	59	BankersTrust/NY	8.9	173.3	76 -⅜
18¾	12⅜	BankersTrustCp/FL	9.2	94.6	17½
44¾	49¾	BoatmenBancshs/MO	11.8	144.1	32¾ -⅛
61¾	39¾	BostonBancorp/MA	12.8	153.3	39¾
50¾	34¾	BarnettBanks/FL	21.8	183.0	47¾ -⅛
32¾	28¼	CBT Corp/NY	10.0	97.4	30¾ -⅛
35¾	20½	CBT Corporation/KY	11.8	144.1	32½ -⅛
42½	33	CCB Fin'l Cp/NC	12.1	155.3	39¾
34	23⅜	CNB Bancshares/IN	10.8	186.1	33¾ -⅛
39¾	22½	CNB Inc/KY	8.6	125.4	25
13⅜	7¾	CNB FinCp/CA	9.5	139.3	13
25⅜	19⅜	CPB Inc/IL	11.9	170.2	24 -⅛
25	12⅜	CalFed Inc/CA	11.1	147.6	15
28½	19	CentralBcshs/AL	11.8	184.6	25¾ -⅛
24¾	16⅜	CentralBancshs/TX	11.8	189.9	20½ -⅛
24¾	18½	CentralJersey/NJ	15.0	155.3	22
24¾	18½	CentralJersey/NJ	12.1	188.3	22¾ -⅛
37⅜	23	ChaseManhattan/NY	9.7	100.1	32⅜
44	30¾	ChemicalBanking/NY	9.3	117.3	39¾ -⅛
47¾	31¾	ChemicalFinCp/DE	14.5	183.5	47¾ -⅛
22	12⅜	CitizensFinCp/FL	9.4	140.2	18½
31⅜	14½	Citizens/NY	14.3	134.6	31¾ -⅛
28	15⅜	CitizensBancorp/MD	14.2	139.0	26¾
23	18½	CitizensBanking/MI	12.3	132.2	22½
7¾	2⅜	CitizensFed/MS	11.8	108.2	7
29½	17½	CitizBkg/Cl A/MI	14.5	169.8	25¾ -⅛
11¾	7	CitizensFin/KY	9.1	71.2	11¾
36⅜	23⅜	CityNational/CA	11.8	174.3	30¾ -⅛
36⅜	13⅜	CommercialBcshs/MI	13.8	174.3	30¾
17½	11⅜	CommercialBancshs/KS	11.3	153.8	16¾
17½	11⅝	CommercialBancshs/MO	11.8	143.8	30
41¾	24¾	CommonwealthFin	14.2	210.1	42¾ -⅛
15	11½	CommunityFirst/MT	11.3	143.8	13¾
8¾	3¾	Constellation/NJ	NM	159.7	8¾
15¾	10¾	Continental/IL	4.8	89.3	22¾
60¾	47½	CoreStates/PA/Cp/PA	12.2	194.6	58¾ -⅛
46¾	25¾	CrestarFinCorp/VA	9.6	171.2	44¾
40¾	21	CulbroFinco/TX	10.2	163.2	34¾
27¾	20⅜	DauphinDeposit/PA	12.2	165.2	26¾
35½	20½	DepositGuaranty/MS	10.3	151.4	30¾ -⅛
17¾	12¾	F & M Nat'l Corp/VA	11.2	148.5	14¾
22	18½	FBS Bancorp/MO	10.5	146.2	21
19⅜	13½	FNB Corp/NC	11.2	147.1	19
29	19	Fannie Mae/DC	7.3	101.3	28¾ -⅛
58½	40¾	FifthThirdBcp/OH	18.8	313.4	54¾
37½	31½	FirstAmericanCp/TN	13.6	178.0	37½
35¾	33¾	FirstTennNat'l	14.4	227.5	34¼ -⅛

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cap.	Chg.
37⅜	27¾	FirstAmericanNA	12.4	186.6	36⅜
18¾	10	FirstAmarillo/TX	9.4	146.0	18
42¾	27¾	FirstBancorp/Cp/Ts	9.4	146.0	29¾ -⅛
50¾	39⅜	FirstBancorp/Oh	11.6	163.5	47¾ 2½
25¾	20⅜	FirstBancSystem/MS	12.7	169.0	20¾ -⅛
45	28¾	FirstChicago/IL	NM	121.5	42¾
21⅜	15¾	FirstCitizens/NC	8.4	135.7	47¾
18⅜	14¾	FirstCommerce/IL	16.4	132.9	17½
24¾	17¾	FirstCommerce/LA	8.4	134.0	17
73¾	37½	FirstCommerce/NE	10.3	153.6	71
30½	25⅜	FirstCommerce/OH	10.8	181.2	30¾ -⅛
31¾	24¾	FirstCommerce/TN	11.4	150.4	28
24¾	17¾	FirstEastern/PA	NM	145.0	19¾ ¼
1578	127	FirstEmpire/NY	11.3	159.3	141¾ -⅜
31¾	24¾	FirstFed/MI	11.3	158.3	30¾ -⅛
42¾	37¾	FirstFed/Ohio/DE	14.5	180.3	41¾ -⅛
53¾	38⅜	FirstFinCp/IN	11.5	144.4	52¾ -⅛
30¾	23¾	FirstFinCp/WV	11.5	144.4	29¾ -⅛
65	36¾	FirstInterstate/CA	10.3	187.3	54¾ -⅛
30¾	24	FirstMarblehead/MA	13.3	178.1	27
24½	14¾	FirstMidwest/IL	16.3	156.1	24
24¾	18¾	FirstMiss/Corp/MS	12.8	153.8	19¾
30¾	21¾	FirstSecurity/UT	12.0	165.9	29¾
11.7	11.7	FirstSouthwest/TX	11.4	141.0	27¾
51½	35¾	FirstUnionCorp/NC	11.6	180.6	47¾
23¾	17	FirstUnited/MT	9.2	132.4	20¾
23½	17	FirstUnited/MD	14.2	199.7	23¾
18¾	13½	FirstVirginia/VA	13.6	174.1	25
30¾	20	FirstVirginia/IA	11.2	186.6	30¾ -⅛
30¾	20	FirstCom/Cp/IN	11.2	186.6	30¾ -⅛
49	30	FirstSecurity/KY	12.1	168.8	37
29¾	20	FirstSouthern/GA	12.1	168.8	29¾ -⅛
25¾	18¾	FirstTennessee/TN	15.9	158.8	24¾ -⅛
43¾	32¾	FirstWyoming/WY	13.6	174.9	41¼
43¾	32¾	FirstWyoming/Cp/WY	13.6	174.9	41¼
28	20¾	FleetAmCorp/PA	11.0	159.1	27¾
30¾	24	FleetMortgageCp/R	11.4	141.0	27¾
33	24¾	FleetNationBancp/R	12.7	173.4	30¼
33	24¾	FleetFin/Cp/RI	12.7	173.4	30¼
17¾	13¾	GBC Bancorp/CA	7.3	121.2	14¾ -⅛
25¾	15¾	GeneralBcshs/Inc/MS	11.2	147.1	24¾
30¾	24¾	HancockHldg/Cp/MS	10.7	187.2	30¾ -⅛
30¾	24¾	HancockHldg/LA	10.7	187.2	30¾ -⅛
19¾	12¾	HarleysvilleGroup/PA	11.5	154.2	17¾ -⅛
19¾	14¾	HeritageFin/Cp/IL	9.1	181.0	19¾ -⅛
8¾	4¼	HibernaCorp/LA	NM	157.8	7¾ -⅛
14¾	8¾	HomeNat'l	13.4	128.6	14¾
27¾	18¾	HuntingtonBcshs/IN	15.1	237.2	27¾ -⅛
31	23¾	IndependenceCo/PA	11.5	157.2	27¾ -⅛
30¾	24¾	IndianaFed/Cp/IN	37.0	142.2	30¾ -⅛
30¾	22¾	IntegraFin/Cp/PA	10.7	193.0	46¾
30¾	24¾	InterFirst/TX	11.7	141.0	30¾
47	36	IowaNatlBkshs/IA	10.8	123.1	45¾ -1¼
34¾	24¾	IrwinFin/Cp/IN	9.1	213.2	43¾ -⅛
74¾	58¾	J.P. Morgan/NY	10.4	195.4	71¾ -1¾
24¾	16¾	JeffersonBcshs/VA	14.0	185.9	23
46	30¾	KeyCorp/NY	12.2	205.1	40¾
46¾	27¾	KeystoneFin/PA	12.7	188.8	30
24¾	18¾	LakeShore/IL	13.9	187.0	22¾
24¾	21¾	LiberNat'l/Bancsh/LA	8.4	143.3	22¾ -⅛
28¾	20¾	LibertyNatBancs/KY	15.1	197.2	28¾ -⅛
30¾	24¾	MBNA Corp/DE	10.9	429.5	27¾ -⅛
14¾	10	MNC Financial/MD	11.9	134.8	14¾ -⅛
30¾	24¾	MainStreetBcp/TX	11.3	156.6	30¾ -⅛
39¾	17¾	MarshallBancshs/WI	14.1	239.5	39¾ -⅛
25¾	19¾	MarshallIlsley/WI	14.1	198.1	23¾
56¾	36¾	MellonBankCorp/PA	9.7	147.2	56¾
36¾	30¾	MercantileBanc/MO	12.4	152.3	49¾ -⅛
36¾	30¾	MercantileBancp/MO	12.7	149.3	30¾
62	44¾	MercantileBank/MI	20.4	188.6	56¼ -⅛

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cap.	Chg.
89	72	UnitedCounties/Ac	8.2	126.0	86¼
47¼	39	UnitedJerseyBks/NJ	13.8	130.2	38¾
32¾	21	UnitedMissouri/KC	12.4	139.0	32¾ -⅛
43¾	33¾	VarnerBancorp/AR	13.7	179.3	41¾
28	18¾	WaterMarkBcs/IL	13.3	207.0	25¾ -⅛
27¾	25	WaterMarkBcs/TX	7.6	138.7	23
40¾	29	WachoviaCorp/GC	13.6	210.8	36 -⅛
125	81¾	WellsFargo/CA	27.1	188.8	110¾ 2¾
32	21¼	WesBancoWV	15.5	175.1	31¾ -⅛
49¾	34¾	WestAmericaBc/CA	13.5	178.1	49¾
29¾	18¾	WestamericaBanc/CA	10.3	134.1	25¾ -⅛
29¾	20¾	WestcornBank/OR	12.8	187.2	28
35¾	21⅜	WhitneyHoldg/LA	12.8	158.5	31¾
19¾	13⅜	WilmingtonTrust/DE	12.9	266.1	19¾ -⅛
27¾	20¾	WorthenBanking/AR	9.0	148.2	24¾ -⅛
35¾	26¾	WyomingBancp/KY	10.6	189.9	28¾

TOP 25 THRIFTS

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cap.	Chg.
18¼	12	ALBANYFinancial/NY	10.8	84.1	18¼
21¾	13¾	Anmarion/Cp	15.2	87.5	19¾ -⅛
21¾	14	CalFedBanc/FSB/CA	NM	35.2	19¾ -⅛
34¾	22¾	CharterOne/Fin/OH	7.8	140.5	30¾ -⅛
18¾	6¾	CoastSavingsFin/DE	15.7	164.4	18¾ -⅛
29¾	18¼	CollectedBanc/Ap	9.9	194.3	32¾ -⅛
35¾	11¾	CommercialNatFin/NY	11.9	128.2	28¾
35¾	15¾	CraigAnFin/Cap/L	12.6	159.8	35¾
19¾	13⅜	EmpireFinancial/Cp	5.4	85.8	17¾
15¾	7¾	FirstFedCp/MI	11.0	174.0	15 -⅛
14¾	9¾	FirstFed/Michigan	11.0	174.0	14¾ -⅛
14¾	9¾	GoldenWest/Cp/CA	9.4	180.7	14¾ -⅛
13¾	7¾	GreatWestern/Fin/CA	75.6	100.5	10¾ -⅛
18¾	10¾	HF Bancorp/HI	11.6	95.6	18¾ -⅛
18¾	11¾	MetroFinCp/MN	6.8	104.9	15¾ -⅛
18¾	11¾	MetroFinCp/MN	6.8	104.9	15¾ -⅛
34¼	24	S&TBancorp/PA	13.5	170.4	34
32¾	21¾	SIBancorp/Inc/MA	12.3	165.4	32¾ -⅛
14¾	10¾	SecurityCapital/SC	14.5	137.6	13¾ -⅛
14¾	12¾	ShawmutNatCorp/MA	36.0	164.4	13¾ -⅛
29	20¾	ShorewestFin/WI	15.2	192.8	29
16¾	10¾	SignetBanc/VA	11.1	181.2	16¾ -⅛
31¾	23¾	SoveriesCorp/DE	11.9	239.3	31¾ -⅛
31¾	23¾	SoveriesCorp/DE	11.9	239.3	31¾ -⅛
31¾	23¾	SoveriesCorp/DE	11.9	239.3	31¾ -⅛
17	25	SouthwestNatCp/PA	12.0	139.3	17
29¾	20¾	Star Banc Corp./OH	13.3	213.2	30¾
49	29¾	StateStBcorp/MA	15.1	245.6	32¾
10¾	6¾	SterlingBcp/NY	10.5	69.5	8¾
31	21	SuntrustBanCo	7.3	78.0	29¾ -⅛
30¾	24¾	SuperMutualBk/WI	16.0	182.0	30¾ -⅛
30¾	24¾	SuperMutualBk/WI	14.3	210.9	48¾ -⅛
24¾	17¾	SupermutualBk/WI	11.4	139.9	31 -⅛
20¼	14¼	SynovusFinCorp/GA	19.3	292.3	18¼
25¾	17¾	SynovusCtrs/Fin/GA	12.0	230.3	30¾
22¾	12¾	TransFinancial/KY	14.4	206.4	20
29¾	18¾	TrustCoBank/Corp/NY	15.0	218.7	40¾ -⅛
16¼	11	TrustcompanyNJ	17.1	196.6	15¾ -⅛
30¾	24¾	TrustmarkCorp/MS	11.1	190.2	48¾ -⅛
23	20	U.S. BancorpOR	12.0	166.6	25¾
29¾	18¾	UBS Finl Svcs/Cp/NJ	13.8	143.0	29¾ -⅛
29¾	18¾	UBS Finl Svcs/Cp/NJ	19.8	143.0	29¾ -⅛
26	20¼	USBANCORP/PA	8.0	106.7	23¾
30¾	24¾	UST Corp/MA	NM	77.4	30¾ -⅛
39¾	22¾	UnionBank/CA	9.0	92.9	28 -⅛
11.5	10.5	UnionFinancial/IL	11.5	155.0	27¾ -⅛
25¾	18	UnitedBancshs/WI	14.7	178.6	24¾ -⅛
30¾	23¾	UnitedCarolina/SC	10.7	138.1	22¾ -⅛

Key Loan Activity

(Dollar amounts in millions)

July 5 - 9

Working Cap./Gen'l corp. purposes		Working Cap./Gen'l corp. purposes	
Boeing Co.	$3,000.0	Foundation Healthcare Corp.	$100.0
United Parcel Service of America	2,000.0	Lechmere	100.0
Coastal Natural Gas Corp.	750.0	**Debt repayment**	
Turner Broadcasting System	500.0	Georgia Pacific	$1,500.0
Federal Express Corp.	400.0	Carnival Cruise Lines	500.0
Sunbelt National	300.0	Waste Management Services Corp.	425.0
Ivy Technologies	300.0	SCI Television	250.3
Tyco Industries	300.0	Toro Industries	100.0
IMC Fertilizer Group	260.0	**Acquisition program**	
Centerior Energy Corp.	205.0	Mark IV Industries	$100.0
Air Management Group	180.0	**CP backup**	
Sullivan Graphics	153.5	CAFCO	$1,547.0
Midwest Mortgage Corp.	150.0	Tyson Foods	850.0
Gitano Group	125.7	CRC	260.0
Crown Central Petroleum Corp.	125.0		

Description: This table tracks key corporate loan activity and financial things made weekly with the SEC.
Data Source: Loan Pricing Corp., New York. (212) 489-5455

Key Rates•

(July 13, 1993)

	7/13	7/12	7/6	7/13/92
Federal Funds domestic range:	3	3⅛–3⅜	3⅛–3⅜	3⅛–3¼
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit†				
3 Month Posted	2.78	2.78	2.73	2.95
6 Month Posted	2.97	2.97	2.92	3.10
1 Year Posted	3.15	3.15	3.10	3.30
Eurodollar deposits*				
3 Month	3⅛	3⅛	3⅛	3⅜
6 Month	3⅜	3⅛–⅜	3⅛–⅜	3½
1 Year	3⅛	3⅛–⅜	3⅛	3⅝
Dealer Commercial Paper‡				
1 Month	3.10	3.15	3.10	3.43
3 Month	3.12	3.20	3.14	3.43
6 Month	3.25	3.32	3.23	3.51

(*)— Late afternoon quotes, New York market. (†)— Highest offering rates (weekly % yield) at selected NYC money center banks. (‡)— Late London bid. (•)— AA rating or the equivalent.

STOCKS

Takeover Struggle Sends Shares Of a Nebraska Thrift Soaring

Continued from page 1

our business plan than under the proposal by the CAI Corp.," said William A. Fitzgerald, chief executive of the thrift.

Shareholders in banks and thrifts rarely resort to proxy fights to motivate managements to sell.

But in the case of Commercial Federal, Mr. Ellis' appetite has been whetted by the high price that Banc One Corp. agreed to pay for Omaha rival Firstier Financial Corp.: $707 million, more than 2.5 times book value.

'Window of Opportunity'

"We feel there is a window of opportunity to sell," said Mr. Ellis. "When you look at the prices being paid, we think Commercial Federal is worth more than it is being traded at."

Of course, Firstier is a better performer than Commercial Federal. Firstier earned 1.6% on assets in the first quarter; Commercial Federal earned 0.71%.

Mr. Ellis and other shareholders do not expect the same premium, but nevertheless they think Commercial Federal could fetch from $35 to $42 a share, based on the strength of the thrift's potential earnings growth.

That would represent 1.6 to 1.9 times the thrift's stated book value on March 31. Commercial Federal shares traded at $26.75 on Tuesday.

"The time to sell is when the premiums are the highest and the business is best," said Mark T. Boyer, a shareholder and partner in ROI Partners. San Francisco investment managers that support a sale.

But Joseph A. Jolson, an analyst with Montgomery Securities in San Francisco, thinks Commercial Federal would wait at least 18 months before electing to sell.

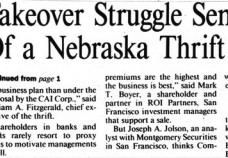
Several Suitors

Potential acquirers for the thrift, which operates in Nebraska and Colorado, include Norwest Corp., Banc One, First Bank System, and Boatmen's Bancshares.

Commercial Federal lost money in 1990, but it has largely recovered from bad loans. Last quarter, return on equity was 13.2%. Analysts said the bank could earn $95 million in calendar 1993, or $2.28 a share.

The thrift is the largest independent in Nebraska, where it has 6% of deposits.

In addition, it has $1 billion of deposits in Colorado, concentrated in Denver, where it has 4% of the market, analysts said.



TUESDAY'S MARKET

Bank stocks fell Tuesday for the second straight day.

J.P. Morgan & Co.'s shares fell $1.375 to $71.375. Banc One Corp.'s shares lost an equal amount, to $56.125. SunTrust Banks dropped $1.25 to $46.25.

Fifth Third Bancorp's shares bucked the trend, gaining 87.5 cents to $54.25. Henry Dickson, an analyst at Smith Barney, Harris Upham & Co., upgraded Fifth Third to "outperform" from "neutral," citing an attractive valuation and compelling performance. □

CAPITAL

Lyonnais Triples the Size Of Its Preferred Offering

By DAVID SIEGEL

A preferred stock offering from France's Credit Lyonnais was more than tripled in size to $350 million amid strong demand from yield-hungry institutional investors.

The issue was sold in the private placement market and qualifies under Securities and Exchange Commission Rule 144-a, which permits large investors to trade the securities.

Agents Merrill Lynch & Co. and Goldman, Sachs & Co. increased the issue from $100 million and lowered the dividend to 9.50% from the originally proposed 9.75%-10%.

Good Grade, Good Yield

The Credit Lyonnais issue offered the rare combination of an investment-grade rating and a yield topping 9%.

Standard & Poor's Corp. downgraded Credit Lyonnais just prior to the offering. Senior debt was cut to A from A+ minus.

Preferred stock, which had been rated triple-B-minus, was assigned a BBB grade. Moody's Investors Service rates the preferred stock Baa1.

The bank paid a much higher rate than other banks for recent preferred issues.

Last month, Bank of Boston Corp. issued preferred stock in

The issue combined an investment-grade rating and a yield topping 9%.

the public markets with a 7¾% dividend. The rate was lower than Credit Lyonnais' despite carrying a junk rating from Standard & Poor's.

Retail investors are the typical buyers of preferred stock in the public market. Rates for public offerings are lower than for private deals, which depend on institutional investors.

That is because there are more potential buyers of public offerings and because institutional investors are more price-sensitive than retail buyers, market sources said. □

Pricing of BB&T Issue Is Led by Merrill Lynch

A $100 million issue of Branch Banking and Trust Co. notes due May 15, 1996, was priced through underwriters led by Merrill Lynch & Co.

The notes, rated A2 by Moody's Investors Service and A by Standard & Poor's Corp., were priced to yield 4.81%, 50 basis points above comparable Treasuries.

Branch Banking and Trust is a subsidiary of BB&T Financial Corp., Wilson, N.C.

— Dow Jones

THE MARKETS

Most Yields Rise Despite Good Inflation Report

Yields on most government securities moved higher Tuesday despite a government report showing the steepest drop in wholesale prices in two years.

The 30-year Treasury bond was the exception. In late trading, the yield on the long bond was unchanged at 6.62%.

But 10-year notes yielded 5.75%, up 3 basis points, and two-year notes yielded 4.02%, up 7 basis points. The bond-equivalent yield on three-month Treasury bills was 3.11%, up 5 basis points.

Dow Falls Slightly

Stocks were mixed, as investors registered caution about the June consumer price index, to be announced today. The Dow Jones industrial average lost 8.94 to 3,515.44. The Standard & Poor's 500 index fell 0.89 to 448.09. But the Nasdaq composite index rose 0.8 point to 708.47.

The dollar, which had risen sharply Monday on talk of a cut in European rate cuts, lost ground on Tuesday, as the good news on inflation seemed to preclude a tightening of credit by the Federal Reserve. Late in New York, the dollar was quoted at 1.7187 German marks, down from 1.7305, and at 108.10 yen, down from 109.40.

Rise Laid to Profit Taking

The Commerce Department said the producer price index fell 0.3% in June, aided by a 5.9% cut in tobacco prices. The last time the index fell that much was in March 1991. The index was unchanged in May.

Market analysts attributed the rise in interest rates to profit taking. The market has rallied in recent days – driving the yield on 30-year Treasuries to record lows – on anticipation of good news on inflation.

"We've just seen some ringing of the cash register," said Kevin Flanagan, money market economist for Dean Witter Reynolds Inc.

Astrid Adolfson, economist for MCM MoneyWatch, noted that investors were also nervous about today's consumer price and retail sales reports.

— Bart Fraust

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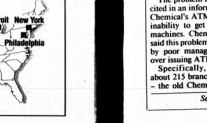

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AMERICAN BANKER
VOL. CLVIII NO. 134 Thursday, July 15, 1993 158th year

Poor Training, Outdated ATMs Beset Chemical

By MATT BARTHEL

Chemical Banking Corp.'s recent automated teller machine troubles have their root in hardware failures and poor controls over ATM card issuance, according to the bank's executives.

But Chemical officials declined to say when they thought the service problems would subside, angering some cash-starved customers.

"I called the customer service line to ask if these troubles would last long, and they said they don't know," said one Chemical customer as she waited in line for help at the 55 Water St. branch in Manhattan. "If they don't know, who does?"

NEWS ANALYSIS

As reported recently in this newspaper, Chemical's customers have become more common at Chemical since its merger with the Manufacturers Hanover.

Chemical's ATMs, which usually function more than 98% of the time, have been working at an average "uptime" rate of 95% in recent months, according to internal reports.

While it might not appear to be a big problem having 5% of the bank's nearly 1,000 machines down at any one time, in densely populated New York City, that performance level is not acceptable, Chemical officials admitted.

At Odds with Ad Campaign

The service lapses also represent a marketing nightmare for a bank that is touting service quality as the centerpiece of its current advertising campaign.

In a larger context, Chemical's ATM problems also highlight how difficult it is to keep merger-related operational changes from affecting customers.

"We try to minimize the amount of [merger-related] change [to customers]," said Ronald A. Bracco, vice president and director of electronic banking at Chemical. "The ATMs are not currently meeting our internal service standards, but we're working hard to fix that."

Card Issuance Problems

The problem most commonly cited in an informal sampling of Chemical's ATM users was the inability to get cash from the machines. Chemical executives said this problem is being caused by poor management controls over issuing ATM cards.

Specifically, employees at about 215 branches of the bank – the old Chemical branches – have been trained to issue cards only to customers who have been approved by a credit analyst.

Other branches, however, have been issuing cards to customers who have not been approved by a credit analyst, Chemical executives said.

Chemical is now training employees at all branches to issue cards only to customers who have been approved by a credit analyst, said Mr. Bracco.

Chemical officials declined to say how many customers have been affected by the problems. □

See POOR page 3

INSIDE NEWS

COMMUNITY BANKING

NATIONSBANK invested $350,000 in Commonwealth National Bank of Mobile, Ala., and ever since, business at the minority-owned bank has been booming.
Page 10

COMMUNITY banks' in the Boston area are struggling with the asset problems lingering in the region.
Page 10

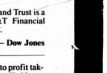
MORTGAGES

COUNTRYWIDE CREDIT should reach $47 billion in mortgage originations in this fiscal year, according to Sy Jacobs, an analyst at Alex. Brown & Sons. That would be almost 50% more than in fiscal 1992, which ended on Feb. 28. Mr. Jacobs' previous estimate was $41 billion.
Page 16

INVESTMENT PRODUCTS

A THIRD party marketer says that personal service is the key to success in the business.
Page 17

CREDIT DEBIT ATMs



MASTERCARD is beefing up its gold card program with an array of travel services and discounts. The enhancements could herald a series of actions by MasterCard and its rival, Visa U.S.A., to solidify bank members' relationships with their most affluent and profitable customers.
Page 14

FINANCE

FRUIT OF THE LOOM Inc. is taking advantage of generally lower lending rates as well as its own improved operating performance and balance sheet to refinance $800 million of bank debt on better terms.
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Market Value of Top 100 Fell 2.6% in Second Quarter

By RICHARD LAYNE

The market value of the 100 top banks fell $7.1 billion, or 2.6%, in the second quarter, the first such drop since the third quarter of 1992.

First Boston Corp. said the decline is the steepest since the $11 billion drop in the last quarter of 1987, when the stock market crashed.

The market value of the 100 largest banks totaled $271.1 billion, versus $278.1 billion in the first quarter, according to SNL Securities. The 100 banks were ranked by market value.

Reliable Gauge

Market value is a company's stock price multiplied by its shares outstanding. It represents a reliable gauge of a company's market strength and ability to acquire others.

The drop in the second quarter reflects the fall in bank stock prices in the last few weeks of the quarter.

The dearth of new common stock offerings was another factor in the decline. Among the major institutions, only Chase Manhattan Corp. issued common stock in the period. Chase's market value increased 7.3%, to $5.9 billion, because of the offering.

Investors began to worry about rising inflation in mid-April and immediately began to sell off bank stocks. They thought rising inflation would cause higher short-term interest rates, which would drive up banks' costs of funds and hurt earnings. By early June, bank shares had fallen an average 15% during the quarter.

The fears abated in mid-June, and the stocks rallied about 12% in three weeks. Thus, the seesaw in share prices resulted in only a slight drop in market value by the quarter's end.

B of A, NationsBank Lost Big

A sizable portion of the drop came from losses at BankAmerica Corp. and NationsBank Corp.

BankAmerica, which has the



See STOCKS page 21

Dime Savings Tells FDIC It May Bid On Crossland

By BARBARA A. REHM

WASHINGTON — Dime Savings Bank of New York has emerged as a last-minute suitor for Crossland Federal Savings Bank, complicating regulators' plans to sell the Brooklyn-based thrift to institutional investors.

The Federal Deposit Insurance Corp. had already lined up investors and was planning to announce details next week, according to people familiar with the deal.

But Dime's interest, which was confirmed by industry sources, is now holding up the process. Under federal law, the FDIC must explore all options and pick the least expensive option for resolving failed banks.

The FDIC announced in mid-May that it expected to get a better price for the $5.7 billion-asset Crossland by selling it to institutional investors, rather than to another financial institution.

Sale to Investors Seen Likely

That unusual strategy is being pushed hard by FDIC resolutions director Harrison Young, and most observers think the agency will still take that route.

But Dime's interest, at a mini-

See DIME back page

IRS to Review Conversions By Mutual S&Ls

By ROBYN MEREDITH

WASHINGTON — Dealing a blow to some thrifts, the Internal Revenue Service plans to review the tax liability associated with a popular procedure used by mutual savings and loans to raise capital.

Thrift lawyers and accountants said the review will indefinitely delay use of the technique, which allows depositor-owned thrifts to sell minority stakes to the public.

What's more, an unfavorable IRS ruling could significantly boost the tax bills or reduce the capital levels of the 15 thrifts that converted to public ownership using this technique over the past two years.

Auditor Piqued IRS Interest

The issue first arose last December when KPMG Peat Marwick asked the IRS to confirm that thrifts converting to public

See IRS page 20

Shares Fall Despite New Round Of Strong Bank Earnings Reports

An American Banker News Roundup

Regional bank companies continued to report robust second-quarter earnings on Wednesday, but investors were not impressed.

Five companies reported double- or triple-digit growth in net income over the second quarter of 1992, but all but one saw their stocks lose ground on a day that the Dow Jones industrial average rose strongly.

The *American Banker* index, a weighted average of 225 banks, fell 1.29% on Wednesday while the Dow climbed 0.77%, or 27.11 points.

Selloff Pattern

Analysts said investors were repeating a pattern began after first-quarter results were reported of buying bank stocks on expectations of strong earnings and then dumping them when the results came in. They said the selling showed a lack of confidence in banks' ability to sustain earnings at a time when revenues continued weak.



"You can't live off declining loan-loss provisions forever," said George Salem, an analyst at Prudential-Bache Securities. "I think the investor wants to see loan growth."

Joel B. Alvord, the chairman and chief executive of Shawmut

See SHARES page 8

NEWS *briefs*

OTS to Ease Red Tape in Flooded Midwest

CHICAGO — The Office of Thrift Supervision offered some regulatory relief Wednesday to thrifts in flood-ravaged areas of the Midwest.

In a move expected to be followed by other regulators, the OTS said it would waive a rule requiring thrifts to keep 65% of their assets in housing loans. The easing of the thrift-lender test is designed to encourage rebuilding of small businesses.

Institutions with ballooning deposits from insurance benefits and government aid can also apply for temporary relief from leverage-capital requirements.

Through a statement by Jack Downey, deputy director for regional operations, the OTS promised "to cut through red tape and adjust our supervision" to help thrifts contribute to the recovery.

The guidelines were distributed to savings and loans in Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, South Dakota, and Wisconsin.

Stutz Quits Homefed to Make a Bid for It

SAN DIEGO — Homefed Bank of San Diego said James E. Stutz has resigned as managing director of its retail banking group to lead a group of investors who will make a bid to acquire the thrift from the Resolution Trust Corp.

In a press release, Mr. Stutz said he will be "coordinating the activities of the investment banker, the San Diego Economic Development Corp., and our community leaders to ensure that a successful offer is prepared and accepted."

Anchor Meets Its Capital Requirements

HEWLETT, N.Y. — Anchor Bancorp said it raised $67.8 million in a stock offering, adding enough capital to free its thrift unit from regulatory restraints after four years of uncertainty.

"It is an exciting day for Anchor shareholders, both old and new," said James M. Large Jr., chairman and chief executive of the thrift, which has $5.6 billion of deposits.

The additional capital allowed the thrift to meet the 5% leverage capital ratio to satisfy the requirements for a well-capitalized thrift under the 1989 thrift-reform act.

Mr. Large said the thrift also completed a transaction with the Federal Deposit Insurance Corp. that improved Anchor's holding company capital structure by increasing the common equity portion of total capitalization.

In that deal, Anchor exchanged $71 million of senior notes for $157 million of preferred stock, held by a fund managed by the FDIC.

The fund acquired the preferred stock in the early 1980s when Anchor acquired some troubled institutions with assistance from the old Federal Savings and Loan Insurance Corp.

Gonzalez Wants Investment Assurances

WASHINGTON — Out-of-state banks have promised to invest almost $1 billion as the price for entering the District of Columbia, and House Banking Committee chairman Henry B. Gonzalez wants to be sure those promises are kept.

"Unfortunately, these promises are liable to fall by the wayside once the bank gets what it wants," the Texas Democrat said.

Rep. Gonzalez said he has written to the bank regulators asking them to explain how they judge a bank's current and future commitment to community investment.

Despite the commitment by out-of-state banks to lend in low and moderate-income neighborhoods in Washington, "critics say these commitments have not always been kept and that the federal regulator responsible for supervising D.C. banks does little to enforce these promises," Rep. Gonzalez said.

The banking committee chairman has tentatively decided to hold hearings on fair-lending practices toward the end of July.

The briefs were compiled from staff and wire reports.

Truth-in-Savings: Fed Mulls Changes to Fledgling Rules

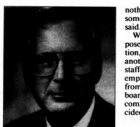
By CLAUDIA CUMMINS

WASHINGTON — The new Truth-in-Savings rule has been in effect just three weeks, and the Federal Reserve has begun tinkering with it.

The Fed's board of governors on Wednesday proposed changing the way banks calculate annual percentage yields for some certificates of deposits. While the proposed change is relatively minor, revising the rules in any form so soon after implementation raised eyebrows even among the governors.

"I have no taste for changing a regulation that's only been in effect for three weeks," said Fed Governor Edward W. Kelley. "With the ink barely dry, we're finding flaws in it."

Despite this concern, the board decided that making the formula as accurate as possible justified the added burden on the industry the change will generate.



Edward W. Kelley
"No taste" for changing rule

posed change came in response to complaints from both bankers and the securities industry that the existing formula could confuse investors considering these kinds of accounts.

In proposing to change the calculation, the Fed offered two alternatives.

A more simple revision recommended by the Fed's staff would substitute the interest rate for yield on these accounts. A more complex, more precise calculation preferred by the governors would factor in when interest payments are made.

Third Alernative: Inaction

And Fed chairman Alan Greenspan suggested a third alternative: make no change. "When this stuff comes back, we do have the alternative of doing nothing and we should give some consideration to that," he said.

While it was willing to propose changing the yield calculation, the board refused to act on another change proposed by the staff. The staff had wanted to exempt certain bonus programs from advertising rules. But the board, noting that no bank had complained about the rule, decided against the exemption.

Fed Wire

Also at the meeting, the Fed voted to postpone indefinitely its proposal to extend the operating hours of the Fed Wire funds transfer service. Last October, the Fed proposed opening the wire at 6:30 a.m., two hours earlier, in order to facilitate risk-reduction in settlement activity for futures markets.

Many in the financial industry asked the Fed not to adopt the plan, saying the small change would provide little benefit without broader changes in the Fed's entire payments system. The Fed heeded these concerns, and is planning an in-depth study to explore a more comprehensive plan for expanding Fed Wire hours.

"There is no backing away from our long-run plans to move in the 24-hour direction," Governor Wayne Angell said. "The notion is that the board is somewhat impatient to move forward." □

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Poor Training, Old ATMs Beset Chemical

Continued from *page 1*

were recently empowered to issue ATM cards on the spot. But the training in card issuance procedures did not prepare these employees to handle the volume of requests for new and temporary cards they were required to process.

As a result, some cards have been inadvertently deactivated, frustrating customers who tried to use them. Other customers received multiple cards, which created confusion as to which card was usable.

NEWS ANALYSIS

Special Requests

Chemical Bank executives admit that training procedures could have been better. But they point out that the issuance troubles were exacerbated by an unexpectedly large jump in the number of requests for temporary cards and personal identification number changes.

In May, Chemical handled about 30,000 such requests. In June, when its branches received card issuance capabilities, the requests for "status changes" more than doubled to 67,000.

The ATM network is less reliable than it was.

"The floodgate opened, and frankly, we weren't prepared for it," Chemical's Mr. Braco said.

Chemical Bank is working hard to remedy the problems stemming from inexperience with branch-based card issuance. Over the past few weeks, representatives from all 411 Chemical branches were retrained on issuance procedures.

An Aging Fleet

But the troubles with Chemical's ATM services do not end with card issuance. The bank also said that the aging cash machines manufactured by Omron Systems of America Inc. that make up about a third of the bank's 950 ATMs have been experiencing a much higher number of outages than its newer terminals from NCR Corp.

Chemical has already begun to address this problem. So far this year, it has discarded 100 Omrons in favor of new NCR machines with touch-sensitive screens. Bank officials said the plan is to replace every Omron ATM with a new NCR unit by the end of 1994.

The NCR terminals carry a guarantee of 99% availability, and Chemical executives indicated that the machines they have installed so far have exceeded that performance level. □

First Financial Signs Deal to Buy Telecheck of Kan.

By JEFFREY KUTLER

First Financial Management Corp., further consolidating its check-guarantee activities, said Wednesday that it has signed a definitive agreement to acquire Telecheck of Kansas Inc., which does business as Telecheck Mid-America.

The Mid-America unit has 4,500 customers in Kansas, Missouri, Nebraska, and part of Tennessee. They will bring to 47 the number of states with First Financial Telecheck franchisees.

Including Mid-America and three other recent Telecheck purchases, "FFMC owns 91% of the total Telecheck U.S. network," said Patrick H. Thomas, chairman, president, and CEO of the Atlanta-based processor.

Quick Growth

First Financial has undergone rapid expansion, fueled in part by the sales skills of Georgia Federal Bank and an outsourcing unit, to concentrate on processing businesses. The check-acceptance service supplements the business of FFMC's Nabanco unit, which processes card transactions for merchants.

Telecheck operations are coordinated by Telecheck Services Inc., a Houston company that First Financial acquired last year. Through the franchisees, Telecheck serves 100,000 retailers and financial institutions in the United States, Canada, Australia, and New Zealand.

The First Financial-Telecheck tie was one of three that reshaped the U.S. check guarantee market.

Equifax Inc., the Atlanta-based credit bureau, acquired Telecredit Inc. of Los Angeles at the end of 1990, and National City Corp., the Cleveland-based banking company, acquired JBS Associates of Ringwood, N.J., last February. A National City subsidiary, National Processing Co., competes against Nabanco in the merchant processing business.

When it's this hot, you deserve extra scoops.

For many bankers, the thermometer is a lagging indicator of the heat they feel in handling current regulations and guessing the Clinton administration's next moves. But we've got a way to help you keep cool: *American Banker's Washington Watch.*

We broke the news about the plans by credit union trade associations to branch cross-country. We warned readers that the FDIC will crack down on banks and thrifts that aren't paying enough for insurance, and that the Fed was flirting with examination fees. We also uncovered plans that would let banks pay less for deposit insurance provided they set up certain special programs.

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AMERICAN BANKER Opinion

Comment

By William M. Isaac

A Time to Show Leadership In Ending Discrimination

Before being appointed to the board of the Federal Deposit Insurance Corp., I was a young officer at the largest bank in Kentucky.

Having been reared in a small Ohio town, I'd had little experience with race discrimination.

One of the most prestigious clubs in downtown Louisville had a "whites only" rule. A young black man, a graduate of Dartmouth and Harvard who had joined one of Louisville's largest law firms, was denied entrance to the club as a guest to play squash.

When I arrived at the FDIC, I decided I would do what I could to change what I had come to regard as a deplorable and degrading practice. I believed that private clubs discriminating on the basis of race, religion, or gender should not be supported by the business community.

I encouraged the FDIC board to adopt a policy statement "discouraging" banks from paying dues to clubs with discriminatory membership practices. We had no legal authority to enforce the policy statement.

We were simply taking a stand, trying to exert a little moral leadership.

Disappointing Reaction

Soon after the policy statement was issued, I appeared on a "meet the regulators" panel at a bankers convention. Many of the bankers in the audience were enraged about the FDIC policy statement.

One banker received an ovation when he called me a "goddamned bureaucrat who ought to have something better to do."

The episode made me angry, to be sure. But mostly I was disappointed.

I had worked with bankers for a lot of years. They were good, decent people, pillars of their communities.

They had an opportunity to put something right that was terribly wrong. Not many private clubs would be able to maintain their discriminatory practices in the face of bank resistance.

I had hoped that banking's leaders would speak out in favor of what we had done. Had the industry's leaders done this – in short, had they led – banking would not only have done the right thing, it would have scored huge public relations and political coups.

Instead of leading, the industry's captains allowed a few noisy reactionaries to be the industry's voice. The results were some angry and disappointed regulators and some very bad publicity.



INSTEAD *of complaining futilely about being singled out, bankers should take the initiative, stressing that they will not tolerate discriminatory lending, whether intentional or unwitting.*

A Choice to Make

The industry has a similar choice before it today. The regulators, the Clinton administration, Congress, and the media are all focused on community reinvestment and discriminatory lending practices.

Indeed, Gene Ludwig, the new comptroller of the currency and an old friend of the President's, has made the issue of eliminating discriminatory lending practices is one of his highest priorities.

Federal Reserve Governor Larry Lindsey, from a different political camp, has been equally outspoken on the subject.

The industry's leaders can remain silent. If they do, a void will be created – and it will inevitably be filled by the reactionaries.

The Real Issue

No bank of any consequence would knowingly engage in discriminatory lending practices. That's not the issue. The issue is whether the banks are doing enough to help identify and overcome the subtle forms of discrimination that exist throughout our society.

Bankers can complain that they are being singled out unfairly and that banks' competitors should be forced to do their part. Banks will not gain any relief through this strategy, though they might acquire companions in misery.

I think it makes a lot more sense for the industry to take the initiative in understanding and addressing the concerns of the community groups.

The industry's leaders should get out front and make it clear that bankers care deeply about their communities and will not tolerate discriminatory lending practices, whether intentional or unwitting. □

Comment

By Brian W. Smith and Dorann E. Banks

With Fair Lending in the Spotlight, Banks Need to Focus on Compliance

Recently, the issue of fair lending compliance has taken on a new priority that financial institutions must take seriously.

The new Federal Deposit Insurance Corp. and Office of the Comptroller of the Currency examination guidelines, a series of congressional hearings on fair-lending violations, and the Clinton administration's emphasis on adequate lending opportunities for minority and low-income individuals have combined to highlight the increased awareness and importance of fair-lending compliance.

Now more than ever, actual or perceived equal credit violations, as determined by the "effects test," may result in costly and time-consuming examinations, regulatory penalties, and potential referrals to the Justice Department.

Therefore, it is essential for every depository institution to analyze and reevaluate its lending activities and compliance programs in order to determine not only its actual compliance with the laws, but the effectiveness of its programs.

New Examination Guidelines

Specifically, the OCC intends that its new guidelines answer two questions:

▪ Do equally qualified applicants receive equal treatment without regard to race or national origin?

▪ Do banks give the same amount of assistance to minority versus nonminority candidates?

THE EMPHASIS *on regulatory compliance is not limited to large banks or those in urban areas.*

dates throughout the loan process.

The FDIC, in its guidelines, has suggested that its examiners will be asking the same questions. Although the Federal Reserve Board has not yet issued its guidelines, the board appears to be using essentially the same criteria as the other agencies in evaluating suspect lending practices.

Among the initiatives that the OCC, and potentially the other agencies, will use in order to help determine whether a bank is violating the fair-lending laws are:

▪ The use of "testers" to identify potential pre-loan steering.

▪ The elimination of the prohibitions on banks' recording information about the race and national origin of business and general consumer loan applicants in order to allow institutions to better monitor their compliance.

▪ The development of statistical analyses to augment current examination procedures.

Further, the agencies' examination efforts will be far-reaching. For example, of the estimated 900 institutions that are said to hold the bulk of national bank assets and deposits, Comptroller of the Currency Eugene A. Ludwig estimated that by the end of this year the OCC will have completed examinations in approximately 250.

Compliance Examinations

The emphasis on regulatory compliance is not limited to large banks or those in urban areas. As Mr. Ludwig explained, the new examination procedures are designed to be effective in reviewing banks with as few as five mortgage loan denials for minority applicants and emphasized that the procedures can be "adapted to detect other forms of discrimination in national

See **BANKS SHOULD** *next page*

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Comment

By Brian W. Smith and Dorann E. Banks

Banks Should Focus on Compliance Plans

Continued from *page 4*

banks that do not make a significant number of mortgage loans."

Fair-lending compliance issues and regulatory investigations thus will be an important and immediate consideration for banks and thrifts involved in housing finance activities. There are several important trends that can be identified:

▪ Regulators are aggressively targeting banks for investigations in accordance with their February announcement and the current administration's acknowledged goals in this area.

▪ The methods and information used by the government in the Decatur Federal test case brought by the Justice Department in 1992 are instructive for banks undergoing compliance examinations. A statistical analysis combined with comment and canvassing seems to be viewed as a predictive blueprint by the banking community.

▪ It is tempting, but unwise, for a bank to concentrate its loan ratios to those of its competitors

PREVENTING *an investigation is always preferable to defensive action.*

using "peer group" data and to believe that as long as it is not at the bottom of the pack, it is safe. Regulators are increasingly seeking the worst offender in a region, but are independently evaluating a bank based on a predetermined ideal.

▪ Even if a bank has not recently been notified of a pending examination, the institution may not be out of trouble. Investigations are slated to continue for approximately the next nine months, and even those examinations that have been initiated, but have not been concluded, may now be incorporated into the current regulatory push for compliance.

▪ Banks should be aware that their HMDA data for a number of years may be used in current investigations for comparisons in order to illustrate a "pattern or practice" satisfying the effects test under the law, and leading to a referral to the Justice Department.

▪ Generally, the bank regulators are likely to make referrals to the Justice Department to pursue instances of discrimination. If they have "reason to believe" that there may be a pattern or lending discrimination by an institution, referrals are mandatory.

Self-Evaluation Program

Preventing an investigation is always preferable to defensive action. Frequent self-evaluations are helpful in creating an effective compliance program that will satisfy agency regulators.

There are several steps that banks can use on a continuing basis to review their practices. These methods of analysis will become even more critical upon notification of a pending investigation or examination:

▪ Review the bank's raw HMDA data from an objective standpoint. The regulators will be using these statistics in comparison to the bank's defined community as a regulatory shorthand. Even if the reasons behind each of the denials seem sound, statistical evidence may indicate an initial problem to the regulators.

▪ It is important to carefully review not only the minority loan rejections but to scrutinize the bank's files for nonminority loans that have been approved.

In determining whether disparate treatment may have taken place, regulators look for the "thick file" syndrome, where a greater number of documents in nonminority files leads to the assumption of "coaching" white applicants to explain away their deficiencies while allowing those deficiencies to lead to the rejection of minority candidates.

The bank must understand what the differences in treatment are and why they exist.

▪ Review the flexibility in the bank's lending policies. Consider how much discretion individual loan officers are given in the institution and review the factors included in the policy manual as automatic loan disqualifiers.

Make sure that factors leading to automatic rejection are available to the public and that they are consistently applied.

▪ Advertising should be designed to penetrate all of the relevant neighborhoods within the designated community. Determine whether the bank is taking advantage of a multimedia approach and whether that approach includes publications that are read by and available to low-income and minority applicants.

▪ Even if the bank is advertising to a wide range of people and does not currently show significant discrepancies in its loan approval/rejection ratios, a bank may continue to have low penetration into minority communities if it does not offer a product designed to meet the needs of the low-income and minority applicant.

As a result, it is advisable to determine the types of lending or home mortgage products that will adequately suit the minority community and to make those products available. Make sure that the credit standards used are both acceptable to the bank from a safety-and-soundness perspective and that they are clearly articulated in the relevant policies.

It is important to recognize that older, urban-based areas that are under redevelopment or that contain a significant minority and low-income population may require a different type of loan package than a newer, expanding suburb.

Positive Approach

While the examination process will undoubtedly lead to some degree of anxiety for an institution, it is critical that the bank use this opportunity to influence examiner conclusions and to create a positive "case" for the institution.

Banks should actively participate in the examination and monitor problem areas as they develop so that they can respond by bringing favorable information to the examiners' attention.

Quick and decisive responses to the examiners' inquiries and concerns during the examination may help to forestall a final, negative conclusion.

Following the examination, the regulators will usually conduct an exit interview with bank personnel. This should be used as an additional opportunity to clarify the institution's positions and practices and to address any concerns that have surfaced during the examination.

It is important to remember that the current administration considers compliance with the fair-lending laws a high priority. At present, the regulatory agencies and the Justice Department appear to be reevaluating the meaning of compliance with the fair-lending laws and their respective roles in enforcing those laws.

The banking community must realize that compliance considerations will be an important part of the regulatory landscape for the foreseeable future. □

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STATEMENT OF CONDITION, JUNE 30, 1993

ASSETS		
Cash and Due from Banks		$194,774,322
U.S. Government Securities		
Direct and Guaranteed		153,101,185
State and Municipal Securities		21,354,308
Federal Funds Sold and Securities Purchased Under Agreement to Resell		193,600,000
Loans and Discounts		694,871,934
Customers' Liability on Acceptances		37,439,199
Interest and Other Receivables		31,884,157
Premises and Equipment, net		48,839,391
Other Assets		14,581,344
		$1,423,445,840
LIABILITIES		
Deposits		$1,210,595,718
Federal Funds Purchased and Securities Sold Under Agreement to Repurchase		16,515,000
Acceptances Less Amount in Portfolio		37,439,199
Accrued Expenses		20,154,189
Other Liabilities		7,741,734
Capital	$45,000,000	
Surplus	86,000,000	131,000,000
		$1,423,445,840

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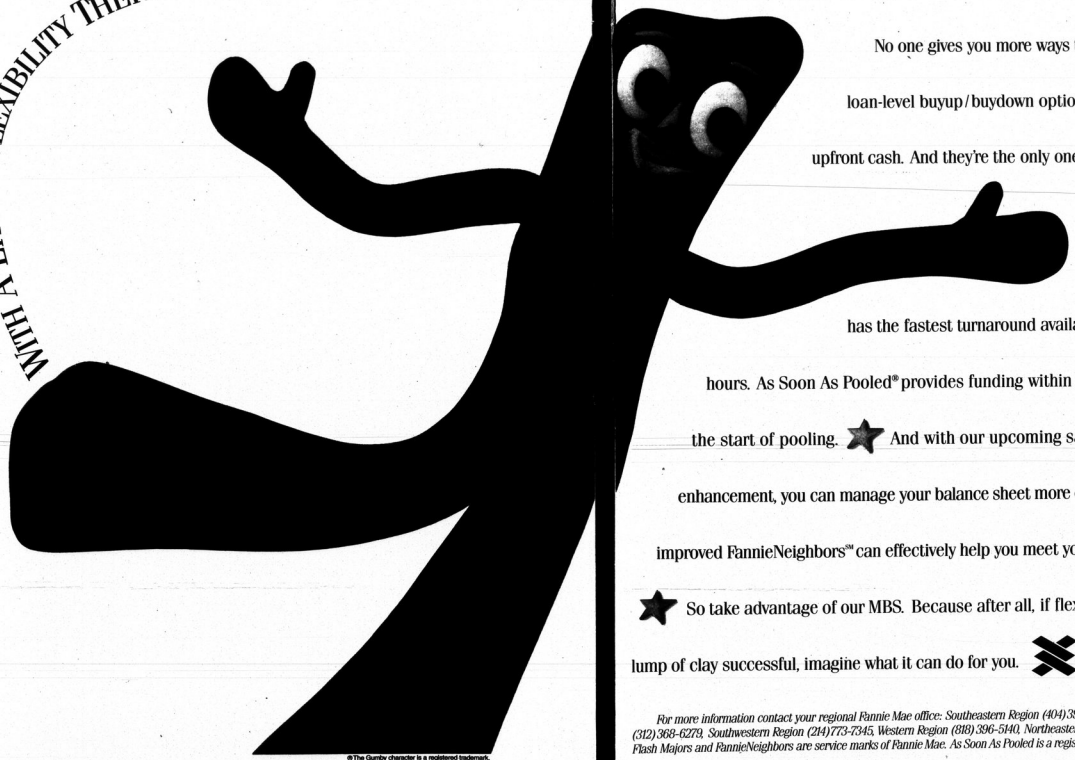

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Bank Shares Fall Despite New Round Of Robust 2d-Quarter Earnings Reports

Continued from page 1

National Corp., conceded that investors need more evidence of health. "Loan demand is not robust." he said. "One of the challenges [for banks] will be on the revenue side."

Margins Under Pressure

Sandra J. Flannigan, an analyst at Merrill Lynch & Co., noted as well that interest margins are under pressure. About half the banks she covers reported larger-than-expected decreases in the margin, she said. "We're seeing it even though loans are picking up," she said. "You have to be worried about the spread on some of the loans being booked."

PNC BANK CORP.

The Pittsburgh-based bank company, the nation's 11th largest, said second-quarter earnings climbed 32.5% to $169.1 million, without the heavy reliance of recent quarters on special gains.

PNC posted a modest $6.6 million of gains from sales of debt securities, down from $105 million in the first quarter and $47 million a year ago.

It attributed the strong showing to shrinking credit costs and reduced expenses. The company's loss provision fell 12.4% from $61.4 million in the first quarter, while nonperforming assets were cut another $65 million to $675 million, or 2.63% of gross loans.

PNC's noninterest expenses, primarily from salaries and occupancy costs, dropped to $345 million from $387 million in the first quarter.

But PNC's net interest margin fell 18 basis points since the first quarter to 3.96% because of lower loan fees and prepayments of mortgage-backed securities. And its outstanding loans grew a scant 1.22% during the quarter, despite an acquisition-fueled rise in assets of 2.27%.

The bank's stock fell $1.875 to $30 a share in late trading Wednesday afternoon.

— Steve Klinkerman

FIRST CHICAGO CORP.

Gains in credit card revenue and trading sustained profits at the nation's 13th-largest bank company. Quarterly earnings spiraled to $168.5 million from $34.5 million one year earlier.

First Chicago's stock price rose 25 cents to $42.75 a share in late trading Wednesday.

The company's burgeoning credit card portfolio yielded $164.2 million of fee revenue, up 12% from the first quarter and 41% from the year-ago period. Trading gains of $91.6 million were up 68% from the first quarter and 148% from a year ago.

Venture capital gains of $19 million after-tax contributed strongly to profits, but were down from $57 million in the first quarter.

Chicago Corp. analyst Kenneth Puglisi cautioned that trading and venture capital gains probably will trend downward later this year.

But Robert Albertson, who follows the company for Goldman, Sachs & Co. was upbeat.

"The results are not fully sustainable because of the special gains, but First Chicago's core businesses still are ahead of where we thought," he said.

Indicating that it is still battling real estate problems, First Chicago recorded a $47 million increase in problem commercial realty loans in the second quarter despite completing the previously announced sale of $500 million of problem assets to GE Capital Corp. Nonperforming assets at the company grew 10% to $415 million.

— Steve Klinkerman

WACHOVIA CORP.

The North Carolina company earned $123.1 million in the second quarter, largely on the strength of improved noninterest income, tight expense controls, and fewer credit problems.

Earnings of 70 cents a share were in line with analyst consensus estimates, as compiled by First Call. But Wachovia's shares fell 87.5 cents to $34.125 a share in late afternoon trading.

Strong gains in trust fees, service charges, and bond trading profits helped total fee income rise 16% to $149.8 million from $129.7 million one year earlier.

Wachovia's nonperforming assets fell 18% to $227 million from $275 million in the first quarter. Chief financial officer Robert S. McCoy Jr. attributed this to "some good work in selling foreclosed properties."

The company's loan-loss provision of $26.1 million rose slightly from $25.1 million in the first quarter, but was 7% below the year-ago quarter. Chargeoffs, reflecting losses from the bank's aggressive marketing of credit cards, rose $3.2 million from the first quarter to $17.2 million. But card chargeoffs, combined with a boost in consumer installment lending, led to a 9.5% increase in loans to $21.7 billion from a year ago.

"We are booking a very large number of loans, but we've also had very large paydowns," Mr. McCoy cautioned. "Large companies have access to alternative credit markets and are using the proceeds to pay down bank debt. It takes booking a lot of loans to offset that."

— Kenneth Cline

SHAWMUT NATIONAL CORP.

New England's third-largest bank company earned $56.3 million in the second quarter – more than six times its year-earlier gain. A dramatic decline in nonperforming assets and a jump in net interest income caused the gain.

"Core earnings will continue to be very strong," Mr. Alvord, the company's chairman, said in an interview. "Credit quality [problems] are pretty much a thing of the past, and we're in the midst of a cost management program that should improve our operating ratios."

Shawmut's stock, which was down as much as $1.125 Wednesday afternoon, bounced back to close down 25 cents at $23.25 a share.

Shawmut – which completed two bulk sales of real estate during the quarter – said its nonperforming assets fell 34% in the quarter to $513.1 million.

"They still have a lot of foreclosed real estate," said Lawrence Cohn, an analyst at Paine-Webber Inc. "But that will continue to go down and help their earnings."

Shawmut reaped a 9-basis-point gain in its net interest margin during the quarter to 4.10%, reflecting its across-the-board lowering of deposit rates in March by 20 to 50 basis points. Bank officials and analysts said the move has not led depositors to withdraw funds.

"They've had lower pricing for four months now, with no negative impact," said Michael Mayo, an analyst at UBS Securities who raised his 1993 estimate for Shawmut to $2 a share from $1.85 on Wednesday.

— Yvette D. Kantrow

FIRST OF AMERICA

The Kalamazoo, Mich.-based company earned $59.6 million in the second quarter, up 1.71% from the first period and more than double the year-ago results. Its return to investors translated into a strong 1.17% on average assets and 17.16% on average equity.

But the bank's net interest margin of 4.92% was down 4 ba-

See ROBUST next page

PNC BANK CORP.
Pittsburgh
(Dollar amounts in millions (except per share))

Second Quarter	1993	1992
Net income	$169.1	$127.6
Per share	0.71	0.58
ROA	1.08%	0.87%
ROE	17.58%	15.07%
Net interest margin	3.96%	4.04%
Net interest income	466.1	456.2
Noninterest income	194.4	231.7
Noninterest expense	345.1	330.9
Loss provision	53.8	100.2
Net chargeoffs	48.0	98.0

Year to Date	1993	1992
Net income	$336.8	$150.6
Per share	1.41	0.70
ROA	1.39%	0.71%
ROE	17.73%	9.15%
Net interest margin	4.04%	3.99%
Net interest income	924.7	895.2
Noninterest income	474.7	465.6
Noninterest expense	732.2	677.4
Loss provision	115.2	166.6
Net chargeoffs	95.0	151.0

Balance Sheet	6/30/93	6/30/92
Assets	$33,918.0	$45,455.0
Deposits	26,503.0	28,095.0
Loans	25,434.0	24,587.0
Reserve/nonp. loans	199.57%	132.58%
Nonperf loans/loans	1.51%	2.57%
Nonperf asset/asset	1.25%	2.01%
Leverage cap ratio	7.80%	7.66%
Tier I cap. ratio	10.50%	10.11%
Tier I+2 cap. ratio	12.50%	12.40%

FIRST CHICAGO CORP.
Chicago
(Dollar amounts in millions (except per share))

Second Quarter	1993	1992
Net income	$168.5	$34.5
Per share	1.81	0.32
ROA	2.09%	0.50%
ROE	31.58%	6.92%
Net interest margin	2.56%	2.62%
Net interest income	311.5	300.9
Noninterest income	593.5	287.8
Noninterest expense	466.6	425.1
Loss provision	71.0	127.0
Net chargeoffs	97.0	119.0

Year to Date	1993	1992
Net income	$347.6	$205.3
Per share	3.78	2.30
ROA	1.24%	1.23%
ROE	22.40%	23.00%
Net interest margin	2.57%	2.60%
Net interest income	624.0	597.1
Noninterest income	994.0	667.1
Noninterest expense	999.2	817.8
Loss provision	136.5	240.0
Net chargeoffs	106.0	226.0

Balance Sheet	6/30/93	6/30/92
Assets	$40,082.0	$47,700.0
Deposits	27,794.0	29,623.0
Loans	21,621.0	24,458.0
Reserve/nonp. loans	222.00%	108.00%
Nonperf loans/loans	1.70%	3.33%
Nonperf asset/asset	0.83%	2.70%
Leverage cap ratio	7.40%	7.00%
Tier I cap. ratio	8.00%	6.80%
Tier I+2 cap. ratio	12.00%	11.00%

WACHOVIA CORP.
Winston-Salem, N.C.
(Dollar amounts in millions (except per share))

Second Quarter	1993	1992
Net income	$123.1	$109.0
Per share	0.70	0.62
ROA	1.21%	1.08%
ROE	17.27%	16.29%
Net interest margin	4.78%	4.82%
Net interest income	346.1	332.9
Noninterest income	149.8	129.7
Noninterest expense	272.8	265.4
Loss provision	26.1	28.0
Net chargeoffs	17.2	20.9

Year to Date	1993	1992
Net income	$244.7	$214.7
Per share	1.39	1.21
ROA	1.20%	1.05%
ROE	17.17%	15.97%
Net interest margin	4.79%	4.75%
Net interest income	691.1	663.7
Noninterest income	291.2	252.7
Noninterest expense	556.0	534.6
Loss provision	51.2	62.6
Net chargeoffs	31.2	47.8

Balance Sheet	6/30/93	6/30/92
Assets	$23,240	$21,440
Deposits	21,890	22,324
Loans	21,690	19,913
Reserve/nonp. loans	223%	194%
Nonperf loans/loans	0.98%	1.27%
Nonperf asset/asset	1.04%	1.45%
Leverage cap ratio	8.92%	8.27%
Tier I cap ratio	10.0%	9.9%
Tier I+2 cap ratio	11.2%	11.2%

SHAWMUT NATIONAL CORP.
Hartford, Conn.
(Dollar amounts in millions (except per share))

Second Quarter	1993	1992
Net income	$56.3	$8.6
Per share	0.58	0.09
ROA	0.99%	0.16%
ROE	15.50%	2.50%
Net interest margin	4.10%	4.92%
Net interest income	235.4	209.2
Noninterest income	93.9	96.5
Noninterest expense	229.6	221.6
Loss provision	7.0	48.7
Net chargeoffs	39.9	78.7

Year to Date	1993	1992
Net income	$92.6	$51.9
Per share	0.91	0.63
ROA	0.76%	0.40%
ROE	12.56%	6.97%
Net interest margin	4.02%	4.97%
Net interest income	461.1	424.9
Noninterest income	191.4	279.5
Noninterest expense	564.6	591.1
Loss provision	19.2	117.2
Net chargeoffs	89.1	162.2

Balance Sheet	6/30/93	6/30/92
Assets	$25,058.0	$22,638.0
Deposits	15,000.0	15,300.0
Loans	14,855.0	12,918.0
Reserve/nonp. loans	4.54%	7.04%
Nonperf loans/loans	2.65%	0.82%
Nonperf asset/asset	2.37%	0.82%
Leverage cap ratio	5.90%	6.02%
Tier I cap ratio	7.23%	7.36%
Tier I+2 cap ratio	11.59%	11.17%

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Robust Earnings Fail to Sway Investors

Continued from page 8

sis points from the first quarter.

First of America Bank Corp.'s loss provision of $20 million inched down from $23.8 million in the first quarter. The bank finished the second quarter with $173.6 million of problem assets, or a slender 1.25% of gross loans.

Commercial loan demand in Michigan remains weak, said Daniel P. Smith, First of America's chairman and chief executive. But he noted that consumer loans are growing.

The company's stock lost 12.5 cents to $38 a share in late trading Wednesday.

— Steve Klinkerman

FIRST BANK SYSTEM INC.

A big charge related to the company's termination of Lokorado Nation Bancshares during the quarter skewed results at the Minneapolis-based company. First Bank earned $33.5 million, down 42.74% from the second quarter of 1992.

The company booked a pretax charge of $72.2 million for the purchase of the Denver bank in May.

However, First Bank reported improved fundamentals. Absent the charge, it would have earned $83.5 million, or $1.08 on an assets of 1.32% – up from 1.25% in the first quarter and 1% one year ago. Prior results were restated to reflect the pooling acquisitions of two western banks.

The company's problem assets fell by $46 million during the second quarter to $328.5 million, or 1.82% of gross loans.

Surges in residential mortgages and commercial credits sparked a 3.82% expansion of First Bank's net loans during the second quarter to $16.84 billion.

First Bank's shares lost $1.125 to $29.75 in late trading Wednesday.

— Steve Klinkerman

HUNTINGTON BANCSHARES

The Columbus, Ohio-based company reported net income of $53.2 million for the second quarter, an increase of 48.8% from $35.7 million in the same period last year.

Huntington matched its peak profitability figures of the first quarter, earning $53.2 million for an ROA of 1.4% and an ROE of 19.87%.

The company's second-quarter net interest margin of 5.34% fell from 5.47% in the first quarter, while its loss provision of $24.4 million inched up from $22.3 million in the first quarter.

But Huntington chairman and chief executive Frank Wobst said in a prepared statement that loan growth and sharply increased mortgage origination fees sustained profitability.

— Steve Klinkerman

SIGNET BANKING CORP.

The Richmond-based company, which has $12 billion of assets, reported a 51% second-quarter gain of $40.4 million.

Signet's net interest income rose 22% to $129.8 million, primarily because of robust growth in credit card loans. Credit card servicing income helped boost noninterest income by 16% to $81.2 million from 1992's second quarter.

But shares of Signet tumbled $3.75 in trading Wednesday as analysts expressed concern about a 32-basis-point drop in the net interest margin to 5.03% during the quarter.

"The margin contraction was very much unexpected on Wall Street, and anytime you have a surprise of that magnitude there is a tendency to think the worst," said Ms. Flannigan, the Merrill Lynch analyst.

Anthony Davis, who follows Signet for Dean Witter Reynolds Inc., said the company's chief problem was the maturation of about $450 million of interest rate swaps that had been insulating it from high interest costs on $2.5 billion of certificates of deposit. Signet has been using CDs to fund its aggressive credit card marketing program.

But he and some other analysts said investors were overreacting to the margin squeeze.

— Kenneth Cline
and Stephen Kleege

OTHER RESULTS

Another Richmond-based company, **Central Fidelity Banks Inc.**, said Wednesday it earned $26.3 million in the second quarter, up 33% from the year-ago period. Central Fidelity, which has $9.1 billion in assets, reported growth in both interest and noninterest income.

First Alabama Bancshares Inc., Birmingham, earned $27.9 million, up 21% from $23.1 million 12 months earlier. First Alabama, which has $8 billion in assets, cited "good loan growth" as contributing to its results.

— Kenneth Cline

U.S. Trust Corp. in New York reported a 22% gain over the previous year's second quarter to $9.8 million, or 99 cents a share. Net interest income rose 10% to $28.8 million from a year ago while fiduciary and other fees rose 11% to $65 million.

Average loans increased nearly 15% to $137 million – a jump the bank attributed entirely to its private banking business. It said residential real estate mortgages accounted for more than 75% of the gains.

Nonperforming assets fell during the quarter, but expenses rose 7.6% to $76.5 million compared with a year ago. Salaries and employee benefit expenses were up 15% to $6.2 million.

— Karen Gullo

Riggs National Corp., the troubled Washington, D.C., bank, posted a second-quarter loss of $73.2 million, versus a year-earlier loss of $2 million. The company took a $61 million restructuring charge during the quarter to reorganize its operations in the United Kingdom.

David Siegel contributed to this story.



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NationsBank CRA Stake Helps an Alabama Bank

By PHIL ZAHODIAKIN

CRA

EVER SINCE NationsBank Corp. invested $350,000 in Commonwealth National Bank of Mobile, Ala., business at the minority-owned bank has been booming.

"We've added a million in assets since the end of June, and I don't know when it's going to stop," said Alpha Johnson, the bank's chief executive.

NationsBank, based in Charlotte, N.C., agreed to invest the $350,000 in exchange for nonvoting, nonconvertible preferred stock.

It said an agreement with Commonwealth sets a cap of 50% on its ownership share of the bank, if NationsBank later puts more money into the $10 million-asset Commonwealth.

But NationsBank, which has been promoting itself as the country's top Community Reinvestment Act bank, said it never was interested in taking over the tiny Alabama institution.

"We felt it was a natural fit," said Julie Turner, a NationsBank spokeswoman.

"We got a correspondent banking relationship with them. And the best part of it is, we'll be helping a good, sound minority bank remain successful," she said.



Alpha Johnson

Mr. Johnson, formerly vice president of Bank South Corp.'s commercial division in Atlanta, said the bank has 900 shareholders. "Takes a lot of folks in a minority community to start a bank."

It turned out that the largest shareholder knew NationsBank chairman Hugh McColl through the military, and that's what led to talks about an investment.

Commonwealth, founded in 1976, had been in trouble. Mr. Johnson was recruited to turn the bank around, and "we easily could have been out of business" if he had failed to upgrade management and restructure failing assets, he said.

He did not fail. "I thank the community. They really supported us, and the regulators supported us, too."

Thanks in part to NationsBank's investment, Commonwealth "presently far exceeds our capital requirements, and people are really responding. We've grown 20% since the first of the year, and we're really growing now."

Mr. Johnson said the $350,000 investment is helping, but he added that Commonwealth still needs stronger capital to help the minority-owned businesses in his service area.

Despite ties to the community that Mr. Johnson describes as extremely close, the bank has only a "satisfactory" CRA rating. Mr. Johnson said he does not know why the grade is not higher. "I haven't been worried about CRA, because we were overly generous before I got here. I don't even know when the exam was. I've had other things to worry about."

John Taylor, who heads the National Community Reinvestment Coalition, said NationsBank "has put it in their heads that they're going to be the national community bank. By no means is Nations that but, so their credit, they've got it out front that they think community reinvestment makes sense."

Mr. Taylor said NationsBank's investment would earn points during an exam if it helps Commonwealth serve a portion of an area targeted for CRA lending.

Focus on: BOSTON AREA

Beantown Leaders

The greater Boston area's top 10 community banks,* in profitability

	Return on assets	Assets (millions)
Broadway National Bank of Chelsea	1.94	$106
Cape Cod Five Cents Bank Now Bluskey	0.97	35
Cambridge Trust Co.	0.92	337
Foxboro National Bank of Foxboro	0.86	59
Suburban National Bank of Arlington	0.75	35
Winfield National Bank and Trust	0.68	102
Enterprise Bank and Trust Co. of Lowell	0.63	143
Blades Ferry Trust Co. Bluskey	0.61	190
Farmington National Bank Now Bluskey	0.59	158
First and Ocean National Bank of Boston	0.54	80

*Banks with assets of less than $1 billion, excluding banks owned by holding companies with more than $1 billion of assets.

Areas of Growth

Computer software
Management consulting
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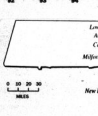
Biomedical research

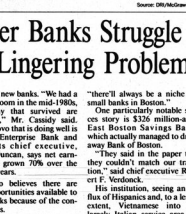
Areas of Decline

Computer hardware
Defense manufacturing

Vital Statistics







Source: DRI/McGraw-Hill

Boston's Smaller Banks Struggle To Overcome Lingering Problems

By PHIL ZAHODIAKIN

The performance of community banks in the Boston area reflects the asset problems the region is still suffering.

According to data from Sheshunoff Information Services Inc., only one of the region's top 30 small banks is returning more than 1% on assets.

"They still have not come back to their peak performance levels due to the lingering effects of problem assets," says Gerard Cassidy, senior vice president of equity research at Tucker Anthony, Portland, Maine.

"The small banks are working through their problems, and doing a good job, but they're just not as fast as Fleet or Shawmut because they don't have the resources."

Vanishing Act

Many of them disappeared in consolidations and were not replaced by new banks. "We had a de novo boom in the mid-1980s, and many that survived are struggling," Mr. Cassidy said. One de novo that is doing well is Lowell's Enterprise Bank and Trust. Its chief executive, George Duncan, says net earnings have grown 70% over the last four years.

He also believes there are many opportunities available to small banks because of the consolidations.

"The traditional business of small commercial loans is very flat, but we're not standing still. We started a trust department last year, and it's already up to $90 million. It's very gratifying."

Jim Dwinell, chief executive of Cambridge Bank and Trust, says about 30% of the area's small banks and thrifts have disappeared over the last four years.

But he says his feeling is that "there'll always be a niche for small banks in Boston."

One particularly notable success story is $326 million-asset East Boston Savings Bank, which actually managed to drive away Bank of Boston.

"They said in the paper that they couldn't match our tradition," said chief executive Robert F. Verdonck.

His institution, seeing an influx of Hispanics and, to a lesser extent, Vietnamese into his largely Italian service area "is still reaching out to the community, because we've hired staff who are fluent in Spanish and Portugese and Vietnamese as well as Italian. We're holding seminars for first-time homebuyers in those languages."

"We've done $23 million in loans the first six months of the year, and that's $3 million ahead of last year's pace. We're also opening a new branch in August, and I think that's unusual for small banks up here." □

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EXECUTIVE *changes*

Magna Names Lou Ann Poynter President, Chief Operating Officer

Lou Ann Poynter has been promoted to president and chief operating officer of **Magna Bancorp** and its principal subsidiary, **Magnolia Federal Bank for Savings**, Hattiesburg, Miss.

She succeeds **David M. Thomas**, who retired at the end of June. Mr. Thomas had been president since 1988.

Robert S. Duncan continues as chairman and chief executive officer of Magna Bancorp.

Ms. Poynter has been executive vice president and treasurer of Magnolia Federal since 1991, with responsibility for finance and administrative operations.



Lou Ann Poynter

She is a member of the bank's board of directors and has served in various capacities since she joined the company in 1972.

Ms. Poynter has also served as treasurer and director of Magna Bancorp since 1991.

She is a member of the government affairs council and the tax and accounting committee of the **Savings and Community Bankers of America**.

She also is active in various other industry organizations, including the Mississippi League of Savings Associations, Financial Managers Society Inc., Mississippi Society of Certified Public Accountants, and the American Institute of Certified Public Accountants.

She also has served on the Thrift Industry Accounting Committee and the Mississippi State Board of Public Accountancy. — **Franklin Smith**

SOUTHEAST

UNITED NATIONAL Bank, Parkersburg, W.Va., has promoted **Merrel O'Shea** to senior vice president.



Merrel O'Shea

Ms. O'Shea is responsible for a loan and deposit portfolio that includes commercial business throughout West Virginia, Kentucky, and Ohio.

NORTHERN TRUST Bank/Naples, Fla., said **George M. Walters Jr.** has joined the bank as second vice president in trust/new business.



G.M. Walters Jr.

Mr. Walters comes to the bank with 29 years of experience in the estate and financial planning fields.

He formerly was an estate and financial planner and insurance consultant with James L. Martin Inc. in Naples.

MIDDLE ATLANTIC

PENNSYLVANIA National Bank, Pottsville, Pa., has promoted **James E. Kirkpatrick** to vice president.

Mr. Kirkpatrick is a commercial loan officer with responsibility for the management and development of the bank's corporate loan portfolio in the Reading/Berks region.

PENN FEDERAL Savings Bank, Newark, N.J., said **Joan C. Gross** has joined the bank as manager of its Caldwell branch and **Robert J. Peluso** has joined as manager of its Upper Montclair branch.

WEST

CHINO VALLEY BANK, Ontario, Calif., has made the following appointments:

James Apodaca to vice president and lending officer of the bank's construction loan department; **Robert D. Aikin** to assistant vice president and banking officer of the bank's Ontario office, and **William Dye** to assistant vice president and banking officer of the Fontana office.

Also, **Howard V. Shores** to investment sales manager, Tri-City office in Riverside; **Gwendolyn L. Sifuentes** to agri-business officer in the bank's agri-business department, and **Linda Borba** to vice president and investment officer with responsibility for managing annuities and mutual funds.

FAR EAST NATIONAL Bank, Los Angeles, named **Alex Garby** executive vice president and chief operations officer responsible for data processing, international banking, bank facilities, credit card operations, and human resources.

Glenn H. Yee was named executive vice president and chief administrative officer responsible for the administration of a new mortgage banking division, a small-business loan division, and all other new products and services.

Karen Au has been promoted to senior vice president-credit administration responsible for all loan administration other than origination.

Nan Nan Xu has been promoted to senior vice president for marketing, international banking division, and is responsible for the bank's Pacific Basin activities, especially with China.

MIDWEST

PARK NATIONAL BANK, Newark, Ohio, has promoted **Kim Last** to banking officer.

VALLEY BANK, Janesville, Wis., an affiliate of **Valley Bancorp.**, has named **Patty W. Amundson** president and chief operating officer.

Ms. Amundson has been executive vice president of the bank since September 1992, with responsibility for overall day-to-day operations.

She succeeds **Ronald K. Ochs**, who has become chief executive.

Mr. Ochs replaces **Rowland J. McClellan**, who remains chairman of the board of directors. □

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MasterCard Gives Gold Card A Boost with Travel Benefits

By STEPHEN KLEGGE

MasterCard International is beefing up its gold card program with an array of travel services and discounts.

The enhancements, available in September, represent the first major upgrade of Gold MasterCard benefits in three years. They could herald a series of actions by MasterCard and its rival, Visa U.S.A., to solidify bank members' relationships with their most affluent and profitable customers.

Gold cards are geared to the growing number of households earning at least $35,000 a year – currently 48% of the total.

Important Distinction

MasterCard's marketing initiative is intended to underscore the distinction between the gold and standard cards at a time when standard cards carry increasingly attractive rebates and enhancements.

That distinction is important in the competitive marketplace because it enables a bank to reward and retain its best customers, said Daniel T. Murray, MasterCard's senior vice president of marketing.

The new program, MasterGuest Vacation Planning Service, also is an attempt by MasterCard to assert itself in the travel and entertainment area, where Visa and American Express Travel Related Services Co. are particularly strong.

Discount on Cruise

One promotional flier being sent to bankers touts a possible $650 discount on a seven-night Caribbean cruise – provided the gold card is used to pay for it.

"The motivation was the need to differentiate the Gold MasterCard product not only from standard cards but also other gold cards," said Julian Romeo, vice president of Gold MasterCard.

MasterCard had nearly 20 million gold cards outstanding at the end of the first quarter, an increase of 18% in a year. Visa says 30 million of its gold cards are in circulation, up from 20 million in 1991.

Still, some analysts believe an upgrade of gold cards is long overdue. They note that a growing number of banks are increasing credit lines on standard cards to levels previously considered appropriate only for gold cards. And many gold cards come with no annual fee.

"You cut the price and eliminate distinguishing features, and what have you got?" said William O. Adcock, chairman of Synergistics Research Corp., Atlanta. "We've been saying for three years that something has to be done to revive the [gold] product."



Daniel T. Murray
Rewarding the best customers

The Gold MasterCard's benefits have remained basically unchanged since the spring of 1990, when a road assistance service was introduced. That offering was matched by Visa.

The company wants to set gold cards further apart from ordinary cards.

Visa considers the latest MasterCard program one of limited promotional scope.

Recent Enhancements

Although Visa is not announcing any new enhancements, it has been active during the past two years, said Wesley C. Tallman, executive vice president of product development.

In addition to a global customer assistance service, Visa introduced calling card benefits that gold-card holders receive for free. Visa also has participated in travel promotions, with the City of San Francisco and Busch Gardens, among others, Mr. Tallman said.

But he said the Visa Gold strategy is based on market research that shows travel promotions are less important to consumers than the credit limit, the accessibility of credit, and customer service.

"All of that builds to prestige, and if you get right down to it that's what a gold card is," the Visa official said.

Issuers to Set Pricing

Mr. Romeu said the minimum credit line on Gold MasterCard will remain $5,000, and decisions on pricing will be left up to each bank issuer.

The vacation benefits package, being offered in an arrangement with National Leisure Group of Boston, was selected from a list of proposals pitched MasterCard thought it could roll out quickly.

After testing travel ideas in consumer focus groups, MasterCard rejected such options as restaurant discounts and money transfer services.

"I think it's excellent," John Delany, director of marketing at Bank of New York Delaware, said of the the travel package. He said the service will help banks to differentiate between their gold and standard cards and is consistent with MasterCard's "smart money" advertising theme.

"We stepped back and reviewed all our products and made sure they stood for value," Mr. Murray said. The gold card program is positioned as "something that is useful, something that enables the gold-card holder to save money," he said.

Mr. Tallman argued that Visa's program offers more practical benefits. But he agreed that gold cards must continue to adjust if bankers are to build stronger customer relationships.

"Anything necessary to cater to them with products that are gold or beyond gold will be there," he said, "because that is the business of tomorrow." □

Burger King in Pact to Accept Cards

Boatmen's National Bank of St. Louis signed an agreement with MasterCard International to bring debit and credit card acceptance to 18 Kansas City-area Burger King restaurants.

Cards that the stores will accept include Maestro, MasterCard's on-line point-of-sale debit card; BankMate, the regional electronic banking card, and MasterCard and Visa cards.

The processing is being handled by the MasterCard Automated Point-of-Sale Program, known as MAPP.

Ram Mobile Data will use its wireless network to connect restaurant terminals to Banknet, MasterCard's global processing network. Authorizations are expected to take less than 10 seconds.

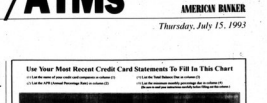
Other Deals

MasterCard also announced a similar agreement with merchants in Osage Beach, Mo. Central Bank of Lake of the Ozarks will handle the relationships.

The merchants – McDonald's, Captain D's, Hardees, Benetton, and Baskin-Robbins – are the first U.S. resort-area retailers to go live on Maestro.

— Lisa Fickenscher

Use Your Most Recent Credit Card Statements To Fill In This Chart



(1) How much EXTRA MONEY ... in addition to your regular monthly payments ... can you afford to pay each month on your two monthly credit card bills, to pay them off more quickly?

$ ____.00

(2) How many months would it take you to pay off your two credit card balances if you paid this extra amount each month? (Use the table below to find the number of months.)

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Plan Prods Consumers To Pay Off Their Debts

By LISA FICKENSCHER

Hoping to capitalize on the perception that consumer borrowers are overextended, Bankcard Holders of America is offering a service that encourages credit card customers to accelerate their debt payments.

For $10, the Herndon, Va., advocacy group is offering Debt Zapper, which tells cardholders how much money they will save by increasing their monthly installments, and how much those higher payments will shorten their repayment terms.

The report, delivered by mail, is based on software called Zilch, developed by Practical Applications of Laurel Bay, S.C.

Bankcard Holders of America is offering cardholders the service for $10.

"We are providing a service to people who don't own computers," said Gerri Detweiler, executive director of Bankcard Holders.

The 75,000-member group tested the offering at the beginning of this year. The official release came on Monday.

Revolving Debt on the Rise

The offering comes at a time when revolving debt, which includes credit cards, has been growing steadily, even as overall consumer debt has been leveling off.

Federal Reserve data show that revolving credit at the end of May was $264 billion, up from $247 billion last May.

A survey recently conducted for American Express Travel Related Services Co. showed 11% of cardholders make only that the minimum payment each month, and 32% sometimes pay the minimum.

The American Banker's consumer surveys in the past two years have shown a growing disenchantment with debt. Increasing numbers of consumers said that they believed debt levels are generally too high and that they were trying to save more.

Rep. Charles Schumer, D-N.Y., introduced legislation in April that would increase disclosure requirements. It would require, among other things, that issuers tell cardholders on monthly statements how long it will take them to pay off their debt by paying the minimum.

Observers Are Skeptical

Most bankers and analysts do not believe Debt Zapper and other such products will have much of an impact.

"We see that consumers are fairly sophisticated about paying their debt," said Cynthia Graham, president and chairman of card services at Barnett Banks Inc. "Our customers, according to in-house studies, only pay the minimum balance when they have temporary cash-flow problems, usually around holidays."

Frederick A. White, president of First Annapolis Consulting, which advises financial institutions on credit cards, added, "Credit cards have gone from being the highest-priced] form of debt to being very competitive, so there are actually more opportunities for consumers to lower their rate rather than pay down a high-rate card."

Advisory Service

Some banks, including the Bank of Lancaster County, Greenfield, Pa., and Colonial National U.S.A. of Bloomington, Del., have bought Zilch, and are looking at ways to use it as consumer advisory tool.

The Bank of Lancaster is considering the software as part of a budget counseling program, aimed at low- to middle-income customers who were either rejected for a loan or anticipate such a problem.

The counseling program is being developed, in part, to help the bank meet its Community Reinvestment Act requirements.

Fifth Third and Kroger Plan a Cobranded Card

By LISA FICKENSCHER

Fifth Third Bancorp of Cincinnati is planning a joint credit card marketing venture with Kroger Co., the nation's biggest supermarket chain.

Moving outside its midwestern base, Fifth Third will initially issue the cobranded Master-Card in Texas.

The program could eventually spread to all 32 states where Cincinnati-based Kroger has outlets and could result in a dramatic expansion of Fifth Third's $145 million card portfolio. The bank currently solicits cardholders only in Kentucky, Indiana, and Ohio.

Building Card Usage

"It will be the best credit card in the United States in terms of interest rates, rebates, and coupons," said George Landry, executive vice president of Fifth Third Bank. He declined to disclose the terms.

Cobranded programs are seen as a way to build card usage and balances. Frequent cardholders can earn benefits offered by the bank's partner each time they make a purchase.

The Kroger-Fifth Third card is expected to offer bonus points toward gifts from a catalog, among other benefits, said Darrell Robertson, president of *The Nilson Report*, a newsletter published in Oxnard, Calif.

The bank's card portfolio could expand enormously.

Nilson currently ranks Fifth Third 68th among bank card issuers in active accounts, but 84th in outstanding loans, which indicates why it may want to build balances.

Earning Points

The offering also will test a novel way to build customer loyalty to Kroger, which led the supermarket industry with $22 billion in sales last year.

A bar code printed on the Fifth Third card will enable cardholders to accumulate bonus points at Kroger even if they pay with cash.

After each purchase is tallied at the checkout counter, the card would be passed over a scanner to credit the customer's account.

Customers could earn points by using the card elsewhere, but could not use the bar code.

The program plays into the food marketing industry's experimentation with frequent-shopper incentives. Kroger is one of several chains that has tested the Shopper's Club, a point-scoring and micromarketing system developed by Advanced Promotion Technologies of Pompano Beach, Fla.

Two other Ohio banks have ties to that company – a unit of PNC Bank Corp. owns a minority stake, and Banc One Corp. signed an agreement last year to issue a cobranded card.

Kroger's choice of Fifth Third as its MasterCard issuer "was a logical move, said Kroger spokesman Paul Bernish. "We already had a merchant relationship with the bank."

Enhancing the bank's appeal to Kroger was its ability to process transactions. Fifth Third owns Midwest Payment Systems, a leading processor of electronic funds transfers, serving 43 states, Midwest Payment currently handles Kroger's Visa and MasterCard sales.

The card will be offered in Texas first because Kroger has run a promotional store-card program there. □

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Market	CREDIT CARD 7/15	CREDIT CARD 7/8	PERSONAL 7/15	PERSONAL 7/8	AUTO 7/15	AUTO 7/8
New York	18.35	18.35	16.80	16.80	8.70	8.76
Los Angeles	19.26	19.26	17.73	17.73	8.32	8.50
Chicago	17.93	17.93	14.10	14.10	8.87	8.87
San Francisco	18.45	18.45	17.79	17.79	8.21	8.45
Philadelphia	18.03	18.03	13.64	13.64	8.16	8.21
Detroit	17.23	17.23	15.00	15.00	7.50	7.50
Boston	17.93	17.93	15.77	15.77	8.72	8.51
Houston	17.62	17.62	15.56	15.56	7.99	7.99
Dallas	17.13	17.13	14.62	14.62	7.75	7.75
Washington D.C.	17.94	18.35	14.86	14.86	7.50	7.50
BMR Index	18.11	18.14	15.59	15.59	8.25	8.31

The Bank Rate Monitor Index is the average of rates being charged by the 100 largest banks and thrifts in the nation's 10 largest markets on the dates indicated. Other rates quoted are the lowest and highest offered at the same institutions. Auto loan rates are for a $13,000, 48-month, new-car loan with a 20-percent down payment. Personal loan rates are for a $3,000 unsecured personal loan with a 24-month term. Credit card rates are fixed rates only and do not take into account differing annual fees or grace periods.

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	7/15/93
LOWEST PERSONAL LOAN RATES	
First American Bank, Wash., D.C.	11.50%
Main Line Fed'l Svgs Bk, Philadelphia	11.80
Hsbc National Bank, Wash., D.C.	12.00
HIGHEST PERSONAL LOAN RATES	
Wells Fargo Bank, San Francisco	19.75%
Bank of America, San Francisco	19.75
Wells Fargo Bank, Los Angeles	19.75
LOWEST AUTO LOAN RATES	
First of American Bank, Detroit	6.75%
First of America-Security, Detroit	6.75
Lasalle Talman, Chicago	7.00
HIGHEST AUTO LOAN RATES	
Hsbc Bank, Buffalo	12.50%
Chemical Bank, New York	10.90
Shawmut Federal Svgs Bk, Boston	10.00
LOWEST CREDIT CARD RATES	
Rbi Bank, Boston	14.40%
First of America Bank, Detroit	14.90
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Countrywide Sees Its Surge Continuing

By EDWARD KULKOSKY

Mortgage originations by Countrywide Credit Industries should reach $47 billion in the company's present fiscal year, according to Sy Jacobs, an analyst at Baltimore-based Alex. Brown & Sons.

That would be almost 50% more than in fiscal 1993, which ended Feb. 28. Mr. Jacobs' previous estimate was $41 billion.

Countrywide reported originations in its first quarter of $11.5 billion. Most analysts had expected less lending industrywide for the rest of the year.

In view of late June's rate decline, Mr. Jacobs writes in a new report, "we are raising our pipeline and originations assumptions for the next several months to show the pipeline rising by $250 million to $500 million in each of the next two months."

Countrywide reported a pipeline – mortgage applications being processed – of $8.2 billion in June, and record originations of

A nearly 50% surge is predicted for the current fiscal year.

$4.4 billion. If Mr. Marcus' projections are correct, the company will soon be topping $5 billion in monthly originations.

Last year, $5 billion in annual originations was enough to qualify a lender for top-25 status.

Mr. Jacobs now rates Countrywide a strong "buy."

The stock dropped by $2 a share on June 3, to $28, after another analyst, Jonathan Gray of Sanford C. Bernstein & Co., canceled his "buy" rating. The stock has since recovered.

* * *

Norwest Unit Adjusts To Des Moines Flood

The flooding in Des Moines shut down Norwest Mortgage's headquarters there, but company officials say the business is running without a hitch.

"They've been doing fine," Les Biller, executive vice president for parent Norwest Corp., said. "They had anticipated the problem by about 36 hours and moved all essential files out of the building."

Norwest Mortgage, the nation's third-largest mortgage originator, is headquartered in a sizable building in a low-lying Des Moines neighborhood.

Key operations have been moved temporarily to a building used by Norwest's credit card business in West Des Moines, Mr. Biller said. Meanwhile, customer phone calls are being routed automatically to Ohio.

* * *

Freddie Mac Veteran Moves to Chemical

Debra Vick, a veteran of the Federal Home Loan Mortgage Corp., has joined Chemical Banking Corp. as credit policy officer in the mortgage division.

Ms. Vick is charged with helping Chemical develop and follow uniform credit policies in its nationwide mortgage business.

In the first half of this year, the New York giant ranked No. 7 among all U.S. originators, producing $6.4 billion of mortgages.

Ms. Vick is a well-known executive in the mortgage industry, having headed Freddie Mac's western regional office from 1988 through 1990. She then moved to the agency's Washington headquarters to serve as senior vice president of credit compliance.

Next, she went to work for Equifax, the Atlanta-based credit bureau, developing credit-risk analysis tools for lenders.

* * *

Fannie Mae Stock Gets a Downgrade

S.G. Warburg Securities has downgraded Fannie Mae's stock to "hold" from "buy."

Tuesday's report by analyst Francis X. Suozzo cited perceptions among investors of increased political risk to Fannie.

Mr. Suozzo said investors fear that plans to impose regulation on the Student Loan Marketing Association, known as Sallie Mae, might serve as a precedent for changes at Fannie Mae, formally the Federal National Mortgage Association.

Other analysts disagree.

"In general, I don't see the linkage" between Sallie and Fannie, said Peter Treadway, a managing director at Smith Barney & Co. He continues to advise investors to buy Fannie.

And Bruce Harting of Salomon Brothers, who is also maintaining a "buy" rating on Fannie, says the political risk has already affected Fannie Mae's shares and is unlikely to cause further damage.

On Tuesday, Fannie Mae reported second-quarter earnings of $458.8 million, up from $402 million in the quarter last year.

— Snigdha Prakash

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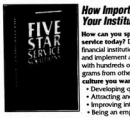

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Marketer: Personal Service Key to Growth

By KAREN TALLEY

Denis Kaplan, president of Independent Financial Marketing Group, goes the extra mile for his bank clients – literally.

Mr. Kaplan recently traveled from the company's White Plains, N.Y., headquarters to London to give a client a behind-the-scenes look at how financial institutions in Britain have marketed life insurance.

Mr. Kaplan, a native of South Africa, was able to arrange the access to British banks by calling on old contacts from his days as managing director of Sage Holdings, a large South African financial services group.

No Time Lost

Just a day after returning to the United States, Mr. Kaplan was in Richmond, Va., talking to executives at Crestar Bank about their company's joining the small but growing list of financial institutions that have launched proprietary variable annuities.

Crestar is among the 76 financial institutions that Independent Financial counts among its clients.

As a third-party marketer, Independent Financial distributes other companies' mutual funds and annuities to banks. It does not manage investment products of its own.

Like most third-party marketing firms, Independent stresses that personalized service is its hallmark. But the company backs up this rhetoric with numbers. It has added 14 clients so far this year, bringing its roster to 76 banks. About two additional banks are signing up each month, Mr. Kaplan said.

The growth has helped make Independent the ninth-largest distributor of mutual funds and annuities through banks, with $550 million placed in 1992, according to Kenneth Kehrer & Associates, a consulting firm in Summit, N.J.

Independent boasts that it has never lost a client to a competitor, but the company is not above wooing banks away from rivals. In 1992, Independent picked up American Savings Bank of Florida, a $3 billion-asset thrift that had been served by Marketing One, a rival marketing firm in Portland, Ore.

Thomas Chen, American's senior vice president, said he liked Independent's responsiveness and flexibility. Pricing was also a factor in making the switch, but not a major one, he added.

Shopping Around

"It's always prudent to shop around and see what else is out there," said Mr. Chen, who began overseeing American's investment program a year and a half ago.

Mr. Kaplan said Independent's momentum will continue as it enters its second decade. The company was set up in 1983 as a financial planning firm and experienced ups and downs while going through a number of incarnations and owners.

Today, four senior managers, including Mr. Kaplan, own 75% of the firm. They acquired their stake through a management buyout in 1990.

The other 25% is owned by Coverdell & Co., an Atlanta financial services firm. The business has ties to the family of Sen. Paul Coverdell, R.-Ga., who won his seat last November in a highly publicized runoff election. ☐



Denis Kaplan
Firm has never lost a client

Trade Group Names Stevens as Counsel

The Investment Company Institute, filling a position that had been vacant for a year, has picked Paul S. Stevens as general counsel.

Mr. Stevens is a partner in the law firm of Dickstein, Shapiro & Morin in Washington. During the Reagan administration, he was special assistant for national security affairs. He is to join the trade group in September.

Mr. Stevens succeeds Lawrence A. Rogers, who left last July to join the New York law firm of Shereff, Friedman, Hoffman & Goodman.

As general counsel, Mr. Stevens will advise the trade group on a range of legal issues. He will oversee departments that specialize in securities, tax, and pension issues, a spokesman said.

He is a graduate of Yale University and the University of Virginia School of Law.

— Phil Roosevelt

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IRS to Review Conversion Tactic Used by Mutual S&Ls

Continued from *page 1*

ownership through the creation of mutual holding companies would not lose a tax break associated with so-called base-year reserve levels.

Last week, the IRS informed thrift lawyers and accountants that it planned a much broader review of how to treat bad-debt reserves – the main tax break for S&Ls – in such transactions.

"It is not a good development," said Raymond J. Custini, a Washington-based partner who specializes in financial institutions at Kelley, Drye & Warren, a New York law firm.

"People were hoping that the meeting at the IRS would answer – not raise – questions."

After the December request for an opinion, a dozen S&Ls put their conversion plans on hold, awaiting a signal from the IRS. The larger-scale IRS review is likely to halt those deals and any others until the IRS makes a final decision, thrift accountants and lawyers said.

Liberty Savings Bank in Liberty, Mo., had completed its $5 million stock offering one week before the IRS met on the issue. Although the deal was oversubscribed, it has not closed because of the pending review.

"That threw a monkey wrench in the works," said Michael A. Gilmore, Liberty's chief financial officer. "That's definitely a potential tax liability to us of about $1.4 million."

Liberty, which has $110 million in assets, must rescind the offer, disclose the potential consequences to its would-be stockholders, and hope they are still interested in buying. It also must again ask the OTS for approval to let the deal go forward.

On Hold
Mutual holding company conversions

Conversion value in billions	Number converted
1991 $0.15	1
1992 4.99*	12
1993 to date 0.60	2
Pending:	12

*Excludes two conversions for which assets were unavailable
Source: SNL Securities

Some Deals Completed

Other thrifts have already completed the conversion to mutual holding companies. They include the $363 million-asset Guaranty Bank in Milwaukee, $1 billion-asset Home Savings Bank in Hollywood, Fla., and $944 million-asset First Federal Savings Bank of Colorado, Lakewood.

Malcolm "Bud" Collier, First Federal's chairman, said an adverse IRS decision could force the thrift to adjust its capital downward by $4 million.

How much of a hit – in taxes or in capital levels – thrifts would take if the IRS reaches an unfavorable decision changes depending on how much each institution has in its bad-debt reserves.

Stock conversions using mutual holding company structures have been permitted since 1991. While not as common as standard mutual-to-stock conversions, they have grown in popularity because they allow management to retain control after the transaction.

In mutual holding company conversions, the ownership of a depositor-owned saving and loan is split. The larger piece, providing majority control for the thrift's management, is retained by depositors. The smaller piece is broken into shares and sold to the public.

Even if the IRS review is favorable for thrifts – and the agency has given no indication of which way it is leaning – it comes at a bad time.

S&Ls that want to raise capital by going public are more likely to do so in the current strong market for thrift stocks.

"We are still in limbo," said Charles H. Meacham, chairman and president of Commonwealth Federal Savings Bank in Valley Forge, Pa. With several million dollars at stake, the $1.2 billion-asset thrift is "hesitant to proceed" with its planned conversion.

The complicated tax issue revolves around the key tax shelter for savings and loans.

Since 1986, thrifts have been allowed annually to set aside 8% of taxable income in a tax-free account called a bad-debt reserve. A component of that account – called a base-year reserve – contains the reserves the thrift had built up over the previous years.

For most mutual thrifts, base-year reserves account for a significant part of bad-debt reserves.

Carryover Allowed

In a 1981 private-letter ruling, the IRS had said that thrifts that converted to mutual holding companies could carry over their bad debt reserves tax-free to the new company.

But the IRS had never addressed whether the base-year reserve also could be carried over tax-free. Peter Marwick asked for a ruling because of a recent change in accounting rules for deferred tax assets.

Some experts expect the OTS to put a hold on all deals in the pipeline, reasoning that a thrift's board of directors should consider doing standard mutual-to-stock conversions instead.

The OTS will "take into account" the tax consequences of the IRS ruling when it occurs, said Carolyn B. Lieberman, the agency's acting chief counsel. She said the OTS will consider "what the financial impact will be on a particular institution" that wants to transform into a mutual holding company.

IRS assistant chief counsel James Malley declined elaboration on last week's meeting. "We're aware of the issue, we're working on it, and we've made no decision." he said. □

Kevin Cullman

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Listed in order of market value of common stock on June 30, 1993, compared with March 31, 1993 (dollar amounts in millions)

Rank 6/93	Rank 3/93		Mkt. Cap. 6/30/93	Mkt. Cap. 3/31/93	% Chg 6/93	Mkt.Cap. Shares
1	1	BankAmerica Corp., San Francisco	$16,022	$17,792	-10.0%	8.7%
2	3	Banc One Corp., Columbus, Ohio	14,557	14,946	-2.6	49.9
3	4	J.P. Morgan & Co. Incorporated, New York	13,049	13,049	0.0	10.1
4	2	NationsBank Corp., Charlotte, N.C.	12,600	13,870	-9.2	10.4
5	5	Citicorp, New York	11,228	10,995	2.1	5.2
6	7	Chemical Banking Corp., New York	10,380	10,154	1.2	7.0
7	9	First Union Corp., Charlotte, N.C.	8,060	7,935	1.6	12.8
8	6	Norwest Corp., Minneapolis, Minn.	7,961	7,852	9.8	17.5
9	8	PNC Bank Corp., Pittsburgh, Pa.	7,644	7,790	-1.9	15.0
10	10	Bankers Trust New York Corp.	6,142	5,605	9.7	9.7
11	11	Wells Fargo & Company, San Francisco	6,116	6,026	1.5	12.0
12	12	NationsTrust Corp., Detroit, Mich.	5,956	5,956	0.0	16.0
13	13	Wachovia Corp., Winston-Salem, N.C.	5,918	6,349	-6.8	11.2
14	15	Chase Manhattan Corp., New York	5,897	5,494	7.3	5.4
15	14	NBD Bancorp, Inc., Detroit, Mich.	5,196	5,699	-8.8	13.0
16	16	Bank of New York Company, New York	4,917	4,783	2.8	12.3
17	17	First Interstate Bancorp, Los Angeles	4,741	4,439	6.8	9.7
18	19	Barnett Banks, Inc., Jacksonville, Fla.	4,630	4,363	6.1	12.2
19	18	First Financial Group, Providence, R.I.	4,595	4,816	-4.6	10.2
20	29	KeyCorp, Albany, N.Y.	4,196	4,496	-6.7	13.1
21	21	Society Corp., Cleveland, Ohio	4,104	4,045	1.4	15.8
22	20	National City Corp., Cleveland, Ohio	4,038	4,188	-3.6	14.5
23	23	First Fidelity Bancorp., Newark, N.J.	3,956	3,928	0.8	12.0
24	22	Comerica Incorporated, Detroit, Mich.	3,449	3,842	-10.2	13.1
25	25	First Chicago Corp.	3,415	3,457	-1.2	7.0
26	27	Mellon Bank Corp., Pittsburgh, Pa.	3,401	3,665	-7.2	11.0
27	26	CoreStates Financial Corp., Philadelphia, Pa.	3,386	3,401	-0.4	14.8
28	24	First Third Bancorp., Cincinnati, Ohio	3,189	3,279	-2.7	30.4
29	31	Boatmen's Bancshares, Inc., St. Louis, Mo.	2,950	2,981	-1.0	12.8
30	35	MBNA Corp., Newark, Del.	2,896	2,426	19.4	47.2
31	30	First Bank System, Inc., Minneapolis, Minn.	2,852	2,910	-2.0	12.8
32	28	Republic New York Corp.	2,656	2,682	-1.0	7.6
33	36	State Street Boston Corp., Mass.	2,495	3,352	-25.6	14.1
34	32	U.S. Bancorp, Portland, Ore.	2,481	2,518	-1.5	12.1
35	38	First of America Bank Corp., Kalamazoo, Mich.	2,295	2,417	-5.0	11.4
36	34	Shawmut National Corp., Boston, Mass.	2,224	2,142	3.8	8.9
37	33	Northern Trust Corp., Chicago	2,224	2,627	-15.4	14.6
38	37	Bank of Boston Corp., Mass.	2,110	2,377	-11.2	6.7
39	40	Huntington Bancshares Inc., Columbus, Ohio	2,096	1,884	11.3	14.9
40	39	Fleet Corp., Milwaukee, Wis.	2,061	2,148	-4.1	16.0
41	42	Signet Banking Corp., Richmond, Va.	1,693	1,550	9.3	14.1
42	41	Marshall & Ilsley Corp., Milwaukee, Wis.	1,616	1,508	7.1	21.2
43	43	Integra Financial Corp., Wilmington, Del.	1,569	1,560	0.5	11.4
44	44	Crestar Financial Corp., Richmond, Va.	1,516	1,548	-2.1	12.4
45	45	SouthTrust Corp., Birmingham, Ala.	1,491	1,591	-6.3	11.6
46	47	Meridian Bancorp, Inc., Reading, Pa.	1,489	1,512	-1.5	12.3
47	52	Ameritrust Corp., Cleveland, Ohio	1,432	1,445	-0.9	13.1
48	50	Old Kent Financial Corp., Grand Rapids, Mich.	1,356	1,392	-2.5	14.9
49	53	MNC Financial, Inc., Baltimore, Md.	1,321	1,298	1.7	7.8
50	46	Continental Bank Corp., Chicago	1,289	1,505	-14.3	5.9
51	48	Banc One Corp., Kentucky, Inc., Louisville, Ky.	1,266	1,480	-14.9	10.0
52	49	First Alabama Bancshares, Inc., Birmingham	1,259	1,432	-12.1	16.0
53	51	LIB Financial Corp., Princeton, N.J.	1,252	1,386	-9.7	9.1
54	54	Dayton Financial Corp., Cincinnati, Ohio	1,206	1,270	-5.0	23.0
55	57	First Virginia Banks, Inc., Falls Church	1,175	1,211	-3.0	17.2
56	64	Mercantile Bancorp., Inc., St. Louis, Mo.	1,147	1,033	11.0	11.3
57	58	Central Fidelity Banks, Inc., Richmond, Va.	1,147	1,186	-3.3	13.1
58	56	First Tennessee National Corp., Memphis	1,143	1,200	-4.8	12.6
59	61	First Security Corp., Salt Lake City, Utah	1,105	1,096	0.9	14.0
60	60	Star Banc Corp., Cincinnati, Ohio	1,053	1,105	-4.8	14.2
61	62	Wilmington Trust Corp., Del.	1,017	1,020	-0.3	24.1
62	72	M&I Financial Corp., Wilson, N.C.	981	967	1.5	13.6
63	66	Valley National Corp., Edison, N.J.	976	1,051	-7.1	7.0
64	65	First Empire State Corp., Buffalo, N.Y.	941	1,029	-8.5	9.0
65	63	Mercantile Bancorp., Inc., Baltimore, Md.	932	1,077	-13.4	12.1
66	67	First Hawaiian, Inc., Honolulu	910	983	-7.4	14.0
67	68	Commerce Bancshares, Inc., Kansas City, Mo.	903	1,037	-13.0	12.1
68	73	Central Bancshares South, Inc., Birmingham, Ala.	884	902	-2.0	13.0
69	55	Union Bank, San Francisco	868	1,241	-30.1	9.2
70	69	BankPonce Corp., San Juan, P.R.	858	956	-10.3	8.4
71	71	Michigan National Corp., Farmington Hills	846	999	-5.8	8.1
72	70	BayBanks, Inc., Boston, Mass.	803	936	-14.2	8.4
73	74	West One Bancorp., Boise, Idaho	800	824	-2.9	11.1
74	76	First American Corp., Nashville, Tenn.	760	763	-0.4	11.3
75	75	Hibernia Bancshares, Inc., New Orleans, La.	730	797	-8.4	16.2
76	77	First Commerce Corp., New Orleans, La.	728	737	-1.3	12.1
77	78	Fourth Financial Corp., Wichita, Kan.	677	699	-3.2	12.4
78	79	Southern National Corp., Lumberton, N.C.	663	663	0.0	13.0
79	91	Old National Bancorp., Evansville, Ind.	634	615	3.0	17.6
80	80	First Bancorp., Puerto Rico	630	491	28.3	27.1
81	81	Liberty National Bancorp., Inc., Louisville, Ky.	621	654	-5.0	13.3
82	88	National Commerce Bancs., Inc., West Palmeon, N.J.	607	570	6.5	11.3
83	86	Valley Bancorp., Appleton, Wis.	600	583	2.9	14.0
84	84	First Bancorp. of Ohio, Akron	599	599	0.0	15.4
85	83	Valley National Bancorp., Clifton, N.J.	596	634	-6.0	18.6
86	82	Whitney Holding Corp., New Orleans, La.	596	686	-13.1	13.9
87	87	Bank South Corp., Atlanta, Ga.	554	587	-5.5	12.9
88	85	United Missouri Bancshares, Inc., Kansas City	537	554	-3.1	11.1
89	94	Summit Bancorp., Chatham, N.J.	524	502	4.4	10.0
90	92	Deposit Guaranty Corp., Jackson, Miss.	518	542	-4.9	10.7
91	95	Keystone Financial, Inc., Harrisburg, Pa.	502	532	-5.6	15.7
92	93	U.S. Trust Corp., New York	500	546	-8.4	15.3
93	89	Zions Bancorp., Salt Lake City, Utah	492	560	-12.1	12.6
94	96	National Commerce Bancorp., Memphis, Tenn.	481	521	-7.8	21.2
95	97	First Citizens Bancshares Inc., Raleigh, N.C.	466	504	-11.1	8.8
96	99	Union Planters Corp., Memphis, Tenn.	453	510	-11.2	7.8
97	101	Provident Bancorp., Inc., Cincinnati, Ohio	434	434	0.0	10.0
98	103	Magna Group, Inc., St. Louis, Mo.	422	431	-2.1	11.7
99	102	Trustmark Corp., Jackson, Miss.	418	432	-3.2	10.0
100	100	Premier Bancorp, Inc., Baton Rouge, La.	409	455	-10.1	10.5
		Totals for the Top 100 at Midyear	**271,089**	**278,141**	**-2.54%**	**10.91%**

Data source: **SNL Securities**, Charlottesville, Va. **Description of the table:** A listing of 100 banking companies with the largest market capitalization **Mkt. Cap.** = Market capitalization, which is computed by multiplying a bank's common shares outstanding by the closing market price of the bank's stock on June 30, 1993. For most banks in the list, shares outstanding are as of March 31. Whenever possible, *SNL or American Banker* have adjusted shares outstanding for common stock issued during the second quarter. **% Chg 3/93:** Percentage change in market capitalization from March 31, 1993 to June 30, 1993. **Mkt. Cap./Shares:** Is market capitalization as of March 31 expressed as a percentage of total assets on March 31, 1993. (*)—Shares outstanding have been adjusted by American Banker to account for common stock issued during the second quarter.

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STOCKS: Market Value of Top 100 Banks Fell 2.6% in Quarter

Continued from *page 1*

biggest market value in the industry, lost $1.7 billion, or 10%, of its value.

To put its loss in perspective, the value wiped out is more than the market value of Integra Financial Corp., Pittsburgh, at the end of last quarter.

NationsBank's market value plunged $1.27 billion, or 9.2%, to $12.6 billion.

The loss pulled the bank down two notches to fourth place in the market-capitalization rankings. Banc One Corp. moved up one notch to second, while J.P. Morgan & Co. rose one notch to third.

Analysts said they were not worried about the size of the fall in market values at individual banks.

"To gain or lose $1 billion in market cap for the biggest banks is not significant," said Dennis Shea, an analyst with Morgan Stanley & Co.

Over the past six quarters, the market value of the top 100 banks has fallen into a pattern of rising significantly for two quarters, then dropping slightly for a quarter. This trend of two steps forward, one step back, is largely

BankAmerica Corp. and NationsBank Corp. were the big losers.

a product of share prices, which never rise in a straight line, analysts said.

"A one-quarter dip doesn't mean much," said Ronald I. Mandle, an analyst with Sanford C. Bernstein & Co.

Analysts said the important point is the gain in market value during the past 18 months.

In that time, the market value of the top 100 banks has risen $100 billion, or 58%.

The biggest gains have come for the biggest banks.

"Over time, the market value of the top 25 banks has increased significantly," said Mr. Shea. "The big keep getting bigger."

In the two previous quarters combined, market capitalization for the top 100 banks rose 34%. Some of that increase came from banks issuing shares to raise assets, the rest came from soaring share prices. □

Top Gains in Market Capitalization

		Mkt.Cap. 6/30/93 ($ Mil.)	Mkt.Cap. 3/31/93 ($ Mil.)	Percent Change (%)	Market Rank
1	Mercantile Bancorp., Inc.	$1,147	$1,033	11.0%	56
2	MBNA Corp.	2,896	2,426	19.4	30
3	Huntington Bancshares Inc.	2,096	1,884	11.3	39
4	Norwest Corp.	7,961	7,852	9.8	8
5	Signet Banking Corp.	1,693	1,550	9.3	41
6	Chase Manhattan Corp.	5,897	5,494	7.3	14
7	Marshall & Ilsley Corp.	1,616	1,508	7.1	42
8	First Union Corp.	8,060	7,935	1.6	7
9	National Commerce Bancs., Inc.	607	570	6.5	82
10	Chemical Banking Corp.	10,380	10,154	1.2	6

10 Highest Market Cap Assets Ratios

		Mkt.Cap. 6/30/93 ($ Mil.)	Assets 3/31/93 ($ Mil.)	Ratio (%)	Market Rank
1	MBNA Corp.	2,896	2,426	47.8	30
2	First Third Bancorp.	3,189	3,279	30.4	28
3	Banc One Corp.	1,917	1,062	24.7	61
4	Dayton Financial Corp.	1,206	1,270	23.0	54
5	Comerica Incorporated	401	501	21.3	94
6	Marshall & Ilsley Corp.	1,616	1,508	21.3	42
7	Old Kent Financial Corp.	1,356	1,392	14.9	48
8	Banc One Corp.	14,557	14,946	30.0	2
9	Norwest Corp.	7,961	7,852	17.5	8
10	Fleet Corp.	2,061	2,148	16.0	40

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FINANCE

THE MARKETS

Rates Drop, Bonds Surge on Inflation News

Interest rates plunged on Wednesday, as government bonds rallied on more good news on inflation.

The yield on 30-year Treasury bonds sank to a record low of 6.56%, from 6.61% on Tuesday.

Intermediate Treasuries also got support from buying by municipalities, which back future refundings with U.S. government issues – a practice known as defeasance.

The yield on 10-year Treasuries fell to 5.71% from 5.77%. Two-year notes yielded 3.97%, down from 3.99%.

Stocks rallied on the lower interest rates. The Dow Jones industrial average jumped 27.11, to 3,542.53. The Standard & Poor's 500 index gained 1.99, to 450.08. The Nasdaq composite index jumped 4.02, to a record 712.49.

The dollar fell, because low inflation in the United States makes a tightening by the Federal Reserve unlikely. Late Wednesday afternoon in New York, the dollar was at 1.7155 German marks and 107.05 Japanese yen, down from 1.7185 marks and 108.02 yen.

Consumer Prices Flat

The government report indicated the consumer price index in June was unchanged for the second consecutive month. Economists estimated that the index rose 0.1% last month.

This followed Tuesday's report that wholesale prices fell 0.3% last month – the steepest drop in two years.

In addition, the government reported that retail sales rose 0.4% in June, below the 0.5% rise predicted by economists.

Matthew Akey, market strategist at First Boston Corp., said the latest information that the economy is growing slowly and that inflation is low – an ideal environment for bonds.

He predicted, though, that the yield on the long bond may start to hit technical resistance as it nears 6.50%.

Alan Levenson, money market economist at UBS Securities, thinks the economy is stronger than it seems, and sees room for a half percentage point by yearend.

— Bart Fraust

This Announcement Appears as a Matter of Record Only

June 1993

$75,000,000

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The undersigned, in its capacity as financial advisor to Republic Bancorp Inc., assisted in the negotiations leading to the consummation of this transaction.

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June 30, 1993

AUCTION NOTICES

Pronto Lien Service, Lic# 869247 Sells on 7/30/93 at 8:00AM 1589 Macombs Rd Bx NY 10 Toyot Celica ST 4A JT5VA33J2N0 Bx Lic. Santiago. 84 Chevr Van #1GBG6D1B-5EV123680 Rc: G. Garcia & Gen. Mot. Accep. Corp. 86 Pyono Sales #2P4FH4-1G4GR783101 Rc: J. Rena. 89 Dodge Dynasty #1B3BA63CXKD136 Rc: Bk. Of Amerikes. 81 Cadil D'Elo #1G6AK6909N9207-989 Rc: J. Santos. 91 Lincol 2LSD3-#F9276031 Rc: M. Matts. 83 Chevr Camaro #1G1AC37Y8D7111469 Rc: Ally Mtl.Sales Lorenzo. 84 Jeep Cherokee #1JCUL1-827E705326 Rc: Generation X GM 31 W Tremont Ave. Bx. NY Bk Toyot Supra #JT2MA70G0D0237376 Rc: F Jessup. Auct AM 1284 Ogden Ave Bx NY 77 Olds 98 #1X69R6E233228 Rc: A. Monteiro. 81 Olds Delta 88 #1G3AN69Y0BM105697 Rc: M. Tosee. 82 Olds Delta 88 #1G-3AY69A7CM127093 Rc: Vargas. 82 Chevr Camaro #1G1AN69R9C1117939 Rc: F. Espinal. Publish 7/15 & 7/22/93.

Garageman's Lien Sale S. Sperber DCA Lic' # 769437 Sells 8/3/93 9:30AM 1019 TULIP AVE FRANKLIN SQ 1982 GMC Truck 7000 #1GDG7D1R5CV506763 Rc: CFM Trucking. 1987 Ford 250 #1FTEE24Y0-HHA64829 Rc: Midtiss. Comillo. 1978 GMC SIERRA 6500 #TCG47BY3743187 Rc: CFM Trucking. 1978 GMC SIERRA 6500 #TCG47BY6490 Rc: CFM Trucking Corp. 1110AM 485 COMMERCE ST Hawthorne 1985 MITSUBISHI Mont. #JA3BC54N7FZ411532 Rc: Saumel. Bruno.1979 TOYOTA CELICA #9AA4-4002770 Rc: Ramos. Jonathan; 1200PM 636 SOUTH BROADWAY YONKERS 1980 FORD #1FDNF80H2AVA21398 Rc: Mitchell. Cullen. Thomas; 1130PM 420 GLEN COVE AVE SEA CLIFF 1990 CHEVROLET Blazer #CKL18AF106998 Rc: Cullen. Thomas; 2:00PM 46 MAIN ST New Rochelle 1986 CHEVROLET Spectrum #1B-1R1937GG481983 Rc: Johnston. Patricia.

Schiffman Auctioneers, Inc. will sell for cash on July 23, 1993: 10:00 am at 10 Franklin Ave., Nanuet, NY, 1985 Mercedes #WDBEA30D3FB317369 Rc: F. Carrillo, Chemical Bank; 12:00 pm at 251 Empire Blvd., Brooklyn NY, 1982 Auto Toyota. #JT2MX86J0C0042996 Rc: R. Williams, C. Jasser. 1AG FCU. 2:00 pm 3260 Flatbush Ave., Brooklyn NY, 1977 25' 12ft Chris Craft, NY 8609WW Rc: J. Mullan. 1979 24' O/B Carver, NY 3354FY. #CDRR03810378 Rc: N & W Messinger.

FOUNDATION NOTICES

NOTICE

The annual report of THE BOGLIASCO FOUNDATION, INC. for the calendar year ended December 31, 1992 is available at its principal office located at c/o Hecht & Co., 111 West 40th Street, 20th floor, New York, NY 10018, (212) 819-8000 for inspection during regular business hours by any citizen who so requests it within 180 days hereof. The Principal Manager of the Foundation is James Harrison.

NOTICE

The annual report of BINYAN AVROHOM, INC. for the calendar year ended December 31, 1992 is available at its principal office located at 126 Fairview Avenue, Westwood, NJ 07675, (201) 664-8275 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is David Mondrow.

NOTICE

The annual report of THE MARX FOUNDATION, INC., for the fiscal year ended March 31, 1993 is available at its principal office located at Nine Sylvanleigh Road, Purchase, NY 10577, (914) 253-9292 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Lawrence Marx, Jr.

PARTNERSHIP NOTICES

Notice of Application for Authority of DELTEC VALUE EQUITY PARTNERS, L.P. a foreign limited partnership (LP). Appl. for Auth. Filed with Secy of State of State of New York (SSNY) on 07/01/1993. LP organized under the laws of Delaware on 4/28/1993. Office location: NY County. SSNY is designated agent of the LP upon whom process against it may be served. SSNY shall mail a copy of any process against the LP served upon him/her to: c/o Deltec Securities, 335 Madison Ave., NY, NY 10022. Attn: President. Office address of LP is jurisdiction of its organization is c/o The Prentice-Hall Corporation System, Inc., 32 Loockerman Sq., Suite L-100, Dover, DE 19901. Name and address of each general partner available from SSNY. Copy of Cert. of LP is on file with Secy. of State of Delaware, P.O. Box 898, Dover, DE. Purpose/character of LP: to invest primarily in equity securities of undervalued domestic companies.

WESTOW, L.P. has been formed as a domestic limited partnership (LP). Certificate filed Secretary of State of New York (SSNY) on 5/13/1993. NY office location: New York County. SSNY is designated as agent upon whom process against the LP may be served. SSNY shall mail a copy of any process against the LP served upon him/her to: 19 West 44th Street, Suite 1516, New York, NY 10023. Name and address of each general partner is available from the SSNY. Term: until Dec. 31, 2043. Purpose/character of LP: to buy, lease, rent, encumber, sell, exchange, or otherwise dispose of cooperative apartment at premises known as 1 Fifth Avenue Apartments, 1841-1853 Central Park Avenue, Yonkers, New York.

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BANK AND THRIFT STOCKS

Highlights for Wednesday, July 14

Top 10 Gainers %

City Holding Company	17.7
Riggs National Corporation	5.8
Whitney Holding Corp.	5.5
Susquehanna Bancshares, Inc.	4.0
Omega Financial Corporation	4.3
One Valley Bancorp of WV, Inc.	3.3
First Financial Corporation	4.1
Heritage Financial Services	3.2
USBANCORP, Inc.	3.7
Pikeville National Corporation	3.1

Top 10 Losers %

First United Corporation	-8.5
Signet Banking Corporation	-6.8
BOK Financial Corporation	-4.8
PNC Bank Corp.	-4.7
Hibernia Corporation	-4.3
First Union Corporation	-4.2
Dauphin Deposit Corporation	-4.1
BayBanks, Inc.	-3.9
Barnett Banks, Inc.	-3.7
First Bank System, Inc.	-3.6

Most Shares Traded

Citicorp	2676500
Chase Manhattan Corporation	1152400
Bankamerica Corporation	1147200
First Chicago Corporation	1099100
Shawmut National Corporation	1030500

Volume as % of Average

WesBanco, Inc.	2457.3
Iowa National Bankshares Corp	1080.2
Signet Banking Corporation	1017.7
Heritage Financial Services	1010.7
Pinnacle Banc Group, Inc	802.4

Stock Index Trends



Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively.

Dow Jones Industrial Average			American Bank Index			American Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.77	1.89	0.79	-1.29	-0.83	5.15	0.30	2.53	9.50

Top 225 Banks

52 Wk			PE	Mkt	Cls.	Chg.
Hi	Lo			to bk		
28¾	18¾	1stSource Corp/IN	10.9	146.4	22½	-¼
27⅛	18	AMCORE Fin/IL	11.4	128.3	24	
17½	8¼	AmBankcorp/WA	15.5	268.0	8	
35⅝	26¾	AmSouthBancorp/FL	11.0	150.5	32	-⅜
25⅝	17⅝	BB&T Financial/NC	12.2	1,107.2	24¾	-⅛
25⅝	17⅝	BB&T Fin/Cl.pre	12.2	197.0	24¾	-⅛
25⅝	17⅝	BB&T Fin/Cl.wt	12.2	137.0	24¾	-⅛
21	21¼	BT Financial/PA	11.1	137.0	49	
9⅞	6	BaltimoreBan/MD	8.8	98.9	9¼	
31¾	24¾	BancFirst Corp/OK	14.7	115.6	28¾	-¼
41	42¾	BancOne/Oh pf	15.7	250.6	55¾	+¼
53¾	40¾	BancorpSouth/MS	12.0	152.1	49¾	
40¾	27¼	BancorpSouth/MS	12.0	152.1	39¾	
54¾	41	BankAmerica/CA pf	15.8	1,254.4	44½	
36¾	26	BankGranite Corp/NC	16.4	268.1	27¾	-¼
14⅝	9¾	BankUnited/FL	6.1	171.4	14	-¼
77⅜	59	Bankers Trust/NY	8.8	171.3	75¾	-1⅜
18½	12⅜	BankersFirst/MD pf	9.8	94.6	17½	
28⅜	18⅜	BankofBoston/MA	8.4	108.8	23⅜	-⅜
61⅜	39¾	Banknorth/VT	15.7	147.0	58½	-⅜
50¾	34¾	BarnettBanks/Fl.	17.3	171.8	45⅜	-1⅝
52¾	38⅜	Barnett Bks/Fl pf	16.7	122.2	43¾	-⅛
64¾	49⅜	Boatmen's Bc/MO	12.8	186.4	61¾	-¼
42⅜	31⅜	CCB Financial/NC	12.1	151.3	37½	
32⅜	23¾	CBT Corp/Hartford	16.9	197.6	24	-¼
39¾	22¾	CBT Corp/Hartford	19.0	NM	34¾	
39¾	30¾	CBT Corp/Hartford pf	12.1	146.2	34	-¼
42⅜	31	CCB Fin/Cap HC	12.1	151.3	37½	
32⅜	23¾	CBT Corp/Hartford	16.9	197.6	24	-¼
39¾	22¾	CBT Corp/Hartford	19.0	NM	34¾	
39¾	30¾	CBT Corp/Hartford pf	12.1	146.2	34	-¼
42⅜	31	CCB Fin/Cap HC	12.1	151.3	37½	
32⅜	23¾	CBT Corp/Hartford	16.9	197.6	24	-¼
39¾	22¾	CBT Corp/Hartford	19.0	NM	34¾	
39¾	30¾	CBT Corp/Hartford pf	12.1	146.2	34	-¼
14	9¾	CalifornaBnkCo/CA	14.5	154.8	12	
25	13⅜	CalhounBancorp/CA	11.1	147.6	15	
20½	19	CentralBcshs.Al.	11.9	186.4	20¼	¼
36¾	22⅜	CentralFed Corp/FL	12.5	188.0	22	-⅜
24⅛	18¼	CentraleneyAl	15.0	155.3	22	
28¾	18⅝	CentralBancorp/OH	12.4	169.3	22½	⅜
37⅜	21	ChaseManhattan/NY	9.4	97.4	31⅜	-⅜
44	30¾	ChemicalBanking/NY	9.7	165.4	38	-⅜
47¾	31¾	ChemicalFin Corp/MI	14.2	166.6	40½	-¼
47¾	31¾	ChemicalFin pf	14.2	166.6	40½	-¼
14¾	10¾	CitizensNY	14.2	133.6	12	
25	19¼	CitizensBancorp/MD	14.2	128.6	24¾	
25	19¼	CitizensBancorp/MD	14.2	128.1	23	-¼
29⅞	21⅜	CitizensFin/Cl.A	11.9	198.3	7	
30	17⅜	CitizensHldg Corp/NV	11.9	198.3	7	
11⅜	4⅜	CityNatCorp/CA	NM	115.6	7¼	
23½	17	ColonialBcGrp/VA	11.5	138.0	20	-⅜
34⅜	27⅜	ComericaInc/MI	15.4	170.8	30¾	-⅜
34⅜	27⅜	ComericaInc pf	15.4	170.8	30¾	-⅜
17⅝	11⅜	CommercialBancorp/CO	11.3	153.8	16½	
45⅜	24¾	CommonwealthBc/VA	14.2	210.1	42½	
15	11⅛	CommunityFed/VA	10.6	142.7	12¾	
8⅜	3⅜	Constellation/NJ	NM	155.1	8½	-⅛
27⅜	19⅜	CoreStates/PA	12.2	191.7	25¾	-⅛
27⅜	19⅜	CoreStates/PA pf	12.2	191.7	25¾	-⅛
27⅜	19⅜	CoreStates/PA wt	12.2	191.7	25¾	-⅛
27⅜	20¾	DauphinDeposit/PA	11.7	158.6	23¾	-1
30¾	20¾	DeposBancorp/MD	10.2	150.2	30¾	-¼
17¾	12¼	F & M Nat'l Cp/VA	11.0	144.4	14¾	
22	18¼	FidelBancorp/MD	10.5	146.2	21	
15⅝	9¼	FNB Corp/PA	10.8	109.1	13¾	
29	24	FarmersBancshs/KY	12.2	170.8	27½	
58¼	40⅜	FifthThirdBncp/OH	18.8	313.4	54¾	
27⅜	19⅜	FirstAmBncp/TN	13.3	173.1	25¾	
50¾	33¾	FirstTenNtl/MI	14.4	227.5	54¼	
28¾	27¼	FirstAtlanta/AL	12.2	184.5	28¾	
18⅜	10	FirstAmerBk-TN	5.3	144.0	17¾	-⅛
24¼	20¼	FirstCmrcCp/OH	11.5	112.8	24¼	
50¼	39½	FirstEssexCp/VA	11.3	160.0	48½	-1
33¾	22¾	FirstFederalFin/MI	19.4	143.5	32¾	
45	30¾	FirstChicago/IL	NM	122.2	42¾	-¼
45	30¾	FirstChicago/IL pf	NM	122.2	42¾	-¼
18¼	14¾	FirstCommerce/LA	15.4	129.1	16	
40	28¾	FirstCommerce/NC	10.2	199.1	38¼	
34¾	26¾	FirstCommerce/TN	11.0	165.1	32¾	
34½	26¾	FirstCommerce/AR	11.0	165.1	32¾	
20	9¼	FirstCmrce/PA	NM	139.3	18¾	+½
20	9¼	FirstCmrce/PA pf	NM	139.3	18¾	+½
51½	34	FirstCmtyInd	10.9	162.5	47¾	
46¾	37¼	FirstFedCorp/PA	14.8	193.8	44	
54½	36¾	FirstFinCp/IN	11.4	149.2	54½	1⅛
46¾	33¾	FirstFinBncp/IL	10.5	161.2	39¾	
55	30¾	FirstInterstate/CA	10.1	164.8	53¾	-1⅛
27½	18¾	FirstMichBnk/MI	13.2	176.1	27	
24½	14¾	FirstMidAm/IL	16.2	154.4	23¾	-¼
24¾	18¾	FirstNBAnc/MS	12.7	161.8	20¾	
40¾	21¾	FirstNiagara/NY	11.9	164.2	39	
25¾	18¼	FirstNorthern/WI	13.8	174.1	25	
35¾	26	FirstOhioBncp/OH	11.7	163.6	35¾	
37	26¾	FirstPacific/CA	12.0	204.5	33¾	-¼
28¾	20¾	FirstPennFin/PA	12.5	188.8	37	
43¾	30¾	FirstRepBnk/TX	12.5	161.7	37¾	
37⅜	26¾	FirstTennessee/TN	15.7	157.4	33¾	
44¾	32¾	FirstVaBnkshs/VA	13.8	174.9	41¾	
31¾	21¾	FirstWVBncp/SC	13.8	183.2	31¾	
28	20¾	FranklinCorp/TN	11.9	159.1	27½	
26	21¾	FultonFinCp/PA	12.4	169.2	25¾	-⅛
33	24¾	FultonBancorp/PA	12.4	169.2	30¾	-⅛
37¾	24¾	GBC Bancorp/CA	13.5	188.3	29¾	
37¾	13¾	GBC Bancorp/CA	7.5	123.3	14¾	
39¾	29¾	GeneseeCp/Lake	10.6	165.2	29¾	
39	32¾	HancockHldg/LA	11.7	199.8	38¾	
39¾	32¾	HancockHldg/LA pf	11.7	199.8	38¾	
18¼	12¼	HeritageFin/Ga.s	13.5	186.8	18¼	
27⅜	20¾	HiberniaCp/LA	NM	157.5	21¾	
24¼	11½	Hubco/NJ	13.1	220.7	22¾	
24¾	18¾	HuntingtonBc/OH	14.9	233.6	20¾	
15	6⅝	ImperialBancorp/CA	11.9	64.3	10¾	
29	21¾	IndependenceBc/PA	38.0	145.3	26¾	
32¾	20¾	IntegraFC/PA	10.6	189.3	46	
29	17¾	InternatlBancsh/TX	11.4	143.0	19¾	
47	28	InvestmtBnkshs/VA	10.8	122.4	45	
24¾	14¾	JeffersonBnkshs/VA	9.1	213.2	20¾	
74⅛	58⅝	J.P. MorganNY	10.2	192.0	70¾	-1¼
29¾	19¾	JeffersonBnkshs/VA	13.8	179.1	29¾	
20	15¾	KeyCorp/NY	11.7	169.3	20	
20¾	15¾	KeyCorp/NY pf	11.7	169.3	20	
34¾	24¾	LibertyBancorp/OK	13.9	187.0	27¾	
34¾	22¾	LibertyBancorp/OK	6.3	141.6	32	
34¾	24¾	LibertyBancorp/OK pf	15.0	187.0	28¾	
29¾	18¾	MBNACorp/DE	15.4	406.5	27¾	
14¾	10	MBC Financial/IN	12.4	135.1	14¾	
18⅞	12⅜	MagnaGroup/MO	11.6	118.8	18¾	
29	17¾	MarshallBnk/WI	14.7	226.4	29	
25¾	19¾	MarshallBnkshs/WI	14.2	198.2	23¼	-⅛
10⅝	8¾	MarylandFed/MD	8.7	145.8	9¾	
59¾	39¾	MercantileBncp/MO	12.3	151.2	49⅜	-⅛
59¾	39¾	MercantileBncp/MO pf	12.3	151.2	49⅜	-⅛
62	44½	MerchantsBank/NY	19.9	183.8	55	

52 Wk			PE	Mkt	Cls.	Chg.
Hi	Lo			to bk		
38¾	27¾	FirstAtlanta/AL	12.2	184.5	28¾	
18⅜	10	FirstAmerBk-TN	5.3	144.0	17¾	-⅛
24¼	20¼	FirstCmrcCp/OH	11.5	112.8	24¼	
50¼	39½	FirstEssexCp/VA	11.3	160.0	48½	-1
33¾	22¾	FirstFederalFin/MI	19.4	143.5	32¾	
45	30¾	FirstChicago/IL	NM	122.2	42¾	-¼
45	30¾	FirstChicago/IL pf	NM	122.2	42¾	-¼
18¼	14¾	FirstCommerce/LA	15.4	129.1	16	
40	28¾	FirstCommerce/NC	10.2	199.1	38¼	
34¾	26¾	FirstCommerce/TN	11.0	165.1	32¾	
34½	26¾	FirstCommerce/AR	11.0	165.1	32¾	
20	9¼	FirstCmrce/PA	NM	139.3	18¾	+½
20	9¼	FirstCmrce/PA pf	NM	139.3	18¾	+½
51½	34	FirstCmtyInd	10.9	162.5	47¾	
46¾	37¼	FirstFedCorp/PA	14.8	193.8	44	
54½	36¾	FirstFinCp/IN	11.4	149.2	54½	1⅛
46¾	33¾	FirstFinBncp/IL	10.5	161.2	39¾	
55	30¾	FirstInterstate/CA	10.1	164.8	53¾	-1⅛
27½	18¾	FirstMichBnk/MI	13.2	176.1	27	
24½	14¾	FirstMidAm/IL	16.2	154.4	23¾	-¼
24¾	18¾	FirstNBAnc/MS	12.7	161.8	20¾	
40¾	21¾	FirstNiagara/NY	11.9	164.2	39	
25¾	18¼	FirstNorthern/WI	13.8	174.1	25	
35¾	26	FirstOhioBncp/OH	11.7	163.6	35¾	
37	26¾	FirstPacific/CA	12.0	204.5	33¾	-¼
28¾	20¾	FirstPennFin/PA	12.5	188.8	37	
43¾	30¾	FirstRepBnk/TX	12.5	161.7	37¾	
37⅜	26¾	FirstTennessee/TN	15.7	157.4	33¾	
44¾	32¾	FirstVaBnkshs/VA	13.8	174.9	41¾	
31¾	21¾	FirstWVBncp/SC	13.8	183.2	31¾	
28	20¾	FranklinCorp/TN	11.9	159.1	27½	
26	21¾	FultonFinCp/PA	12.4	169.2	25¾	-⅛
33	24¾	FultonBancorp/PA	12.4	169.2	30¾	-⅛
37¾	24¾	GBC Bancorp/CA	13.5	188.3	29¾	
37¾	13¾	GBC Bancorp/CA	7.5	123.3	14¾	
39¾	29¾	GeneseeCp/Lake	10.6	165.2	29¾	
39	32¾	HancockHldg/LA	11.7	199.8	38¾	
39¾	32¾	HancockHldg/LA pf	11.7	199.8	38¾	
18¼	12¼	HeritageFin/Ga.s	13.5	186.8	18¼	
27⅜	20¾	HiberniaCp/LA	NM	157.5	21¾	
24¼	11½	Hubco/NJ	13.1	220.7	22¾	
24¾	18¾	HuntingtonBc/OH	14.9	233.6	20¾	
15	6⅝	ImperialBancorp/CA	11.9	64.3	10¾	
29	21¾	IndependenceBc/PA	38.0	145.3	26¾	
32¾	20¾	IntegraFC/PA	10.6	189.3	46	
29	17¾	InternatlBancsh/TX	11.4	143.0	19¾	
47	28	InvestmtBnkshs/VA	10.8	122.4	45	
24¾	14¾	JeffersonBnkshs/VA	9.1	213.2	20¾	
74⅛	58⅝	J.P. MorganNY	10.2	192.0	70¾	-1¼
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25¾	19¾	MarshallBnkshs/WI	14.2	198.2	23¼	-⅛
10⅝	8¾	MarylandFed/MD	8.7	145.8	9¾	
59¾	39¾	MercantileBncp/MO	12.3	151.2	49⅜	-⅛
59¾	39¾	MercantileBncp/MO pf	12.3	151.2	49⅜	-⅛
62	44½	MerchantsBank/NY	19.9	183.8	55	

52 Wk			PE	Mkt	Cls.	Chg.
Hi	Lo			to bk		
89	72	UnitedCounties/NJ	8.1	123.8	85	-1½
24¼	20¾	UnitedNorthern/NY	14.2	133.0	20¾	
32¾	17	UnitedNtnBcp/NJ	12.7	143.1	32¼	
43¾	33¾	WellsFargo/CA	13.9	181.3	45	-¼
28	18¾	WesbyNatlBnc/NJ	13.3	267.0	25¼	
25¾	20	WestAmerBcp/CA	7.6	117.3	22¾	-¼
40¾	29	WachoviaCorp/NC	13.2	205.8	34¾	-¼
120	63¾	WellsFargo/CA	13.9	181.3	113	
32	21¼	WestBancorp/RI	15.5	175.1	31½	
25	18	WestCoastBncp/OR	12.2	158.3	18¾	-¼
29¾	18¾	WestamericaBan/CA	10.5	136.8	28	
30¾	23¾	WestmarkBncp/FL	10.5	150.3	24¾	
31¾	24¾	WhitneyHldg/LA	11.4	151.3	31¾	
31	24¾	WilmingtonTrust/DE	12.8	351.7	27¾	
30¾	23¾	WilmingtonTrust/DE	9.0	149.0	27¾	-¼
45¾	26¾	ZionsBancorp/UT	10.6	189.9	38¾	

Top 25 Thrifts

52 Wk			PE	Mkt	Cls.	Chg.
Hi	Lo			to bk		
14¾	8¾	ALBANYFinancial/NY	10.9	84.7	18¼	-¼
21¼	13¾	AmericanFd/CA	15.3	88.0	19¾	-¼
21¾	16¾	AmericanFd/CA pf	15.3	88.0	19¾	-¼
18¾	12¾	CharterOne/OH	7.8	141.1	16¾	
18¾	12¾	CharterOne/OH pf	7.8	141.1	16¾	
14¾	10¾	FinancialTrust/NY	7.5	66.4	13¾	
35¼	24¾	FlexSteel/IA/IO	13.0	188.4	34½	1
21¾	15½	FreemanBancorp/IL	8.9	231.2	16¾	
16⅝	9¾	FremontBancorp/CA	4.7	152.4	15¾	
14¾	8¾	FremontBancorp/CA pf	8.9	159.3	13	
30½	17¾	FrontierBancOr/MI	11.5	164.5	26	
13⅜	7¾	FrontierBancOr/MI pf	18.0	77.3	14¾	
13⅜	7¾	FrontierBancOr/MI wt

Dime May Try to Buy Crossland from FDIC

Continued from *page 1*

mum, throws a wrench in the works. The thrift, which has $8.8 billion in assets, competes in the New York metropolitan area with Crossland and could boost its market share and generate significant cost savings through an acquisition.

It is unclear whether Dime has presented a formal offer or just expressed an interest in bidding. Dime and the FDIC declined to comment.

Regulators seized Crossland in January 1992 and, in a highly unusual move, decided to operate it themselves for up to two years rather than sell it immediately or liquidate it.

Offers Rejected

The regulators, who concluded they would fetch a higher price for Crossland down the road, rejected as inadequate offers from Chase Manhattan Corp. and Republic New York Corp. The FDIC pumped in $1.2 billion to recapitalize the institution.

Now the agency is under pressure to prove the wisdom of its plan by fetching the highest possible price for Crossland. The FDIC originally predicted it would eventually get 1.5 times the thrift's book value in a sale.

The agency has shopped the general outlines of its proposed sale to investment advisers. One adviser said he thought Crossland would sell for 70% of book value -- or about $322 million. However, the FDIC could take a piece of the deal, which would reduce the amount of money raised from investors.

Investment advisers also confirmed that the FDIC plans to absorb some of the losses embedded in Crossland's $1.2 billion portfolio of bad assets.

"With the right pricing, it could be a good deal," a potential investor said. "Our risk is limited through loss sharing."

Crossland has been slimmed down for sale by FDIC-appointed chief executive Richard A.

The FDIC was ready to sell to a group of investors.

Kraemer, who is expected to stay on if the bank is bought by investors. He has cut Crossland's size, expenses, and personnel. The savings bank has earned $22.3 million over the past year and a half.

Crossland has shrunk its assets by $1.7 billion, to $5.7 billion, paring 32 branches and selling subsidiaries. Nonperforming assets have been whittled to $1.2 billion from $4.4 billion. Crossland had $548.2 million in capital on March 31.

The market for thrift stocks is hot, but crowded.

Dime raised $200 million in capital recently, while two mutual thrifts are planning to raise a total of $1 billion through initial public offerings.

A second Wall Street source said these deals could crowd Crossland, but insisted that "there is a lot of money out there to recap the banking industry.

"It's a big appetite, but it's being sated."

FDIC officials are privately hailing their deal as a home run. One Wall Street source who has seen the offering called it "impressive."

The agency had planned to file a prospectus for the deal next



Peggy Tarlock/American Banker

Harrison Young
Wants to sell to investors

week with the Office of Thrift Supervision. Dime's maneuvering will now delay that.

Low interest rates have helped the FDIC in its gamble to operate Crossland, but many people still question whether it made the right move in preserving an ailing bank when the industry has so much overcapacity.

Six months after the seizure, House Banking Committee Chairman Henry B. Gonzalez said the "FDIC resembles the bleary-eyed gambler at midnight in Las Vegas, throwing another wad of money on the table in hopes that earlier losses can be recovered."

The Texas Democrat ordered an investigation of the FDIC's decision, and the General Accounting Office lambasted the agency in a July 1992 report, concluding that $440 million in reported savings were not documented adequately.

And the scrutiny is not over. When FDIC confirmed in May that it might sell Crossland to institutional investors, Mr. Gonzalez said he will ask the GAO to evaluate the deal "to make sure that FDIC gets the best deal for the taxpayer."

Excess Capacity Cited

Bert Ely, a consultant who tracks the FDIC closely, criticized the agency too. He said Crossland should be merged into an existing institution to wring out excess capacity.

"They are keeping alive . . . an institution for which there is no need," Mr. Ely said, noting that Crossland was the first -- and last -- patient in the FDIC's trumpeted "hospital" program that was supposed to to nurse sick banks back to health.

"They have to put the best spin they can on a deal that if they had it to do over again, they wouldn't have done it." □

DEALS

Bankers Trust Group Refinancing Fruit of the Loom on Easier Terms

By WILLIAM GOODWIN

Fruit of the Loom Inc. is refinancing $800 million of bank debt on better terms, bankers said.

The Chicago-based underwear manufacturer is taking advantage of generally lower lending rates as well as its own improved operating performance and balance sheet.

Other borrowers are taking similar steps. Burlington Industries, for example, is refinancing a year-old bank loan with a $900 million credit priced 150 basis points below the existing deal.

Vote of Confidence

In a sign of the banks' increased confidence in Fruit of the Loom, the new three-year revolving credit is being granted on an unsecured basis.

Led by Bankers Trust Co. and four other co-agents, the credit replaces secured loans of the company's Union Underwear subsidiary.

The co-agents are Chemical Bank, NationsBank Corp., Bank of New York, and Bank of Nova Scotia.

35 Basis Points over Libor

Based on Fruit of the Loom's current debt rating, the borrowing rate on its new credit would start out at 35 basis points over the London interbank offered rate, according to a banker familiar with the deal.

The pricing, already far below the rate on the existing facility, is negotiable, would fall further if Fruit of the Loom's debt is upgraded.

More Flexibility for Borrower

A bank meeting for potential syndicate members was set to be held Wednesday night in Charlotte, N.C., where Fruit of the Loom has a number of factories.

Bankers are scheduled to tour the plants today.

Providing the loan on an unsecured basis gives Fruit of the Loom more financial flexibility because it frees up assets that were previously pledged as collateral, noted Adele Archer, an analyst at Standard & Poor's Corp.

"In general, it's probably not an immediate benefit, but it could be later" if the company wanted to sell or releverage some of those assets, Ms. Archer added.

Upgrade Possible

Largely as a result of the new unsecured bank deal, Standard & Poor's Corp. is reviewing its rating on Fruit of the Loom's $250 million senior unsecured notes for a possible upgrade.

The notes, currently rated BBB by S&P, will

The $800 million credit is unsecured and priced below the manufacturer's existing bank debt.

now be of equal standing with the bank debt, because both are senior unsecured debt.

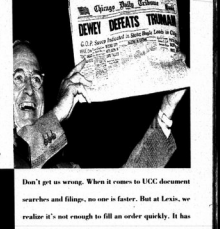
Fruit of the Loom had been stigmatized by the financial excesses of its chairman, William Farley, who last year was forced to relinquish control of textile concern West Point-Pepperell.

Debt Sharply Reduced

But through a combination of strong cash flow and proceeds from a stock offering, Fruit of the Loom has sharply pared its debt over the past few years.

The company's debt-to-capital ratio was about 53% on March 31, compared with nearly 75% at the end of 1990, Standard & Poor's noted. □

IT'S GOOD TO BE FAST, BUT IT'S MORE IMPORTANT TO BE ACCURATE.



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Immigrants Seen Growth Market For Home Loans

By CHRISTOPHER NOBLE

The mortgage industry, like the country, is at a cultural crossroads.

As the millennium approaches, the rapid growth of minority and foreign-born populations is changing the face of the nation -- and of the typical homebuyer.

Up to now, mortgage lenders have been stepping up their efforts at minority lending largely in response to political and regulatory pressure.

But many in the industry are starting to view new immigrants and other members of minority groups as a business opportunity that simply cannot be overlooked. As a result, they are scrambling to adjust their lending policies.

NEWS ANALYSIS

Stephen B. Ashley, president-elect of the Mortgage Bankers Association of America, says: "It's been numbers that indicate that as much as 40% of the business in the next decade will be minority based. I don't know any industry that wants a 40% segment of the market as a significant opportunity."

Strong Prospects

In fact, the 7.1 million immigrants accounted for 40% of the decade's population increase. And they tended to be in the prime of life as well as better educated and more hopeful than native-born minorities, according to a report published by Harvard University.

"There's an enormous market out there, and those who find it first will prosper," says William C. Apgar Jr., executive director of Harvard's Joint Center for Housing Studies, which annually publishes a report called *State of the Nation's Housing*.

The report shows a country of increasing and irreversible diversity. The Asian-American population more than doubled in the last decade. Hispanics increased their numbers by more than 50%, and the African-American population grew by 12%.

In comparison, the non-Hispanic white population increased by a mere 4%. By the end of the century, 30% of the population will be from other groups.

Challenge to Lenders

Howard J. Levine, chief executive of Bank of New York's Co.'s mortgage unit, says the surge in immigration holds great promise for mortgage lenders

See **IMMIGRANTS** *page* **10**

INSIDE NEWS

COMMUNITY BANKING

TO BAIL OUT flood victims in the Midwest, the Independent Bankers Association of America and five affiliated state banking trade groups have launched a "Good Neighbor" operation. *Page 8*

INVESTMENT PRODUCTS

NORWEST CORP., amid rapid growth in its mutual fund business, is reorganizing the management of its brokerage unit and rolling out some products. *Page 11*

TECHNOLOGY

NYNEX CORP. announced the completion of the sale of its BIS Group Ltd. subsidiary to ACT Group PLC, a British lending-software concern.

FIRST CHICAGO Corp. shares advanced on brisk volume after a PaineWebber analyst raised his earnings estimate for the bank this year by 12%. *Back page*

BNC BANK became the largest commercial bank in the Federal Home Loan Bank System. Private label

investment officer said his institution joined the system to gain access to potentially cheaper funding. *Back page*

COMMENT

MEXICO'S BANKS, contrary to conventional wisdom, are well poised for the competition they would face under the North American Free Trade Agreement, writes Alfredo Harp Helu. *Page 4*

IN MONGOLIA, a banking system is developing -- with the help of some U.S. volunteers -- where a command economy once held sway, writes Donald S. Rice. *Page 4*

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Floodwaters in Midwest Swamp Banks

By MATT BARTHEL and BARTON CROCKETT

The midwestern floodwaters are wreaking havoc on banks unlucky enough to be in low-lying areas.

Though no banking institution has been driven out of business, thousands of bank employees have had to vacate offices threatened or submerged by the surging Mississippi River system.

In one extreme case, Buffalo Saving Bank of Buffalo, Iowa, had to vacate its building as water lapped up against sandbags outside. The $25 million-asset bank has been operating out of a nearby school, according cashier Mike Matthys.

Sandbags are the only reason

PITCHING IN
How midwestern bankers are helping flood-stricken communities, and each other. *Page 8.*

the main office of Farmers and Merchants Bank in La Grange, Mo., has kept dry. "If the only way you can get there is by boat," said Patrick Curry, a legislative assistant with the Missouri Bankers Association, who spoke with Farmers and Merchants executives on Thursday.

The flooding hit Iowa units of Minneapolis-based Norwest Corp. particularly hard. Some 1,400 employees were displaced from offices in Des Moines.

"We've been trying to keep people out -- there's gasoline floating in the water from God knows where," said Mark Oman, president of Norwest Mortgage, the nation's third-largest mortgage originator.

Last weekend, water filled a campus of four one-story build-

See **FLOODWATERS** *page* **3**

Clinton Unveils Plan For Community Loans

By ROBERT M. GARSSON and CLAUDIA CUMMINS

WASHINGTON — President Clinton unveiled his community development lending program Thursday with a show of political strength that suggested banks may have trouble gaining regulatory relief through the legislation.

Surrounded by Vice President Al Gore, Cabinet secretaries, a large congressional delegation, regulators, bankers, and community activists, the President called for a $382 million fund for community development lenders over the next four years.

Mr. Clinton also asked the four bank and thrift regulatory agencies to review the Community Reinvestment Act, with an eye toward reducing paperwork and increasing lending in low-income communities.



President Clinton
White House show of force

By involving the regulators in CRA, the President may have preempted industry efforts to have Congress ease CRA and other regulatory requirements

See **COMMUNITY** *page* **18**

Morgan Up 33% on Trading Gains; Earnings at First Union Soar 80%

An American Banker Roundup

Big trading and investment gains, soaring fee income, and generally improved credit quality combined to boost earnings at large banks that unveiled second-quarter results Thursday.

Despite market jitters about pressure on interest rate spreads, several companies also continued to enjoy interest-related gains.

J.P. Morgan & Co., the largest bank reporting on Thursday, booked spectacular trading revenues of $520 million between April 1 and June 30 en route to a $431 million quarterly gain.

First Union Corp., the nation's ninth-largest bank company, with $72 billion of assets, said profits soared 80% to $221 million on big profits from its

See **KEYCORP** *page* **6**

A Fast Quarter
Second-quarter net income, in millions, versus year-earlier figures

	Net income	Change from year ago
J.P. Morgan	$431.0	33.6%
First Union	220.6	80.0
Norwest	101.3	36.5
NBD	232.0	86.6
U.S. Bancorp	62.6	59.3

Novell Girds to Defend PC Network Turf

By BARTON CROCKETT
Second of a Series

It's a safe bet that to bankers, Novell Inc. is not the most glamorous of technology suppliers.

Yet in its niche -- software that ties personal computers into networks -- the Provo, Utah-based company is a force to be reckoned with.

Novell already is the dominant PC network vendor to banks, running more than two-thirds of these systems installed in financial institutions.

What's more, Novell is girding for battle with other industry heavyweights, such as Microsoft Corp. and International Business Machines Corp., for control of a nascent technology called client-server computing.

Experts say client-server systems will radically change the banks operate because the technology allows tens or hundreds of low-cost PCs to be tightly linked together to perform the work that once demanded a multimillion-dollar mainframe computer.

Beyond Simple Networks

The banking community "probably thinks of Novell as the guys who hook the PCs together," said Louis Giglio, a vice president and stock analyst at Bear, Stearns & Co. in New York. "That was true three years ago, but it goes way beyond that now."

Novell's current generation of PC networking software, called Netware, gives PCs basic communications capabilities, such as linking many desktop computers to a single printer, sending electronic mail, and sharing basic of-

See **NOVELL** *page* **12**

NEWS *briefs*

Freddie Mac Reports a 9% Income Gain

McLEAN, Va. — The Federal Home Loan Mortgage Corp. reported on Thursday second-quarter income of $180 million, a 9% increase over year-earlier results. Earnings per share were 94 cents, up from 88 cents.

For the first six months of 1993, earnings per common share were $2, compared with $1.66 per common share for the first six months of 1992.

John Gibbons, acting chief financial officer, said the company had a $24 million increase in net interest margin as management and guarantee fees rose. He said income from retained mortgages also climbed as the average balance of the portfolio grew 6%. The resulting gain in income, however, was partially offset by higher funding costs.

2 Household Execs Joining Fair, Isaac & Co.

CHICAGO — Two key executives are leaving the credit card unit of Household International at the end of the month to form a business unit for Fair, Isaac & Co.

Warren Wilcox, executive vice president of new business products at Household Credit Services, and John Gerbino, senior vice president of risk management, will try to expand Fair Isaac's business outside the traditional consumer credit market.

Fair Isaac, based in San Rafael, Calif., provides credit scoring and other risk-management systems. It may be seeking customers in the mutual fund or telecommunications industries.

A successor to Mr. Wilcox, who helped develop the successful General Motors card that Household issues, has not been named.

Morgan Elects Martin Feldstein a Director

NEW YORK — Former White House economic adviser Martin Feldstein has been elected a director of J.P. Morgan & Co. and its principal subsidiary, Morgan Guaranty Trust Co. of New York.

Mr. Feldstein, 53, is president of the National Bureau of Economic Research and is George F. Baker professor of economics at Harvard University. He was chairman of the Council of Economic Advisers from 1982 to 1984.

A New York native and graduate of Harvard College and Oxford University, Mr. Feldstein is a member of the American Philosophical Society, the Trilateral Commission, and the Council on Foreign Relations, among other affiliations.

1st Alabama to Buy FDIC's Secor Warrants

BIRMINGHAM, Ala. — The Federal Deposit Insurance Corp. board has voted to allow First Alabama Bancshares to purchase warrants that the agency holds in Secor Bank.

The warrants, held by the FDIC in its role as manager of the Federal Savings and Loan Insurance Corporation Resolution Fund, would have given the government 25% of Secor common stock, if exercised.

Under terms of First Alabama's pending acquisition of Secor, the warrants would be canceled when the deal closes.

Foothill Forming Thrift Holding Company

LOS ANGELES — Foothill Group Inc. said its board has approved the formation of a thrift holding company that will be spun off to shareholders.

The subsidiary, Foothill Thrift and Loan, currently has $16.2 million in equity. Foothill Group said the holding company should raise $10 million to $15 million in new equity, much of which would go toward improving capital ratios.

After the spinoff, the holding company would have no further connection with Foothill Group, which has diversified financial interests. Foothill Thrift specializes in commercial real estate financing for small businesses and entrepreneurs.

The briefs were compiled from staff and wire reports.

Citicorp's Rhodes Insists Brazil Pact Hinges on an Accord with the IMF

Reuters

BRASILIA — William Rhodes, the Citicorp vice chairman who heads the steering committee of Brazil's creditor banks, has reaffirmed that an accord with the International Monetary Fund is essential to a conclusion of Brazil's debt restructuring with commercial banks.

Mr. Rhodes denied a Brazilian newspaper report that said the commercial debt agreement could take effect without an IMF accord.



William Rhodes
Rejected newspaper report

Accord 'Always Contemplated'

The newspaper, *O Estado de Sao Paulo*, said Mr. Rhodes told Economy Minister Fernando Henrique Cardoso that Brazil did not need an IMF accord to finish the agreement on repayment of the $40 billion foreign bank debt.

"We have always contemplated that an IMF program would form part of the restructuring plan," Mr. Rhodes said in a telephone interview.

"That is what I discussed with the minister, Central Bank President Paulo Cesar Ximenes, and chief debt negotiator Pedro Malan during the visit to the ministry" on Tuesday, the banker said.

Agreement on Par Bonds

Brazil wants to conclude an IMF accord and obtain a total of $1.6 billion from the IMF, the World Bank, and the Inter-American Development Bank as a guarantee to help clinch the commercial debt repayment deal.

It was announced Tuesday that the banks had largely agreed to Brazil's request for a maximum of 40% repayment in par bonds and a minimum of 35% in discount bonds. The limit on par bonds means substantial savings for Brazil.

"We wanted to rebalance" the mix of repayment options, "and that is what this whole exercise was," Mr. Rhodes said.

Brazil and the banks begin talks on repayment contracts and documentation next week in New York. The negotiations are expected to run at least several weeks.

Asked when the debt agreement could be signed, Mr. Rhodes said, "We have to have our discussions on the documentation, and Brazil has to work out its arrangement with the fund so we can have a signing by the end of September."

Brazil then could begin repayments in November, he said, adding, "It's a tight schedule." □

Citicorp Names Michaelson to Post at Investment Management Unit

NEW YORK — Citicorp said Bob Michaelson has been named global chief investment officer at Citibank Global Asset Management.

Mr. Michaelson, 46, will join Citibank's investment management arm at the end of August. He was previously with Mercury Asset Management Group PLC in London.

He will report to W. Neville Bowen, chief executive of the asset management unit.

Citicorp also named Ian Corbett country corporate officer for the United Kingdom. He will remain European managing director for the financial institutions and transaction services group. □

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Floodwaters in Midwest Swamping Banks

Continued from *page 1*

ings to depths of 2½ to four feet, Mr. Oman said.

The offices are in the Riverpoint complex, near the confluence of the Raccoon and Des Moines rivers. Some 700 people worked there in executive offices and finance, accounting and mortgage servicing units.

Mr. Oman said operations were moved to other locations with minimal disruption to customers. Through Wednesday of this week, loan processing volume was normal, with the mortgage company taking applications for $600 million of mortgages and funding $360 million, he said.

About a third of the employees we c moved to a Norwest credit card facility in West Des Moines, away from the flooding.

Mortgage servicing operations were moved to servicing centers in Minneapolis and Springfield, Ohio. Processing of mortgage applications are handled for the unit by Computer Power Inc. in Florida, and were unaffected.

No Water for Sprinklers

At its 25-story bank building in downtown Des Moines, Norwest had to relocate 700 employees – not because of floods, but because the city's water purification system was contaminated, and the water was turned off. With sprinkler systems disabled, the entire downtown was unsafe to work in.

Lynn Horack, president and chief executive of Norwest Bank Iowa, said it activated a longstanding contingency plan that entailed moving employees and equipment to West Des Moines, and other locations.

The million checks processed daily by the bank are being flown to Minneapolis, Mr. Horack said.

Bankers Trust Co., a $580 million-asset bank in Des Moines, was forced to scatter some 140 employees from its 34-story headquarters building among eight offices elsewhere in the metropolitan area.

Late Opening

The bank uses a service bureau, Newtrend, for computer processing, which was unaffected. But the move forced the bank to open two hours late on Monday morning, according to chief executive Mike Earley.

Fortunately, business has been slow.

"People aren't borrowing for homes or cars right now," Mr. Earley said. "They're more focused on other matters."

Pumping Out the Vault

Other banks that had to close downtown Des Moines offices included Boatmen's Banshares, which has its headquarters downriver in St. Louis, and Firstar Corp. of Milwaukee.

Employees at Mercantile Bank of Illinois, Alton, have been pumping "seepage" from the vault in the bank's main branch for the last eight days.

"It's a 24-hour job, so we've been switching off. Officers work the night shift [on the pumps], other staffers work the day shift," said David E. Hagard, an executive vice president in administration at the subsidiary of St. Louis-based Mercantile Bancorp.

The main branch of Omni Bank in Hull, Ill., which houses all data processing and item processing operations, is situated only a few hundred yards from the town's levee.

Fearing the worst, president Ivan E. Wharton, who has been sleeping in the main branch for the last eight days, had most of the contents of the main branch moved to another office on higher ground.

Since Omni's backup computer processing site, a data center run by Bank of Calhoun County in Hardin, Ill., is already flooded, Omni was forced to move its operations elsewhere.

Making Do

Omni is currently using a 30-foot trailer as a loan office. Check and data processing equipment are at a branch 75 miles from the main office. The bank's three automated teller machines were taken out of service, gutted of their computer innards in anticipation of the levee breaking.

Canton State Bank, Canton, Mo., evacuated its main branch and is operating out of a local college.

Relief may be days away. According to the National Weather Service, the Mississippi crest is moving south at a rate of only three to five miles an hour, its progress slowed by continual rainfall.

The crest is expected to reach St. Louis on Monday at a record 45.5 feet. □

More Technology News
Pages 12 and 13

Employees have vacated banks threatened by the surging Mississippi.

When it's this hot, you deserve extra scoops.

For many bankers, the thermometer is a lagging indicator of the heat they feel in handling current regulations and guessing the Clinton administration's next moves. But we've got a way to help you keep cool: *American Banker's Washington Watch.*

We broke the news about the plans by credit union trade associations to branch cross-country. We warned readers that the FDIC will crack down on banks and thrifts that aren't paying enough for insurance, and that the Fed was flirting with examination fees. We also uncovered plans that would let banks pay less for deposit insurance provided they set up certain special programs.

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Comment

By Alfredo Harp Helu

Mexico's Banks Are Equal To the Trade Pact's Challenges

Though some observers are quick to question the competitiveness of Mexico's banks when talking of the proposed North American Free Trade Agreement, a closer analysis of the Mexican banking system reveals otherwise.

Considering what Mexican banks have been through in the past decade, it's a wonder they managed to survive. In the 1980s, the average annual inflation rate was nearly 80%. Banks were nationalized, then reprivatized. Regulations constantly changed.

Now, with Mexico's banks back on their feet and thriving, many wonder if they will be able to survive the impending onslaught of competition from U.S. and Canadian subsidiaries under the trade agreement.

Untapped Opportunities

Not only will they survive, they should prosper.

Conventional wisdom has it that Mexican banks lack the innovative, entrepreneurial spirit of their U.S. and Canadian counterparts.

Mr. Helu is chairman of the board of Grupo Financiero Banamex-Accival, Mexico's largest private bank.

But Mexican financial institutions haven't even scratched the surface of their own market's potential, compared with banks in industrialized countries. Mexican banks currently finance about 27% of the country's gross domestic product, less than one-third the figure for the United States or even Spain.

Only about 8% of Mexicans have a checking account. Less than 1% of homeowners have a mortgage.

Playing Catch-Up

While we are increasingly becoming technologically sophisticated, we still have some catching up to do. So, some might argue, this all must translate into competitive weakness on the eve of Nafta. Not necessarily.

Mexican banks couldn't possibly have been expected to expand and offer innovative financial products and services during the economically turbulent 1980s. Facing hyperinflation, plummeting real incomes, and a devalued peso, the banks did well enough to hold their own.

They managed to finance about 25% of Mexico's GDP, only 3% less than today. They adapted their financial products and services to the highly unstable environment of those years.

Growing Economy

Now that the macroeconomic situation has dramatically stabilized and improved, it will be much easier for Mexican banks to offer innovative financial products and services as real incomes and savings grow.

Economic growth and stability will, in addition, allow the banks to increase their base of customers, both commercial and individual. This trend is already taking place.

Individual retirement accounts, for example, are now being offered by many Mexican banks. More than 13 million IRAs have recently been opened. And many of these customers never had a bank account before.

As the banks attract more customers, they will be able to reduce costs and offer a wider array of services. For example, many banks are now offering their customers more widespread access to automated teller machines.

Latest Technology

It is true that to be competitive, Mexican banks will have to invest in technology. Their current lack of cutting-edge technology has a benefit, however. The banks can learn from the experiences of others, particularly in the United States and Canada, avoiding their pitfalls and faulty technology.

In other words, Mexican banks will immediately get on the highway to modernization, bypassing the bumpy road.

For example, Mexican banks are now offering customers debit and credit cards as an alternative to the traditional checking account, soon to be a financial dinosaur. In this way, Mexican banks will catch up quickly and penetrate their own market more fully.

To prosper in an increasingly competitive marketplace, businesses must constantly offer products and services tailored to the markets they serve. Banking is no different. Mexico's banks have demonstrated their ability to tailor their products and services to market conditions.

Faced with imminent competition from the north, Mexican banks are indeed rising to the challenge. They are modernizing, offering new products and services, and building their customer base. They will be ready for Nafta. □

MEXICAN FINANCIAL *institutions haven't even scratched the surface of their own market's potential, compared with banks in industrialized countries.*

Comment

By Donald S. Rice

In Mongolia, a Banking System Arises With Help from U.S. Volunteers

RELIABLE *information is not available, and financial concepts are not well understood.*

Mongolia is not the end of the world – but you can see it from there."

With these encouraging words, John Walker, president of the Financial Services Volunteer Corps, and Tim Frost, the corps' program director, invited the Soviet-American Banking Law Working Group to field five volunteers as the latest off team for the corps' Mongolian Banking and Finance Training Project.

Originally scheduled to start in Ulan Bator, elevation 4,000 feet, in October, a deferment to February had us running for our long johns, down parkas, and Patagonia catalogues. February temperatures range from plus 10 to minus 40 degrees Fahrenheit.

As in the former republics of the late Soviet empire, Mongolia's banking system is coming in from the cold. Prior to 1990, there was only one bank, the Bank of Mongolia, providing all nationwide banking functions in a command economy.

In addition to managing the government's debt and issuing currency, this one bank also almost exclusively with state enterprises in a command economy, essentially balancing the national accounts.

There was no payment system, no intermediation of deposits into housing or commercial ventures, and no form of consumer banking as we know it. Mongolia was then and continues to be essentially a cash economy.

A Foundation

Today, a two-tier system has been established. The old Bank of Mongolia has become the Central Bank. There are now 11 commercial banks, four of the largest being spinoffs of the old Bank of Mongolia. Most of these commercial banks are joint stock companies still government controlled through companies in the process of being privatized.

Mongolia's banking law gives commercial banks broad powers, barring them only from production, insurance, and land development activities. Licensing would appear to be straightforward.

Hyperinflation has thrown into a cocked hat the minimum capital requirement of 50 million tugriks (about $140,000 at the 350-to-1 exchange rate), resulting in proposed legislation for an increase to 150 million tugriks, which would cause compliance problems for several banks. No provision has yet been made for foreign bank ownership or branches.



Good News, Bad News

The good news is that all the Mongolian commercial banks have been initially profitable through continued strong demand for short-term credit (the only kind available) on the part of corporations in the process of privatization, cheap government funding from the Central Bank, and a high rate of inflation.

Some banks are actually paying dividends semiannually. Deposits, including some personal savings accounts, are being attracted at competitive interest rates.

Float is tremendous, since

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Comment

By Donald S. Rice

Mongolian Banking: In from the Cold

Continued from *page 4*

poor internal communications and the absence of a payment system mean that transferring funds can take two months. And the legal and corporate framework is progressing as Mongolia moves from being a centralized command economy to a more market-oriented economy.

The bad news is that a legal and business infrastructure, let alone an understanding of the basics of commercial contract law and lending, is a long way from where it must be in order to support creditworthy lending. Bank facilities are rudimentary, reliable financial information is not available, and financial concepts are not well understood.

Moreover, transactions still require substantial paper shuffling and rubber stamping, and periodic limitations on cash withdrawals as an anti-inflationary measure have eroded public confidence in the banks and led to cash hoarding and dollar-based activities among small businesses outside the banking system.

Finally, bank capital at the minimum levels is woefully augmented by paper profits, is woefully inadequate to support real

A LEGAL *and business infrastructure is far from where it must be.*

growth in a hyperinflationary environment.

On top of this, there is a severe shortage of skilled bankers, which brings me to the Financial Services Volunteer Corps.

A private, nonprofit organization, it has provided technical assistance from the United States since 1990 to support the economic transformation in emerging market economies.

For a year, the corps' Richard Currie, a Mongoliaphile and former U.S. banker, has focused on Mongolian banking needs and opportunities, building on the corps' experience in assisting the conceptualization and development of a voucher privatization program and stock exchange.

He offered 30 managers with basic English skills the opportunity to participate in the corps' training project.

Valuable Lessons

Our Soviet-American Banking Law Working Group volunteers were drafted by the corps to give the Mongolian bankers the first wave of basic training in banking in a market economy with a series of interactive presentations.

Organized as a group of American volunteer bankers, academics, and attorneys, we joined the Russians in developing a business and commercial law infrastructure to underpin a banking system, banking law volunteers have prepared a 182-page book on banking basics that includes a 34-page glossary.

ONCE *before, Mongolia was a microcosm for an important banking lesson.*

A high point of our program was a Socratic discussion of financial statements led by Dick Howe of Sullivan & Cromwell, who put a simple blank balance sheet and income statement on the blackboard, asked the Mongolians what kind of business they would like to discuss, and then filled in the blanks.

ONCE *before, Mongolia was a microcosm for an important banking lesson.*

We were impressed with how quickly the Mongolians arrived at the right analysis and judgment regarding the "bankability" of various hypothetical borrowers. From the questions and the intensity of our discussions, we could tell that the corps has identified a group of future leaders who are clearly enthusiastic and eager to learn and make progress – realistically.

For American bankers, the lesson of the Mongolian training project is that we have a valuable export in technical assistance. One hopes the payoff will be the development of a safe and sound Mongolian banking system that facilitates a successful transition to a functioning market economy and friendly trading partner.

While it may be too early to make a case for opening representative offices or branches in Mongolia, American bankers should keep an eye on developments there. It may become a prototype for fast-track development of banking systems in other emerging economies.

Curiously, Mongolia was once before a microcosm for an important banking lesson. At its peak, Genghis Khan's empire stretched from the Pacific across Asia all the way to Hungary, introducing the concept of paper money inherited from the Sung dynasty, which had collapsed in ruinous inflation.

So, too, did the finances of the great khans ultimately collapse. There is hope that today's Mongolia may offer a more positive example for development of a workable banking system in emerging market economies. □

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Sale Date: ***08/24/83*** — *Dated Date:* ***09/01/83***

Cusip	Coupon	Maturity	Redeemed Amount	Type	Date	Price
032367B53	10.250	09/01/99	$1,050,000	Prerefunded	09/01/93	102.00
032367Z27	9.700	09/01/94	$260,000	Prerefunded	09/01/93	102.00
032367J64	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
032367J12	9.700	09/01/96	$315,000	Prerefunded	09/01/93	102.00
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Mr. Rice is a partner in Chadbourne & Parke, a New York law firm. He is co-chairman of the Soviet-American Banking Law Working Group.

Keycorp, Midlantic, UJB, and Natwest Among Regionals Posting Strong Gains

Continued from page 1

venture capital investments.

Minnesota-based Norwest Corp., the nation's 14th-biggest bank company, pocketed $132 million of mortgage banking revenues and had overall income of $311.3 million to boost its quarter.

In recession-weary New Jersey, Midlantic Corp. relied on rising interest margins, declining credit costs, and new accounting rules to report a 400% jump in profits to $40.9 million.

NORTHEAST

Exceptional trading profits fueled J.P. Morgan & Co., which reported net income of $431 million in its second quarter, up 33% from $325 million last year.

The results, which translated into $2.12 a share, far exceeded Wall Street's expectations. A consensus of 21 analysts reporting to First Call Corp. had forecast profits of $1.53 a share for the nation's fourth-largest bank company.

In afternoon trading Thursday, Morgan's stock rose $1.50 to $71.625 a share.

Analysts said investors remain concerned about Morgan's ability to sustain strong trading results. Its trading profits jumped 82% from a year earlier.

"The skeptics would say the monster trading result means volatile earnings," said Judah S. Kraushaar, an analyst at Merrill Lynch & Co. "But it's more of a reflection of getting a payback on significant investments made over the past couple of years."

Morgan took $98 million of investment securities gains during the quarter. But, excluding the one-time profit and the trading results, revenue rose 9% over the year-earlier period, according to Mr. Kraushaar.

Investment management fees and operational services fees soared 23% over the year-earlier period while credit-related fees jumped 16%. Morgan said almost half of its $115 million in corporate finance fees came from underwriting securities.

Expenses - a persistent source of criticism from analysts - remained high at $866 million, up 17% from the year-earlier quarter. But analysts seem unperturbed in the wake of the strong earnings.

"With revenues up 21%, I'm not concerned," said Raphael Soifer, an analyst at Brown Brothers Harriman & Co., who raised his 1993 estimate for Morgan after the earnings report to $7.00 a share from $6.35. "Most expenses relate to the cost of doing more business."

For the second consecutive quarter, Morgan did not make a provision for credit losses.

— Yvette D. Kantrow

Keycorp, based in Albany, N.Y., said profits rose 31.9% to $99.9 million, or 95 cents a share. Though loan growth was modest, strong fee income and improved credit quality spurred profits.

Results were roughly in line with analysts' estimates. In late trading Thursday, the company's stock rose 62.5 cents to $40.375.

Keycorp said that loans, excluding acquisitions, rose 5.5% from a year ago.

"We still expect internal growth for Keycorp as a whole to approximate 5% for all of 1993," said William H. Dougherty, the chief financial officer and group executive vice president of Keycorp, adding that loan growth could hit 14% through acquisitions.

Keycorp's net yield on average earning assets dropped to 5.34% from 5.38% in the first quarter. Fee income - led by $28.7 million of mortgage banking revenues - soared 23% from the first three months of 1993.

— Karen Gullo

Edison, N.J.-based **Midlantic** Corp. surprised analysts with its strong report.

Vastly improved credit quality, wider interest spreads, and gains related to tax accounting spurred profits. Midlantic's earnings of 78 cents a share almost tripled the consensus estimate of 28 cents compiled by Zacks Investment Research Co., Chicago.

"No one expected them to be this far along" in resolving credit problems, said Jerome Baron, an analyst at Sherwood Securities. "They [could] begin to look like a normal bank in a few quarters."

Total nonperforming assets at Midlantic, which $13.8 billion of assets, fell 11% during the quarter as the company accelerated its bulk sales of nonperforming loans.

The company, which also recognized a $17 million tax-related gain, widened the spreads between its cost of funding and investments as its net interest margin rose 36 basis points to 4.12%.

Midlantic shares rose 12.5 cents to $21.625.

Elsewhere in New Jersey, **UJB Financial Corp.** recorded a 118% rise in profits to $22.4 million, or 43 cents a share, on target with analysts' expectations. The company's stock gained 25 cents to $25.25.

National Westminster Bancorp said profits rose 96% to $69.8 million. The Jersey City-based subsidiary of the giant British bank company said $14.5 million of the gain came from adoption of new accounting rules.

Officials at UJB, which has $13.8 billion of assets, said they continued to reduce nonperforming loans while enjoying a moderate improvement in spread and fee income. "We expect the negative effect on earnings from nonperforming loans and other owned real estate will continue to diminish," said T. Joseph Semrod, chairman and chief executive officer of New Jersey's third-largest bank.

— Karen Gullo

SOUTHEAST

Southeastern banks issued another round of strong earnings reports, citing strengthened credit quality, higher fee income, and tight expense control. But most banks suffered slight declines in their net interest margins in the first quarter.

Merchant banking income helped **First Union** report earnings of $1.32 a share, well above analysts' expectations. The company had previously forecast gains of $1.15 to $1.20 a share, but on Thursday it said that gains from its equity investments in companies added $44 million, or 16 cents a share.

The Charlotte-based company saw its stock price rise 62.5 cents on Thursday afternoon to $46 a share.

First Union recorded a 15% gain in noninterest income from 12 months earlier to $305.4 million. Its loan-loss provision fell 48% to $61 million.

Although the company's net interest income rose 12% during the quarter, but its net interest margin fell 8 basis points from three months earlier to 4.92%.

Despite a recent flurry of acquisitions, which added more than $20 billion in assets during the past year, First Union's noninterest expenses rose a modest 5% to $591 million from the year-earlier quarter.

The company also is experiencing an uptick in loan demand. Excluding acquisition-related assets, First Union added about $750 million in new loans during the second quarter. Malcolm T. Murray Jr., the bank's chief credit officer, said demand has been strong even in North Carolina, Florida, and Atlanta.

Elsewhere in the southeast, **Crestar Financial** Corp. said it doubled its quarterly earnings to $33.7 million over the year-earlier quarter. The Richmond-based company has $13.2 billion of assets. Its shares fell $1.25 to $42.125.

First Tennessee National Corp., which has $9 billion of assets, reported $30.3 million in net income, up 16.4% from the second quarter of 1992. In New Orleans, **First Commerce** Corp., with assets of $6.1 billion, saw earnings crest 40% to $24.7 million from the previous year. And Birmingham, Ala.-based **Central Bancshares of the South** netted $22.2 million, an 18% for the company, which has $7 billion of assets.

All the companies but Crestar experienced a slight shrinkage in their net interest margin.

— Kenneth Cline

MIDWEST

Norwest Corp., the nation's 14th-largest bank company, boasted record quarterly gains while taking several nonrecurring charges to clean up its balance sheet.

The company's profit of $161.1 million, or 52 cents a share, slightly exceeded analysts' estimates. Norwest's shares rose 25 cents to $26.75 in late trading Thursday.

Norwest, which has $47.8 billion of assets, said all its business units performed "at or above expectations," led by very strong mortgage banking profits of $23 million. Noninterest income rose 38.6% from the year-earlier quarter and almost 22% from the first three months of the year.

The company's core bank earnings rose 16.2% over 1992's second quarter.

The midwestern giant accelerated amortization of credit card premiums and mortgage servicing rights during the quarter while boosting writeoffs of acquisition-related goodwill.

"They have the capacity to absorb these charges and still report strong earnings," said Henry C. Dickson, an analyst at Smith Barney, Harris Upham & Co.

Norwest's net interest margin dipped slightly since the first quarter because of lower yields on earning assets.

Credit quality remained strong. The company's loss provision inched up to $39.4 million from $37.2 million in the first quarter, but nonperforming assets declined.

In Cleveland, **National City Corp.** attributed its healthy quarter to strong progress in improving asset quality, expanding net interest margin and loan demand, and higher fee income.

The company shaved its nonperforming assets by $61 million during the quarter to $268 million - its ninth quarterly decline. The decline included a $38 million decrease in foreclosed real

See NORWEST next page

J.P. Morgan & Co.
Stock: JPM
Dollar amounts in millions (except per share)

Second Quarter	1993	1992
Net income	$431.0	$325.0
Per share	2.12	1.64
ROA	1.19%	1.13%
ROE	23.49%	20.13%
Net interest margin	1.40%	1.87%
Net interest income	460.0	474.0
Noninterest income	1,116.0	839.0
Noninterest expense	866.0	740.0
Loss provision	0.0	25.0
Net charge-offs	(13.0)	(8.0)
Year to Date	**1993**	**1992**
Net income	$730.0	$1,041.0
Per share	3.61	5.24
ROA	1.05%	1.85%
ROE	22.22%	25.81%
Net interest margin	1.55%	1.85%
Net interest income	929.0	930.0
Noninterest income	2,197.0	1,430.0
Noninterest expense	1,675.0	1,360.0
Loss provision	0.0	35.0
Net charge-offs	(69.0)	(131.0)
Balance Sheet	**6/30/93**	**6/30/92**
Assets	$197,032.0	$197,705.0
Deposits	36,605.0	36,288.0
Loans	27,816.0	28,982.0
Reserves/nonp. loans	427.30%	222.50%
Reserves/loans	4.20%	4.60%
Nonperf. assets/loans	0.70%	0.82%
Leverage cap. ratio	7.00%	7.00%
Tier 1 cap. ratio	8.60%	8.88%
Tier 1+2 cap. ratio	12.92%	11.50%

First Union Corp.
Charlotte
Dollar amounts in millions (except per share)

Second Quarter	1993	1992
Net income	$200.6	$122.7
Per share	1.32	0.78
ROA	1.39%	0.85%
ROE	19.93%	12.94%
Net interest margin	4.92%	4.68%
Net interest income	768.7	694.0
Noninterest income	305.4	256.2
Noninterest expense	591.0	585.1
Loss provision	61.4	117.1
Net charge-offs	72.3	83.9
Year to Date	**1993**	**1992**
Net income	$413.8	$187.6
Per share	2.49	1.27
ROA	1.34%	0.71%
ROE	19.19%	10.79%
Net interest margin	4.98%	4.62%
Net interest income	1,266.6	1,162.7
Noninterest income	591.8	530.5
Noninterest expense	1,169.3	1,149.1
Loss provision	121.8	252.1
Net charge-offs	135.1	174.6
Balance Sheet	**6/30/93**	**6/30/92**
Assets	$71,597.9	$60,657.8
Deposits	55,436.9	47,231.4
Loans	46,600.6	40,160.0
Reserves/nonp. loans	169.5%	222.8%
Reserves/loans	2.30%	2.40%
Nonperf. assets/loans	2.70%	2.70%
Leverage cap. ratio	6.22%	6.08%
Tier 1 cap. ratio	8.02%	8.88%
Tier 1+2 cap. ratio	12.27%	13.66%

Norwest Corp.
Minneapolis
Dollar amounts in millions (except per share)

Second Quarter	1993	1992
Net income	$161.1	$127.4
Per share	0.52	0.41
ROA	1.41%	1.19%
ROE	16.6%	15.36%
Net interest margin	5.65%	5.34%
Net interest income	591.0	507.0
Noninterest income	411.4	296.7
Noninterest expense	725.3	583.8
Loss provision	39.4	47.6
Net charge-offs	43.7	40.1
Year to Date	**1993**	**1992**
Net income	$311.3	$246.8
Per share	1.00	0.77
ROA	1.38%	1.14%
ROE	16.6%	17.5%
Net interest margin	5.71%	5.36%
Net interest income	1,178.6	1,008.9
Noninterest income	749.4	552.9
Noninterest expense	1,378.0	1,139.6
Loss provision	76.6	111.2
Net charge-offs	91.1	99.8
Balance Sheet	**6/30/93**	**6/30/92**
Assets	$47,756.0	$43,881.0
Deposits	29,047.8	27,501.1
Loans	34,040.0	31,351.1
Reserves/nonp. loans	309.7%	222.8%
Reserves/loans	2.92%	2.40%
Nonperf. assets/loans	0.90%	0.91%
Leverage cap. ratio	6.66%	6.71%
Tier 1 cap. ratio	10.26%	10.48%
Tier 1+2 cap. ratio	13.18%	13.76%

Norwest, NBD, and National City Gain

Continued from page 6

estate assets.

Loans increased 5% from the year-earlier period. "They have demonstrated they are a good solid performer, and hopefully people will recognize it," said Mr. Dickson.

National City's profit of $102.5 million, or $1.22 a share, was in line with analysts' expectations. Its stock closed unchanged at $53 a share.

In Michigan, **NBD Bancorp** reported a 35% jump in earnings that translated into 76 cents a share, above analysts' expectations. In the year-earlier period, the Detroit company took a $12 million charge related to its purchase of Indiana's Summerbank and a $37 million special charge for an accounting change.

Nevertheless, NBD defied the trend of declining margins. Its net income jumped 5% from last year to $203.2 million, while its interest margin widened 17 basis points from one year earlier and 5 basis points from the first quarter.

NBD, the nation's 16th-largest bank, with $40.4 billion of assets, reduced its provision to $35.1 million from $40 million in the first quarter and $49.9 million one year earlier. Chargeoffs fell to $32.6 million from $38.7 million in the first three months of 1993 and $44.6 million one year earlier.

Several companies also continued to post interest-related gains.

The company's shares fell 25 cents to $32.875 on Thursday.

Also, in Michigan, **Old Kent Financial** Corp. said earnings rose 18% to $33.4 million, citing strong interest margins, growing mortgage lending, and improved asset quality.

In Chicago **Continental Bank** Corp. exceeded analysts' expectations with its second-quarter profit of $61 million, or 95 cents a share. The company were up 20% from the year-earlier period.

The company boosted profits with a fivefold increase in trading gains, the sale of investment securities, and a credit for income taxes of $7 million. Total revenues at Continental, which focuses on business and corporate banking, fell slightly from the first quarter, but credit quality generally improved.

The company's stock lost 25 cents to $23.125 Thursday.

"You'd like to see revenues a little stronger, but they're going in the right direction," said Mr. Dickson.

Continental, which has $22.4 billion of assets, said nonperforming assets fell $106 million during the quarter to $768 million.

However, it said about 45% of its residential real estate assets - including almost three-quarters of its $500 million portfolio in California - were nonperforming. Continental's provision against future loan losses rose to $35 million from $25 million in the year-earlier period but declined from $56 million in the first quarter. Chargeoffs soared to $67 million from $21 million in the first quarter.

— Jed Horowitz

WEST

Oregon's U.S. Bancorp and Idaho's **West One Bancorp** reported solid earnings for the second quarter on Thursday. And in Southern California, **City National Corp.** returned to profitability.

U.S. Bancorp earned $63.6 million, up 19.3% from a year ago. West One Bancorp, based in Boise, netted $20.8 million, a 36% increase over last year's second quarter.

City National Corp. reported net income of $10.9 million, or 30 cents a share, compared with a $62.6 million loss for the same period last year. The most recent quarter was boosted by a $7.1 million gain from the sale of the company's data processing unit and a $3 million addition from sale of $74 million in equity loans. Earnings from continuing operations equaled $800,000.

Shares of U.S. Bancorp rose 50 cents to $25.875. West One gained 25 cents to $50.

U.S. Bancorp, which has $20.8 billion of assets, signaled its results to analysts several weeks ago but came in about 9% higher than the analysts' consensus forecast. The company's net interest margin widened by 13 basis points to 5.33%, due mainly to lower rates on consumer deposits.

Its earnings translated into a return on assets of 1.24% and a return on equity of 15.81%.

West One's second-quarter ROA was 1.15% and its ROE was 16.16%. It and U.S. Bancorp benefited from loan growth and gains in noninterest income.

U.S. Bancorp said it reaped large gains in deposit fees and income from venture capital investments. But mortgage income was down sharply as the company wrote down the value of mortgage servicing rights to reflect high refinancing levels.

Expense levels remained high due partly to the cost of branch acquisitions in Northern California.

West One's record profits reflected a 39% jump in loan volume from a year ago, due mainly to the acquisition of some $837 million in loans from Bank-America Corp. Excluding the effect of that transaction, loans still grew a snappy 15% in the year. At the end of June, West One had $7.5 billion of assets.

City National continued to write off and sell problem credits. Nonperforming assets and assets held for sale totaled $184.4 million, down 6.4% in the quarter and 29.12% for the year. The company's assets fell to $2.9 billion, down 28.7% from a year ago.

— Sam Zuckerman



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IBAA Lends a Hand To Victims of Flooding

By BILL ATKINSON

Washington Watch

THE INDEPENDENT BANKERS Association of America and five affiliated state banking trade groups are recruiting members to bail out flood victims in the Midwest.

The bankers are helping farmers, business owners, and homeowners whose property has been damaged by the flood fill out complicated government forms to get federal disaster relief.

"We decided we should move ahead and do something to help out," said IBAA president James R. Lauffer, chairman and chief executive of First National Bank of Herminie, Irwin, Pa. "This is a case of neighbor helping neighbor."

The effort, dubbed "Operation Good Neighbor," began a week ago when the Washington-based trade group started working with its Wisconsin affiliate. From there the effort expanded to Illinois, Iowa, Minnesota, and Missouri.

The IBAA is supplying its affiliates with phone numbers of disaster field offices set up by the government and the names of the people running the offices. It has also provided the Federal Emergency Management Agency and the Small Business Administration with the names and phone numbers of its affiliates.



Jim Judkis

James R. Lauffer

"What we are trying to do is get our people in the field as much information as possible," said Herb Spira, the IBAA's tax specialist.

In Wisconsin, about a dozen bankers have signed on to help, said Heidi Sabel, spokeswoman for the Independent Community Bankers Association of Wisconsin.

Ms. Sabel said the trade group sent out facsimile messages to members last week, notifying them that the SBA was looking for bankers to process loans.

"It's more of a service to them [government officials], so they don't have to go out knocking on doors," she said.

Ms. Sabel said more bankers are likely to join the effort, and more may have already been recruited by government officials. The affiliates are looking for bankers who can quickly help flood victims fill out federal loan applications to get funds to the hardest-hit areas.

There are several kinds of loans available to flood victims, including low-interest SBA loans to repair houses, rebuild and restart businesses, and repair public facilities.

Alternatives for Family Farmers

Family farmers can also apply for low-interest Farmers Home Loan Administration emergency farm loans, 20-year farm loans at 4.5% interest to cover crop losses, and for loan forgiveness up to $300,000.

Ronald Ence, the IBAA's director of agricultural finance, who spends about 25% of his time on the project, said filling out the forms is a daunting task. And answers from the government can take weeks or months when there are mistakes.

"If you are not used to dealing with federal red tape and federal requirements, it [filling out the forms] can really be a scary situation," he said. "The bankers are able to cut through mistakes and get the application completed."

Banks Pitch In with Loans And Aid for Swamped Clients

By ROBERT B. COX

CHICAGO — From sandbagging to small-business lending, midwestern community bankers are furiously coping with the floods that have engulfed their customers and, in some cases, even bank buildings and branches.

Up and down the swollen Mississippi, bankers have been rolling up their sleeves to do the most direct type of community service, bailing out borrowers' basements, moving furniture, and distributing food and water to the needy.

"Everyone at the bank has had to leave their duties at one time or another to shovel sand, haul bails of hay, and reinforce the levees," said Paul Pogue, president of North Adams State Bank of Ursa, Ill.

Billions in Damage

Losses from the torrential rains and flooding are estimated to top $2 billion and may go as high as $5 billion, most related to lost or unplanted crops. President Clinton asked Congress to appropriate $2.5 billion in aid.

Regulators are encouraging lenders to assist in rebuilding their communities. The Office of Thrift Supervision issued a forbearance order Wednesday for thrifts in eight states, and the other regulatory agencies are drafting similar relief guidelines.

In the meantime, many bankers are offering emergency low-interest loans to help customers cope.

The Iowa Bankers Association has set up a referral program to help connect borrowers with low-interest loans and other assistance. In that disaster-stricken state, more than 36 banks have crafted emergency flood-relief loans with interest rates as low as 4%.

Larger regionals, from the Marquette Banks of Minnesota to Boatmen's National in St. Louis, have developed well-publicized aid programs. Boatmen's on Thursday announced a plan that includes expedited processing of loan applications, discounted rates, and deferred repayments on many consumer and commercial loans.

"Banks are trying to loosen up loans to give people some cash in their pockets," said Richard Goodson, president of the Iowa League of Savings Institutions.

Five-Year Loans at 5%

In addition to running sump pumps and shoveling, Daryl Barklow, president of East Dubuque (Ill.) Savings Bank, has been offering 5% five-year loans to residents of his river town. So far he's had five applications and 20 inquiries.

"A lot of people have water in their basements and have lost their furnaces, heaters, washers, and dryers," said Mr. Barklow.

All Wet

Some of the areas hit hard by flooding



Other banks are allowing more time for loan repayments and waiving some service fees.

"On a case-by-case basis we will exercise leniency and eliminate service charges until borrowers get back on their feet," said Dick Schroeder, a vice president at Iowa State Savings Bank, Clinton.

Calls for Volunteers

State banking groups affiliated with the Independent Bankers Association of America are encouraging lenders in areas unaffected by the floods to volunteer their services. The bankers are asked to help victims fill out Small Business Administration paperwork at relief centers. After less than a day's notice, the Community Bankers Association of Illinois signed up three volunteers, and more are expected.

"Everybody in town is helping out in whatever way they can," said Louie McLelland, executive vice president of Town and Country Bank of Quincy, Ill.

Quincy is one of several towns along the Mississippi that depends on workers from Missouri and lives about the possibility that the remaining bridge outside of St. Louis that connects the two states will be closed down.

New Meaning to 'Full Service'

Many bankers have had to lend more than just their underwriting skills to soggy citizens.

In Hannibal, Mo., MCM Savings has been functioning more like a restaurant than a bank. The thrift has been preparing 150 lunches for national guardsmen and volunteers, and its employees baked 180 bags of cookies for hungry relief workers.

Palmyra Savings and Building Association used its parking lot to fill sandbags to bolster a levee in the nearby village of Canton. Employees pitched in to fill more than 2,000 bags.

Banks further from the front lines have launched fund-raising and relief drives to help their waterlogged cousins. In fact, the Illinois Bankers Association said it received calls from a bank in Homestead, Fla. – which was hit hard by Hurricane Andrew – offering advice on how to handle the disaster.

Home Federal Savings Association in St. Louis is allowing employees to dress casually – if they pay a $5 fee, which the bank will match and donate to relief efforts.

The lobby of First Federal Savings and Loan of Kansas City is crowded with piles of blankets, canned corn, and other supplies donated by employees. □

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Immigrants Seen As Growth Market For Home Loans

Continued from *page 1*

who adapt to the country's changing ethnic face.

And those that don't? "The ship's going to pass them by," says Mr. Levine, whose company is based near Los Angeles.

He and other lenders in major metropolitan areas – the so-called gateway cities where new immigrants cluster – say that lending to minorities is not inherently risky.

NEWS ANALYSIS

All that is needed, these lenders say, is a willingness to understand some different approaches to money and credit.

For instance, immigrants are willing to sacrifice more to own a home, Mr. Levine says, and in fact devote more of their income to homeownership. This flies in the face of long-standing rules used by banks to determine how much of a home a family can afford.

Reaching the Customer

Some simple things, like advertising in Spanish or Chinese or hiring people from new immigrants' ethnic groups as credit analysts and loan officers, can dramatically improve a lenders' ability to make mortgages.

"The more you can do in a person's native language, the more comfortable the customer is," says Tammy Rivera, who is in charge of marketing to minorities at Home Savings of America, the country's largest thrift.

Currently, 10% of business at the Irwindale, Calif.-based thrift is generated by Hispanics, and nearly the same amount by Asians.

Down-Payment Problem

Ms. Rivera says the usual advertising is often not cannot reach recent immigrants. News of Home Savings' multilingual ability, for example, spread throughout immigrant communities by word of mouth, not advertising.

Another major barrier to minority and immigrant homebuying is cash requirements.

The industry is virtually unanimous in acknowledging that down payment and closing costs are an enormous hurdle for many young homebuyers from minority groups.

Efforts to lower this barrier have shown mixed results. A low down payment can be an invitation to default – after all, the buyer has little or no equity at stake. But default badly tarnishes the buyer's credit and leaves little hope of another chance to buy a home.

Closing costs such as insurance and attorneys' fees are also difficult to lower, though some progress has recently been made on this front.

The Bias Issue

But many believe the most difficult problem facing immigrants and native-born minorities trying to get mortgages is bias in lending.

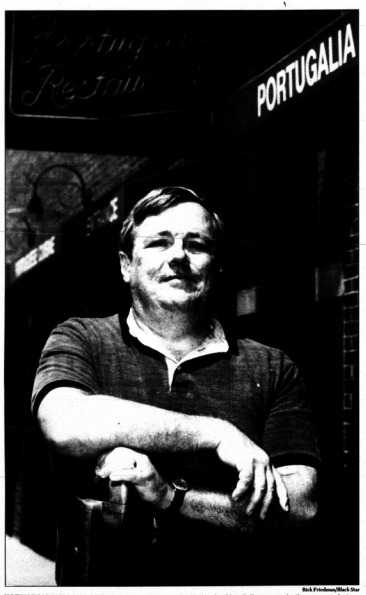
"It is the system's greatest failure," says David Jeffers, a spokesman for the Federal National Mortgage Association. "No democracy can sustain itself if one side of the population is consistently denied credit."

Prof. Apgar agrees. "The banking industry has to make itself minority-friendly," he says.

Minorities, especially immigrants, perceive banks as unfriendly, intimidating places, he says. He adds that whether the perception is based on fact is irrelevant – the end effect is discriminatory.

"A lot of people get 'turned down' before they even apply – because they think they will be badly treated, so they don't even bother to apply," Prof. Apgar says.

Banks must address this problem aggressively if they are want to open up this market, observers say. And fighting the perception of ill will may be the most difficult part of the battle.



Rich Friedman/Black Star

HARVARD'S WILLIAM APGAR says banks must be "minority friendly" to serve in the new market.

"Telling your loan officer to lend fairly isn't going to hack it," Prof. Apgar says.

Mr. Ashley of the Mortgage Bankers Association agrees. Minority and immigrant lending is the industry's great challenge, he says, but also its greatest opportunity. □

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2 to Share Clout at Norwest Brokerage Unit

By KEITH DuBAY

Amid rapid growth in its mutual fund business, Norwest Corp. is reorganizing the management of its brokerage unit and rolling out some new products.

In a key change prompted by the recent departure of mutual fund chief Mary K. Stern, two executives will split responsibilities for the Minneapolis bank's Norwest Investment Services unit.

Executives say the bank is also implementing several changes initiated during Ms. Stern's tenure. Specifically:

- Norwest's proprietary mutual funds – which have been marketed under the Prime Value Funds label – are to be renamed the Norwest Funds on Aug. 2 if shareholders approve the move in a July 30 vote.
- The Prime Value Funds currently have assets of $4 billion, up from $3 billion in October 1992.
- Two new portfolios have been added to the fund lineup, bringing the total to 13, and several others are in the works.
- Customers will be offered the option of paying sales fees when they redeem mutual funds, instead of the traditional up-front charges, or "loads."

Under the new management structure, Lee Chase will oversee investment management and trust funds, and Dean Jarnow will continue to manage the proprietary mutual fund business, according to Jay Kiedrowski, a Norwest executive vice president.

Moved to Society National

Ms. Chase joined Norwest this month from IDS Financial Services, Minneapolis, where she was manager of new business development.

Ms. Stern, who formerly oversaw both areas, jumped ship in May to run Society National Corp.'s mutual fund business.

In a telephone interview, Mr. Kiedrowski said the restructuring should enable the bank to target "resources to distribution channels more effectively."

Vote Set on Back-End Loads

In another vote on July 30, shareholders will decide whether back-end sales loads should be added to Norwest's mutual fund lineup.

Back-end loads are gaining ground in banks. A frequently cited reason is that bank customers aren't used to paying commissions for services, but they are familiar with penalties for early withdrawal.

Norwest is also considering combining its $3 billion Advantage Funds for employee benefit programs into the Norwest Funds, and offering them as a special no-load class of shares, Mr. Kiedrowski said.

3 Funds on Drawing Board

Scott Spiker, a senior vice president in charge of institutional trust services at the bank, heads the Advantage Funds.

Finally, Norwest is adding several portfolios to its fund lineup.

In June, Norwest added an income-stock fund and a Colorado tax-free fund. Three more products – an Arizona tax-free fund, a high-yield bond fund, and a balanced fund – are on the drawing board.

Portfolio manager Jeff Lund runs the income stock fund in Minneapolis. It invests primarily in blue-chip stocks with strong dividends and appreciation potential.

Norwest launched the Colorado tax-free municipal bond fund to fill a gap that was created in its product lineup last year.

Norwest had served as investment adviser to another Colorado tax-free fund, having inherited the account through its acquisition of United Bank of Denver. But the tax-free fund's distributor, Aquila Management, New York, reassigned the account to Kirkpatrick, Pettis Inc., a municipal bond underwriting unit of Mutual of Omaha.

Norwest uses Forum Financial Services Inc. as its distributor.

'Good Time to Buy Munis'

Marjorie Grace, who recently moved from Minneapolis to Denver to manage the new Colorado fund, said that its assets now total $20 million, including $1 million in seed money from Norwest Investment Services and $1 million transferred from trust accounts.

"We're very pleased with the response from customers," Ms. Grace said. "It's money Norwest didn't have under management before. Right now it's a very good time to buy munis overall, when you can get a tax-free yield over 5%"

Ms. Grace said she will also manage the planned Arizona fund, at least initially.

The Arizona fund will be introduced upon completion of Norwest's purchase of $2.1 billion-asset Citibank in Phoenix, which is expected late this year. □

Bankers are Bullish on Mutual Funds



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Novell Inc. Girds To Defend Niche in Bank PC Networks

Continued from page 1

fice-automation software like word processing or spreadsheet programs.

In this area of banking, the market share of Novell's PC network dwarfs that of rivals IBM, privately held Banyan Systems Inc., and Microsoft, according to the *American Banker*/Ernst & Young 1993 Survey of Technology in Banking.

Novell is the dominant PC network vendor to banks.

The shift to client-server computing is widely seen as holding great promise for slashing computing costs and boosting productivity.

Nevertheless, bankers have been reluctant to move very fast in this direction because of the technical limitations of PCs and the software operating systems that control their basic functions.

Microsoft and IBM covet Novell's leadership role in the PC networking market. And both are working hard to overtake Novell with the newest operating systems technology.

The biggest splash is being made by Microsoft, which is actively promoting its new Windows NT software, a sophisticated version of Microsoft's popular Windows operating system, due for official release in a few weeks.

Not surprisingly, a version of Windows NT called Advanced Server is targeted directly at Netware users. And Microsoft officials are crowing that Advanced Server will make Netware obsolete.

"You don't need a buggy whip if you have a car," said Michael Nash, Windows NT product manager, when asked how Netware stacks up against NT Advanced Server.

While seeking to replace Netware, Windows NT also competes with other operating systems seeking to control the computer "servers" that will do most of the number-crunching for the PC "clients."

These include the Unix operating system that Novell acquired from American Telephone and Telegraph Co. last month in a stock swap worth $332 million, and IBM's OS/2, which is already being used by many banks.

Evaluating Time for Clients

Bankers are still trying to figure out which of the new server operating systems they will hang their hats on.

"We're essentially in the early stages of evaluating what is going to be standard," said Rusty Transou, technology research manager for First Union Corp., in Charlotte, N.C.

Mr. Transou said that Netware is the bank's standard network operating system for more than 3,000 PCs the institution has hooked into dozens of networks.

Mr. Transou added that, as a result, the bank counts Novell as one of three "strategic" technology suppliers, along with IBM and Microsoft. But Novell's enviable status could change if Novell's rivals are able to overtake the company with the newer technology.

Fight for Market Share

"I think for the next three or four years Novell is very much going to be part of our organization," Mr. Transou said. "But I have a bit of trepidation over Novell's ability to withstand an IBM and Microsoft onslaught over the long term."

In the face of this intense competition, Novell, which expects to break a billion dollars in revenues this year for the first time, is working hard on two fronts.

On one hand, Novell is upgrading Netware to compete with the newest networking software in ways that are important to banks.

PC Backing Up Pc

In March, for example, Novell started shipping new software that enables PCs running Netware to back each other up with the same level of fault tolerance historically found only on sophisticated "fault tolerant" computers sold by such companies as Stratus Computer Inc. and Tandem Computers Inc.

Gerry Machi, a Novell vice president and general manager of communications products, said that this software will make it possible for banks for the first time to use networks of PCs to handle electronic funds transfers chores normally handled on Stratus and Tandem machines, without sacrificing security.

Mr. Machi added that the benefit of using PC networks is that they would cost thousands of dollars less than Stratus or Tandem hardware.

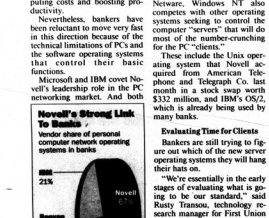
This week, Novell also an-

See next page



Ed Rosenberger

CHAIRMAN NOORDA knows Novell can't stand pat and win against heavy hitters like Microsoft and IBM.



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Novell Girds to Defend Its Niche in Bank PC Networks

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nounced that it was leading a team of major technology companies, including software firm Computer Associates International Inc. and AT&T Co., to develop a new set of technologies, called Trusted Network Computing Environment.

The technology is intended to make networks of PCs running Netware as secure as mainframes. Poor data security over PC networks has been a common complaint of bank technologists.

One banker that endorsed the move was Stash Jarecki, vice president and audit director at Citibank, who said the bank's management is committed to "standardizing on Netware." But he added that if Novell did not offer better data security in the future, the bank would be forced to back off its commitment to Netware.

Teaming Up with Unix

The other part of Novell's strategy is to become a client-server leader with Unix, now mostly popular in engineering and academic circles.

The Unix operating system already has many of the technical features that Microsoft spent $150 million building into Windows NT, and that IBM has put into OS/2. But the difference is that Unix historically has been difficult for most computer users to master, and criticized for its security holes.

And while Unix runs on a variety of computers, from mainframes to powerful workstations, it has not been widely used on PCs equipped with the Intel Corp. microprocessor – the dominant make of PC around and the one in which Microsoft's DOS operating system dominates.

The battleground will be so-called client-server systems, which experts say will radically change how banks operate. The technology links together tens or hundreds of PCs, thereby replacing expensive mainframes.

Seen as Key to Firm's Future

While Unix has not yet been widely embraced by banks, Raymond Noorda, Novell's chairman, sees his purchase of the operating system from AT&T as key to his company's future.

"We are bringing Novell into a strengthened position in banks and other enterprises," he said.

Now that it owns Unix, Novell plans to incorporate some of the best features of the operating system into Netware, Mr. Noorda said. The deal will also give Novell sole control of a bold new effort to bring Unix into the mainstream of PC networks.

This venture, a company called Univel Inc. of San Jose, Calif., started selling a version of the Unix operating system this year that runs on Intel-based PCs, and that sports many of the ease-of-use features now found in most PC software.

Bankers said the Univel venture appeared to be a competitive necessity for Novell.

"Ray Noorda can't just wait for [Microsoft chairman] Bill Gates and IBM to build an operating system" that makes Netware obsolete, said Robert H. Spicer 2d, senior vice president and chief information officer at Chevy Chase Federal Savings Bank, in Maryland. "He needs to compete at the server level, and now he can, with Unix."

Next week: After helping to revolutionize bankers' professional lives with the PC spreadsheet, Lotus Development Corp. vies for leadership in workgroup computing.

Nynex Completes Sale of BIS Group To British Vendor

By WILLIAM PESEK JR.

Nynex Corp. yesterday announced the long-awaited completion of the sale of BIS Group Ltd. to ACT Group PLC.

ACT, a Birmingham, England-based maker of software for financial companies, paid $140 million for BIS after winning the approval of its shareholders and the British Office of Fair Trade last week.

The transaction includes BIS Banking Systems, BIS Information Systems, and Brass Direct Marketing.

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BIS Banking System's principal product is the Midas international banking system. The unit also provides information technology consulting, software solutions, and services to finance, government, and utility sectors.

According to spokesman Glen Brandow, the sale is part of Nynex's strategy to concentrate its efforts on key lines of business which focus on its core competencies in telecommunications.

Nynex is expecting to recognize a material gain from the sale, since the 1987 purchase of BIS was accounted for as a pooling of interests. However, the Nynex spokesman said the sale's net effect on earnings is uncertain at this time.

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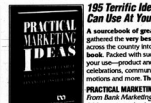

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M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 3, 1993 9:30 AM 2179 Clarendon Rd Bklyn 1978 Buick Regal 2 Dr Sdn 4Y87H9H102481 Rc: R. Jordan: 10:00 A.M. 2201 Tilden Ave Bklyn 1983 Chevrolet Caprice Classic Sedn 2G1AN35H5D-1240522 Rc: R Jean-Philippe: 10:30 A.M. 329-339 Utica Ave Bklyn 1988 Toyota Celica 2 Dr H/B JT4ST87T2C0-23187 Rc: C Gayle: 11:30 A.M. 2200 Eastchester Rd Bronx 1990 Audi 5000S 4 Dr Sdn WAUHC044EN15-4084 Rc: I Hernandez: 12:00 P.M. 57 Carli on Ave Bklyn 1988 Chevrolet Caprice Sedn 20 Van 1GEGG25K0J7132043 Rc: K. L. Lak: 1:00 P.M. 526-540 Halsey St Bklyn 1984 Chevrolet Cavalier 4 Dr Sdn 1G1AN-C69PE1721421 Rc: Mr. Lee: 1:45 P.M. Bq Milford St Bklyn 1978 Oldsmobile Cultlass Supreme 2 Dr Sdn 1Q47T8Z2444399 Rc: Property Clerk/ J.I. Sisi: 2:15 P.M. 300 Delaware Ave Bklyn 1989 Nissan Sentra 2 Dr Sdn JN1GB22S4KU526164 Rc: M Bucci: 2:45 P.M. 45 Sds 1GCEC9D1XEZ-497193 Rc: D Waller: 4:00 P.M. 1488 Schenectady Ave Bklyn 1980 Buick Century 4 Dr Sdn 4H69AAG3BE0-01 Rc: J & R Pyle. Metropolitan Auctioneers, Inc.

ADJOURNED FORECLOSURE SALE
CO-OP APT COLLATERAL
BY VIRTUE OF A DEFAULT, under a Proprietary Lease and other documents, executed by and between 159 MADISON OWNERS CORP. (Lessor), a N.Y.S. Corp. and 159 MADISON AVENUE ASSOCIATES (former Lessee) and its Proprietary Lessee having been terminated, whereby the leasehold estate reverted back to the Lessor. The undersigned Auctioneer will expose for sale at Public Auction, with reserve, 13,608 shares of stock of 159 MADISON OWNERS CORP. and all right title and interest in and to a Proprietary Lease allocated to apartment 6 listed below in building 159 Madison Ave New York, NY, on July 23, 1993, at 12:00 p.m. in the law offices of Smith, Buss, & Jacobs, 9th Floor, 1370 Avenue of the Americas, New York, NY. 10019. Apartment Unit 6a, 2nd, 2D, 3G, 2H, 3H, 3I, 7D, 7F, 8J, 9D, 10B, 11F, 12E, & 12J. 10% in bank certified funds at knock down plus Auct'y fees. Bal. in 30 days. Jack O'Sullivan, Professional Auctioneer (Lic.# 672581) Phone (718) 252-5167 Fax (718) 951-0340

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 4, 1993 10:00 AM. 1225 19th St Bklyn 1985 pontiac Grand Prix 2 Dr Sdn 2G2GJ373AF2301172 Rc: R Rosterman: 10:45 A.M. 361 91st St Bklyn 1984 Buick Century 4 Dr Sdn 1G4AL19EXDE455714 Rc: N Pascal Ferrone: 11:45 A.M. 3815 Richmond Terrace S.I. 1973 Chevrolet Impala 2 Dr Sdn 1L47H3T230216 Rc: R Cugas. Metropolitan Auctioneers, Inc.

L. Posner lic #847081 sells for cash 7/26/93 @ 11AM at 2 Wenonah Ave. Ft.Wash. Rt Chevr Pick-Up #1GBHV34N1JJ119080 Rc: Achievement Group Inc., 12PM at 7 Horn Ave New Rochelle 83 VW Rabbit #1VWDC01D7DV017251 Rc: V. Radici; 10AM at 211 Eagle St. Bklyn 89 Mitsubishi Galant #JA3BR36WXKZ019215 Rc: C. Cuevas

CITATION NOTICES

File No. 3586-1991

CITATION
THE PEOPLE OF THE STATE OF NEW YORK,
BY THE GRACE OF GOD,
FREE AND INDEPENDENT.
TO Gary Rawls;
Tanaka Rawls,
Barbara Lee as guardian of
Benjamin F. Rawls III;
Benjamin Rawls, Sr.

And to the distributees of Benjamin F. Rawls, Jr., also known as Benjamin Rawls, Jr., deceased, whose names and post office addresses are unknown and cannot after diligent inquiry be ascertained by the petitioner herein, being the persons interested as creditors, legatees, next of kin, beneficiaries, distributees or otherwise in the estate of Benjamin F. Rawls, Jr., also known as Benjamin Rawls, Jr., deceased, who at the time of his death was a resident of 630 Lenox Avenue, New York, N.Y.

Send Greeting:

Upon the petition of the Public Administrator of the County of New York, having her office at Room 311, in the Surrogate's Court Building, 31 Chambers Street, New York, N.Y.,

You and each of you are hereby cited to show cause before the Surrogate's Court of New York County, 31 Chambers Street, in the County of New York, on AUGUST 23, 1993, at 9:30 a.m., why the account of proceedings of the Public Administrator of the County of New York as administrator of the goods, chattels and credits of said decedent, should not be judicially settled, why a hearing should not be held to determine the identity of the distributees of decedent and why the fee of Philip Bekerman, P.C., in the sum of $4,125.00, which has been paid, should not be approved and reasonable additional fee be fixed and allowed for Philip Bekerman, P.C., for any services to be hereafter rendered by Philip Bekerman, P.C., in connection with proceedings to kinship, claims, etc., prior to the entry of a final Decree on this accounting.

Dated, Attested and Sealed, June 24, 1993.

(L.S.) HON. EVE PREMINGER
A Surrogate, New York County
ROBERT M. REAVES
Chief Clerk

Name of Attorney: Philip Bekerman, P.C.
Address of Attorney: 291 Broadway
New York, New York 10007
Tel. No. (212) 732-9400

AUCTION NOTICES

Lien Services Inc Sells For Cash On July 26, 1993. 9:00 AM at 676-65th St., Brooklyn, NY 1986 Mercedes Benz #WDBEA-30E1GB455102 1979 Datsun #HS130127602 Rc: P. Tarch, 1988 Toyota #JT2MA71L3J0031059 Rc: Geico Ins. Co./A. Corso: 9:30 AM at 1104 E. 91st St., Brooklyn, NY 1986 Honda #1HGBA543XGA173876 Rc: S. Crossman: 9:45 AM at 1 Railroad Ave., Roslyn, NY 1991 Kawasaki #JKAZXDJT1BM-A000449 Rc: A. Hartzman. D. Munao, Access #841580 Lessee May Bid.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 4, 1993 10:00 AM. 123 19th St Bklyn 1985 pontiac Grand Prix 2 Dr Sdn 2G2GJ373AF2301172 Rc: R Rosterman: 10:45 A.M. 361 91st St Bklyn 1984 Buick Century 4 Dr Sdn 1G4AL19EXDE455714 Rc: N Pascal Ferrone: 11:45 A.M. 3815 Richmond Terrace S.I. 1973 Chevrolet Impala 2 Dr Sdn 1L47H3T230216 Rc: R Cugas. Metropolitan Auctioneers, Inc.

PARTNERSHIP NOTICE

Notice of formation of limited partnership ("L. P."). Name: 310 LENOX ASSOCIATES L.P. Certificate filed with Sec. of State of NY ("Sec.") on 5/6/93. Office location: NY County. The Sec. has been designated as agent of the L.P. upon whom process against it may be served. The Sec. may mail a copy of any process to c/o Hoffinger Friedland 212 Lexington Avenue/ 4 Stern, P.C., 110 E. 59th St., NYC 10022. Hoffinger Friedland 212 Lexington Avenue/ 4 Stern, P.C., 110 E. 59th St., NYC 10022 is the registered agent of the L.P. upon whom process may be served. The name and address of each general partner is available from the Sec. Latest date due to dissolve: 12/31/2073. Purpose: to buy, sell, operate and manage real estate.

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CITATION NOTICES

SURROGATE'S COURT
OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
File No. 5346-1992

CITATION
THE PEOPLE OF THE STATE OF NEW YORK,
BY THE GRACE OF GOD
FREE AND INDEPENDENT.
TO
Attorney General of the State of New York

The heirs at law, next of kin and distributees of LEON J. NORRIS, JR., deceased, hereto, if living and if any of them be dead, to their heirs at law, next of kin, distributees, legatees, executors, administrators, assignees and successors in interest whose names are unknown and cannot be ascertained after due diligence.

A petition having been duly filed by Ethel J. Griffin, Public, who is domiciled at Administrator of the County of New York 31 Chambers Street, Room 311, New York, New York 10007.

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court, New York County, at Room 509 31 Chambers Street, New York, on Aug 11, 1993, at 9:30 a.m., why a decree should not be made in the estate of Leon J. Norris, lately domiciled at 57 West..82nd Street, in the County of New York, in the County of New York, admitting to probate as a will of real personal property a paper dated August 16 1965, a copy of which is annexed, and ordering that Letters of Administration with the Will annexed issue to the Public Administrator of the County of New York.

Dated, Attested and Sealed, June 25, 1993.

(L.S.) HON. EVE PREMINGER
Surrogate, County of New York
Robert M. Reaves
Clerk of Surrogate's Court

Name of Attorney: Robert M. Reaves
Address of Attorney: 233 Broadway
Suite 3110
New York, New York 10279
Telephone Number: (212) 406-4600

This citation is served upon you as required by law. You are not obliged to appear in person. If you desire to have an attorney appear for you. If you fail to appear it will be assumed that do not object to the relief requested.

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ch-Card Marketing Manager

sible for support of BankCard & managing Bank's competi- tion, market effectiveness and profitability of revolving products. Will develop marketing plans, recommend- ies and strategic initiatives, with emphasis in BankCard. ess must possess the ability to understand financial/ ing reports. Good communication, presentation and ement skills also needed. Individual must possess ed-related track record.

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ion offers a competitive salary and benefits package. ualified candidates should send resume and salary ements to: *First Union National Bank of North Carolina, 1st First Union Center* [MD5], *Charlotte, NC 28288-0955.* ion utilizes drug testing as a condition of employment.

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For considerations, please send your resume with salary requirements in confidence to: **Colorado National Bank, Attn: Karen Smith, Human Resources, CNBTOWER, P.O. Box 5168, Denver, CO 80217.**

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- High level of technical competence in analyzing data
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In addition to a Bachelor's degree in Marketing or Business Administration, this individual must have a minimum of 5-7 years experience in direct mail and database marketing. Excellent managerial, organizational and communication skills are essential.

Wachovia offers an excellent compensation package and the opportunity for continued growth in a professional environment. For confidential consideration, forward resume and salary requirements only resumes with salary requirements will be considered to: **Wachovia Corporation, 191 Peachtree Street, NE - 12008W Personnel Dept., Atlanta, GA 30303.**

A negative drug test is a requirement for employment. Information about other essential functions of this position is available at the above address.

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SURROGATE'S COURT
OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
File No. 1755/93

C I T A T I O N
THE PEOPLE OF THE
STATE OF NEW YORK
BY THE GRACE OF GOD
FREE AND INDEPENDENT.

TO Ulrich Klomcha:
Barbara Wikus; Brigitte Weiser
Public Administrator of the
County of New York and to the
heirs at Law, next of kin and
distributees of Catherine Zadril
deceased, if living, and if any
of them be dead, to their heirs at
law, next of kin, distributees,
legatees, executors, administrators,
assignees, successors in interest,
whose names are unknown and cannot
be ascertained after diligence:

A petition having been duly filed by
HELEN THOMSON, who is domiciled
at 3 West Goldsborough Avenue,
Bram Beach, New York 10007

YOU ARE HEREBY CITED TO
SHOW CAUSE before the Surrogate's
Court, New York County, at Room 509, 31
Chambers Street, New York, on August 11,
1993, at 9:30 a.m., why a decree should not
be made in the matter of CATHERINE
ZADRIL, lately domiciled at 320 East
42nd Street, New York, New York 10017
Apt. 1815 in the County of New York, ad
mitting to probate as a will of real and per-
sonal property a paper dated December 7,
1988, (a copy of which is attached), and ordering that Letters of Testamentary issue
to HELEN THOMSON

Dated: Attested and Sealed: June 3, 1993.
(L.S.)
HON. RENEE R. ROTH,
Surrogate, County of New York
ROBERT M. REAVES
Clerk of the Surrogate's Court

Name of Attorney: James J. Martha
Address of Attorney: 25 Tudor City Place
New York, New York 10017

This citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that you do not object to the relief requested.

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Glenfed Seeks Approval To Reclassify Preferred

Dave Jones

GLENDALE, Calif. — Glendale Federal Bank said it has started soliciting the consents needed to approve the reclassification of its 12% noncumulative perpetual preferred stock into a new series D noncumulative convertible preferred.

Each 100 shares of the Glenfed Inc. unit's series B and series C perpetual preferred would be converted into 24 shares of series D. The par value will be $1 and the liquidation preference $25 a share.

As a result, 13.8 million existing preferred shares will be reclassified into 3.3 million of series D. At the effective date of the transaction, existing holders will get about 6.5 million rights to purchase common shares at the rate of 47 rights for each 100 preferred shares.

Part of Recapitalization

The transaction is part of a previously announced recapitalization that involves the merger of Glenfed Inc. into a subsidiary of Glendale Federal Bank, along with other financing moves.

The series B and C reclassification is subject to an approval vote by at least two-thirds of those outstanding shares.

The purchase of $125 million of additional convertible preferred stock and of $150 million of standby purchase commitments would be completed before or concurrently with completion of the merger, the exchange offer, and the reclassification, Glendale Federal said.

Holders Approve

Members of an informal steering committee of series B and series C preferred-stock holders, which have 75% of the outstanding preferred shares, have informed the thrift that they are prepared to recommend approval of the reclassification.

Dividends on the series D convertible preferred stock will be noncumulative and payable, if declared, quarterly on the first day of January, April, July, and October, beginning Oct. 1, 1994.

Dividends will be payable at an annual rate, expressed as a percentage of the per-share liquidation preference of the series D convertible preferred stock, that will be equal to the dividend rate on the noncumulative convertible preferred stock to be issued and sold in the additional offering.

The deadline for the consents by series B and series C holders is midnight eastern time on Aug. 4, unless extended by Glendale Federal. Preferred holders will have the right to revoke their consents and waivers at any time before the deadline. ❑

Ford Mortgage Subsidiary to Buy Servicing Rights from U.S. Bancorp

By EDWARD KULKOSKY

DALLAS — Associates National Mortgage Corp. has agreed to buy $2.5 billion of servicing rights from U.S. Bancorp Mortgage Co.

The servicing portfolio of Associates, which is part of a finance company owned by Ford Motor Co., will reach $10 billion at the completion of the sale, expected in August. Terms were not disclosed.

Malgum E. Whitt, executive vice president, said the deal is one of Associates' "more significant acquisitions" and "fits with our strategy of acquiring high-quality portfolios from other financial institutions."

$7.9 Billion Portfolio to Be Retained

U.S. Bancorp Mortgage will be giving up 26,000 conventional mortgages, primarily in Oregon, Washington, and Northern California. The unit of Portland, Ore.-based U.S. Bancorp will be left with more than 115,000 mortgages, valued at $7.9 billion, in 50 states.

U.S. Bancorp Mortgage is projecting $4.5 billion of loan originations this year, having grown from less than $100 million in 1985, said Richard Eichhorn, president.

The rapid growth in originations has the company continuously assessing "our product mix and servicing to assure a consistently strong portfolio that will support earnings objectives," he said.

B of A Considers a Branch in Northern China

GUANGZHOU, China — Bank of America is interested in opening a branch in northern China, chief executive Richard Rosenberg said.

"At the appropriate time, we would be very interested in a full-service branch in the northern part of China," he said at a news conference after opening the BankAmerica Corp. unit's second branch in China, in the southern city of Guangzhou.

The bank's area general manager, Harry Garschagen, said that Dalian or Tianjin were "cities that come to mind."

— Reuters

Community Loan Plan Unveiled

Continued from page 1

through amendments to community development legislation.

Congress members "have indicated to us that they are looking for a vehicle for regulatory relief, and this could be it," said Edward L. Yingling, executive vice president of the American Bankers Association.

Quick Action Indicated

However, the sheer magnitude of the ceremony on the White House's south lawn, which ran for nearly an hour, indicated the administration and congressional leaders want to move the package through quickly and without amendments.

"In all the years I've been lobbying, I've never seen so much horsepower behind a banking bill," said Jim Butera, who represents several financial institutions.

The Senate Banking Committee began work on the bill Thursday afternoon, little more than an hour after President Clinton finished speaking. Rep. Henry B. Gonzalez, D-Tex., chairman of the House Banking Committee, said he would hold hearings July 21 and 28.

Speeding the Process

The chairmen of the three House subcommittees that would have jurisdiction over the bill agreed to permit consideration by the full committee – a step that will expedite the process considerably.

The most significant challenge to the Clinton plan could come in the Senate, where Republicans have more leverage.

Alfonse M. D'Amato of New York, the Senate Banking Committee's ranking Republican, argued that unless commercial banks are given incentives to participate, the President's plan "is only a pipe dream."

Not What He Promised

The program announced Thursday is considerably different from Mr. Clinton's campaign promise to create a network of 100 community development banks.

In a brief interview after his speech, Mr. Clinton said he had learned since the election "that there is a whole, huge network of people out there interested in doing this work, and we didn't want to reinvent the wheel in every community.

"So we will be creating some new community development banks in some areas, and we may even have some big banks wanting to use some of their community reinvestment funds to provide funding," he said.

"But if you've got a bank that's operating, you got a credit union, you got some other eligible institution that you can dramatically increase the capacity of, it might be better to expand the capacity of an existing institution than create a new one."

President Clinton thus sided with community groups that had argued against giving banks financial incentives to participate in the program.

Lightening the Load

"With a year of record profits, banks don't need a bribe," said Deepak Bhargava, bank lobbyist for the Association of Community Organizations for Reform Now, or Acorn.

The Clinton program promises some relief from the paperwork burden of CRA, though neither the administration nor the regulatory agencies have said specifically how the "performance over paperwork" goal might be met.

In testimony before the Senate Banking Committee Thurs-



Hugh McColl
Supports Clinton plan

day, Comptroller of the Currency Eugene F. Ludwig said performance-based standards would not be tied to rigid numerical targets.

"But between a rigid system of numerical targets and the system we have today, there is considerable room for improvement," he said.

Concern over the Tone

Although bankers attended Mr. Clinton's announcement and at least one commercial banker spoke, a number of industry representatives expressed concern over the tone of the event, particularly over criticisms of bank lending practices. "There was a pretty good air of bank bashing," said Joe Belew, president of the Consumer Bankers Association.

NationsBank Corp. chairman Hugh McColl delivered a strong endorsement for the program. He said the CRA reform would leave "no excuses" for banks failing to provide credit to low-income areas. "The plan sets tougher, more objective, more quantifiable standards would send the clear message to banks that we will be measured by our results, he said.

'Research Is Critical'

Kenneth A. Guenther, executive vice president of the Independent Bankers Association of America, also strongly criticized Mr. McColl after the ceremony, saying his endorsement gave away the industry's bargaining power.

"We are just sitting down to negotiations," said Mr. Guenther, noting that many banks still hope the bill can be reshaped to include funds for commercial banks and more measure of regulatory relief. "Hugh McColl should know by now that you don't give away the banking industry's negotiating position in advance. I don't know how he can say he speaks for the banking industry."

Mr. McColl declined to comment on the criticism.

President Clinton's legislative package would create a fund to provide assistance to community development financial institutions. Money would be available to all kinds of community development lenders that meet the vast majority of commercial banks, thrifts, and credit unions and engaged primarily in community development lending.

The money will be available if matched with a dollar with private sector contributions up to a maximum of $5 million for insured institutions and $2 million for other lenders.

Although the program provides only $382 million over four years, Treasury estimated that leverage will result in up to $2.5 billion in new credit for low-income communities. □

NEW ISSUE July 16, 1993

FannieMae

$500,000,000

5.10% Debentures

Dated July 22, 1993 Due July 22, 1998
Interest payable on January 22, 1994 and semiannually thereafter.

Series 5A-1998-D Cusip No. 313586 7Y9
Callable on or after July 22, 1996

Price 99.953125%

The debentures of July 22, 1998 are redeemable on or after July 22, 1996. The debentures are redeemable in whole or in part at the option of the Corporation at any time (and from time to time) on or after the initial redemption date at a redemption price of 100% of the principal amount redeemed, plus accrued interest thereon to the date of redemption.

The debentures are the obligations of the Federal National Mortgage Association, a corporation organized and existing under the laws of the United States, and are issued under the authority contained in Section 304(b) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.).

The debentures, together with any interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than Fannie Mae.

The offering is made by the Federal National Mortgage Association through its Senior Vice President and Treasurer with the assistance of a nationwide Selling Group of recognized dealers in securities.

Debentures will be available in Book-Entry form only.
There will be no definitive securities offered.

Linda K. Knight
Senior Vice President
and Treasurer

3900 Wisconsin Avenue, N.W., Washington, D.C. 20016

This announcement appears as a matter of record only. This announcement is neither an offer to sell nor a solicitation of an offer to buy any of the Debentures.

BANK AND THRIFT STOCKS

Highlights for Thursday, July 15

Top 10 Gainers %

First United Bank Group	12.0
Western Bank	6.4
Peoples First Corporation	5.1
BT Financial Corporation	4.6
PNB Corporation	4.6
Bankworth Group, Inc.	4.3
Trustmark Corporation	3.8
Shawmut National Corporation	3.8
Wilmington Trust Corporation	3.6
Merchants New York Bancorp	3.6

Top 10 Losers %

Harleysville National Corp.	-5.9
Independence Bancorp	-4.8
Frankford Corporation	-4.6
Hancock Holding Company	-4.0
BancorpSouth, Inc.	-3.6
Citizens First Bancorp, Inc.	-3.6
Jefferson Bankshares, Inc.	-3.4
North Fork Bancorporation	-3.3
Marshall & Ilsley Corporation	-3.2
Mid Am, Inc.	-3.0

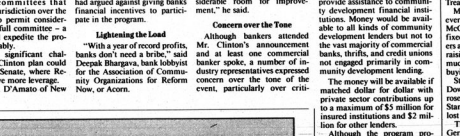
Most Shared Traded

Citicorp	2321600
First United Bank Group	1421900
BankAmerica Corporation	1041300
J.P. Morgan & Co. Incorporated	889700
Chase Manhattan Corporation	778300

Volume as % of Average

First United Bank Group	2429.4
Bank of Boston, Inc.	542.5
Fulton Financial Corporation	511.4
Chemical Financial Corporation	449.1
First Merchants Corp	429.3

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts 1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.24	1.04	1.69	0.41	-2.15	5.12	-0.40	0.94	8.61

Top 225 Banks

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cap.	Chg.	Chg. in 1993
26¾	18¾	AmeribancCorp<A	10.8	140.0	22¢	-½
21¼	14¼	AmericanFedBk	10.8	146.0	25¢	-¼
77½	61½	AmSouthBancorp	13.1	1,307.0	1.00	-½
35¾	26¾	ArcSouthBancorp	10.8	148.8	31¼	-¼
30¾	23¾	AtlantaBancGrp	10.2	177.8	31¼	-¼
35¾	27¾	BB&T FinCorp<C	11.9	153.1	33¾	-¾
77½	11½	BancFlorida Corp	10.4	33.0	3¼	-¼
33	21¼	BT FinCorp<A	11.6	143.3	31¾	-1¼
9¾	6	BankAtlantic<A	6.6	96.3	9¼	-¼
31¾	24¾	BancFncCorp<A	9.6	118.5	28	-¼
41¾	40¾	BancoPopular<A	15.7	351.1	50¾	-¾
53¾	40¾	BancorpHawaii<A	9.7	145.6	44¾	-¼
40¾	27¾	BancorpSouth<A	11.6	146.3	37¾	-1¼
54¾	41	BankAmericaCorp<A	10.5	120.1	44¾	-¾
30¾	25	BankAtlantic<B	6.6	262.4	28	-¼
14¾	9¾	BankSouthCorp<A	14.0	159.8	13¾	-¼
77¾	58	BankTrustCorp<A	9.0	175.6	77	-¾
19¾	13¾	BankersGrpInc<T	45.6	98.7	18¾	-¼
18¾	13¾	BankersTrCorp<T	8.5	116.4	17¾	-¼
28¾	18¾	BayBanksInc<A	10.6	1,014.7	27¾	-¾
50¾	34¾	BeneficialCorp<A	10.6	1,471.1	47¾	-¾
34¾	29¾	CBT FinCorp<Pf	19.0	NM	34¾	-¼
29¾	20¾	CBT Corporation<Pf	12.0	146.2	34	-¾
42¾	31¼	CCB Corp<A	12.0	148.8	37¾	-¾
34	23¾	CNB Bancshares<B	16.7	194.7	33¾	-¾
29¾	21¾	CPB Inc.<B	8.6	125.4	25	-¼
19¾	7¼	CVB FinCorp<A	9.5	159.3	13	-¼
14¾	9¾	CalFed Bancorp<A	14.5	104.8	12	-¼
25	13¾	CathayBancorp<A	11.1	147.8	15	-¼
24¾	17¾	CharterBancorp<A	12.0	182.2	25¾	-¼
34¾	22¾	CentralBcshrs<A	12.5	186.8	30	-¼
24¾	14¾	CentralFinCorp<A	14.8	153.5	21¾	-¼
24¾	18¾	CitizensBanc<M	11.6	180.5	21¾	-¼
14	9¾	CitizensBkg<A	11.6	145.1	13¾	-¼
35¾	28¾	CitizensBkg<MI	9.4	118.7	28¾	-¾
47¾	31¾	CitizensFinCorp<M	14.4	182.5	47	-¼
31¾	24¾	CitizensFirst<A	10.2	148.8	31¾	-¼
31¾	14½	Citicorp<NY	14.3	135.2	31¾	-¾
31¾	23¾	CityNational<A	14.2	128.0	30¾	-¾
23¾	16¾	CitizensBanc<Wg	13.7	138.1	23¾	-¼
7¾	2¾	ColonialBcshrs<A	11.4	191.2	6¾	-¼
30	17¾	CtyNational<CA>	17.1	199.7	30	-¼
11¼	4¾	CmtyBkShares<A	NM	115.6	7¼	-¼
23¾	17	ColonialBancGrp<A	9.4	134.4	20¾	-¼
16¾	11¾	CommBcshrs<FL>	15.5	171.5	30¾	-¾
26¾	13¾	CommercialBcs<MI	18.6	195.8	20¾	-¼
17¾	11¼	CommercialBcs<NJ	13.5	106.1	16¾	-¼
33¾	25	CommercialBcs<MO	11.2	136.6	29¼	-¼
14¾	9¾	CommunityBcs<A	14.0	207.1	12¾	-¼
15	11¼	CommunityFirst<SD	10.3	142.2	13¾	-¼
15¾	11¾	CommunityTr<A	9.7	147.8	13¾	-¼
7¾	3¾	CommunityTr<C	4.7	87.8	3¾	-¼
60¾	47¼	CoreStates<Cp	12.0	195.3	57¼	-¾
25¾	20¾	CornerstoneCorp<A	15.3	162.5	24¾	-¼
40¾	21	CullenFrost<TX	10.2	182.1	34¼	-¼
27¾	20¾	DauphinDeposit<A	11.8	156.9	23¾	-¼
35¾	29¾	DepositGuaranty<MS	10.2	150.2	30¾	-¼
17¾	12¾	F & M Nat'l Corp<A	11.2	146.9	14½	-¼
22	16¾	FAMBancorp<MO	10.5	146.2	21	-¼
18¾	9¾	FBS Corp<PA>	17.5	114.1	14¾	-¼
29	24	FarmersCapital<KY	15.0	118.9	27¾	-¼
40¾	40¾	FifthThirdBcp<OH	13.2	814.9	54¼	-¼
37½	31½	FinancialSouth<SC	12.2	174.5	37	-¼
55¾	33¾	FirstTennNat'l<Cp	14.2	225.4	53¾	-¼

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cap.	Chg.	Chg. in 1993
36¾	27¾	FirstAlabama<AL	12.1	165.1	33¾	-¼
21¾	14¾	FirstAmBcshrs<TX	11.0	144.0	17¾	-¼
32¾	20¾	FirstAmerCorp<TN	13.5	151.1	28¾	-¼
21¾	14¾	FirstBancorp<NC	10.4	158.8	20¾	-¼
24¾	17¾	FirstBancorp<PR	10.4	158.8	20¾	-¼
45	29¾	FirstChicago<IL	114.8	126.3	43¾	1¼
14¾	10¾	FirstCmwlth<PA>	8.4	122.7	13¾	-¼
18¾	14¾	FirstColonial<L	15.9	129.1	17	
30¾	22¾	FirstCommerce<LA	10.2	150.1	30¾	-¼
73¾	40	FirstCommerce<NE	10.3	153.6	71	-¼
34¾	27¾	FirstCommerce<OK	11.0	185.1	32¾	-¼
31¾	24¾	FirstCommth<VA	11.9	156.4	29¾	-¼
14¾	9¾	FirstCtzBcshrs<A	NM	139.6	14¾	-¼
1578	127	FirstEmpire<NY	11.2	157.9	140	-¼
51¾	34	FirstFidelity<J	11.0	168.9	47¾	-¼
34¾	27¾	FirstFederCrp<OH	14.7	192.7	43¾	-¼
24¾	17¾	FirstFinancial<IN	12.4	122.4	24¾	-¼
30¾	23¾	FirstHawaiian<HI	10.4	159.8	29¾	-¼
65	39¾	FirstHorizon<TN	10.2	187.2	64¾	-¼
19¾	11¾	FirstMichBcrs<MI	13.1	177.4	19¾	-¼
19¾	14¾	FirstMidAm<IL	10.3	150.6	19¾	-¼
30¾	21¾	FirstNiagara<NY	12.2	124.4	29¾	-¼
22¾	17	FirstSecurity<T	14.7	181.5	27¾	-¼
28	18¾	FirstSouthBc<NC	11.4	160.2	28	-¼
51¾	35¾	FirstUnionCorp<NC	11.3	176.4	46	¾
31¾	23¾	FirstVirginia<VA	10.3	150.0	30¾	-¼
39	34	FirstBankSE<FL	12.2	169.2	37¼	-¼
29¾	21¾	FirstBcshrs<SC>	10.5	157.0	29¾	-¼
37¾	35¾	FleetFinancial<RI	15.8	158.5	23¾	-¼
37¾	24¾	FourthFinCorp<IN	12.4	157.2	37¾	-¼
31¾	24	FourthFinCorp<KS	12.6	178.4	30¾	-¼
24¾	18¾	FranklinBcCorp<A	10.5	151.8	20¾	-¼
20¾	24	FrontierInsCorp<A	11.1	137.7	20¾	-¼
24¾	18¾	FrontierInsCorp<B	11.1	137.7	20¾	-¼
24¾	17¾	GBC Bancorp<CA	13.5	169.9	24¾	-¼
17¾	13¾	GBC Bancorp<CA	7.5	123.3	14¾	-¼
25¾	19¾	GreatSouthBcCorp<A	10.1	151.8	24¾	-¼
30¾	24¾	HancockHldgCo<MS	10.2	158.6	30	-¼
30¾	24¾	HancockHldgCo<LA	10.2	158.7	30	-¼
19¾	12¾	HawkeyeBancorp<IA	11.3	150.9	17¾	-¼
19¾	12¾	HeritageBcshrs<LA	13.3	153.9	18	-¼
8¼	4¼	HiberniaCorp<LA	NM	154.9	7¾	-¼
24¾	17¾	HomeFed<CA>	8.4	142.7	20¾	-¼
27¾	16¾	HuntingtonBcshs<OH	13.4	224.8	26¾	-¼
29¾	18¾	HuntingtonBcshs<FL	12.4	83.5	19	-¼
29¾	21¾	IndependenceBk<PA	30.2	134.2	25¼	-¼
30¾	20¾	IntegraBk<IN	10.5	158.3	30¾	-¼
18	12¾	InterconBanc<IL	11.4	142.0	15¾	-¼
24¾	17¾	InterWestBcp<CA	9.8	158.2	24¾	-¼
24¾	17¾	InvestFinCorp<FL	8.9	208.0	22¾	-¼
24¾	17¾	JacksonBcshrs<MS	10.2	158.6	24¾	-¼
13¾	9¾	JeffersonBcshrs<NC	10.4	158.7	13¾	-¼
40	30¾	KeyCorp<NY	12.1	203.2	40¾	-¼
30¾	24¾	KeystoneFncl<PA	11.3	151.8	30¾	-¼
28¾	18¾	LakeShore<IL	13.9	187.0	22¾	-¼
24¾	21¾	LiberBancorp<LA	8.4	142.7	22¾	-¼
28¾	20¾	LibertyNatBncs<KY	14.6	190.3	27¾	-¼
29¾	18¾	MBNACorp<DE	15.2	288.5	27¾	-¼
14¾	10	MNC Financial<MD	12.3	134.0	14¾	-¼
18¾	12¾	MagnaGroup<MO	11.6	119.6	18¾	-¼
29	17¾	MarkTwainBcshs<MO	14.5	228.4	29	-¼
19¾	13¾	MarshallBcshrs<WI	13.7	192.2	19¾	-¼
65	42	MellonBankCorp<PA	9.6	145.6	55¾	-¼
30¾	24¾	MercantileBcp<IL	10.4	158.5	30¾	-¼
35¾	27	MercantileBncsh<MD	11.5	146.3	30	-¼
42	44½	MercantileBncsh<MI	10.6	186.3	57	-¼

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cap.	Chg.	Chg. in 1993
20	12	MetroBancorp<PA>	8.1	125.4	15	-½
41¾	30¼	MidlandMissouri<MO	14.0	135.9	39	-¼
32¾	17	MidlandBancorp<IL>	12.7	141.1	32¾	-¼
45¾	34	MidyBancorp<IN	14.0	183.3	45½	-½
28	18¾	MidwestBcshrs<IA>	11.3	159.2	24¾	-¼
37¾	20¾	MinnesotaBncs<St	6.9	116.2	22¾	-¼
24¾	17¾	NBD Bancorp<MI	12.0	185.2	24¾	-¼
20	15¾	NBTBancorp<CA	12.0	185.2	20	-¼
32	21¼	NatBancshrs<WI	15.3	173.1	28¾	-¼
18¾	12¾	NationalBancorp<O	10.9	84.7	18¾	-¼
39¾	18¾	NationsteelBancCo	10.8	137.4	39¾	-¼
30¾	24¾	NationsBank<NC	10.8	158.6	30¾	-¼
35¼	21¾	WhitneyHolding<LA	13.7	166.1	33¾	-¼
30¾	24¾	NorthFortBancorp<IL	10.2	158.6	30¾	-¼
27¾	20¾	NorthernBancorp<AZ	9.1	149.7	24¾	-¼
49	27	OmniBancorp<LT	10.9	194.9	36¾	-¼

Top 25 Thrifts

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cap.	Chg.	Chg. in 1993
12	7¾	ALBANYthrift<NY	10.9	84.7	10¾	-¼
21¼	13¾	AmericanSvCp<CA	15.3	87.5	18¼	-¼
21¼	13¾	AmericanSvCp<IA	15.3	87.5	18¼	-¼
21¾	6¾	CalFedBankFSB<CA	14.4	1,234.2	20¾	-¼
34¼	22¾	CharterOneFin<OH	7.7	139.9	30¼	-¼
18¾	12¾	CollectiveBcp<NJ	17.0	107.2	18¾	-¼
35¾	16¾	CollectiveBcp<NJ	8.9	184.0	32¾	-¼
35¾	24¾	CommonwealthCp<KY	11.5	123.4	25¾	-¼
35¾	15¾	CraigInfCorp<J	12.8	150.2	35¼	-¼
9¾	5¾	DowneyFinancial<CA	5.6	80.2	18¾	-¼
15¾	7¾	FirstFedFin<CA>	11.3	178.8	15¼	-¼
17¾	11¾	FirstNiles<OH>	11.2	87.1	17¾	-¼
50	35¼	GoldenWestFn<CA	8.9	142.1	39¾	-¼
26¾	14¾	GreatWestern<CA	7.8	1,052.2	17¾	-¼
26¾	17¾	ISB FinancialCp<IA	10.2	96.6	25¾	-¼
26¾	17¾	ISB FinancialCp<IA	10.2	96.6	25¾	-¼
18¾	12¾	MSB Bancorp<NY	9.8	113.4	16¾	-¼
34¾	24	NSBancorp<MA	9.8	113.4	30¾	-¼
11¾	6¾	NewSouthFedCp<MO	11.7	188.4	8¾	-¼
11¾	6¾	Sovereign<PA	11.7	164.0	11¾	-¼
13¾	13¾	StamfordFedCp<DE	12.5	123.4	25¾	-¼
35¾	17¾	StandardFedBk<MI	8.2	124.9	25¾	-¼
35¾	24¾	WashingtonFed<WA	11.5	123.4	25¾	-¼
35¾	24	WorthAcquis<FSB	10.9	153.7	34¾	-¼
35¾	24¾	WorthAcquis<FSB	10.9	153.7	34¾	-¼
14½	13	WynneSALMIC<IN	22.7	100.4	14¾	

Bank Stock Table Explained: The table lists in alphabetical order the most actively traded bank and thrift stocks. Prices are as of the close for the 225 largest publicly traded commercial banking firms and 25 of the largest thrifts. Banks are ranked according to the dollar value of all common shares outstanding as of June 30, 1993, the market value cutoff for banks was $73.09 mil. and for thrifts was $52.96 mil. **52 Wk Hi** is the highest price paid during the trading year for each stock listed. **52 Wk Lo** is the lowest price paid during the trading year for each stock listed. Prices are adjusted for latest announced stock splits. The ratio is annualized earnings per share divided by the stock price. **PE** is the price to earnings ratio. **Mkt Cap.** is the total dollar value of the stock trading price to the stock's book value, expressed as a percentage. **Book value** is adjusted for latest announced stock splits. **Chg.** is the change in price of a stock since last traded. If no trades for the day, the latest bid. **Chg. in 1993** is the change in price of a stock since the last trading day of 1992. Data source: Bloomberg Financial Markets. **Highlights** show largest percent gainers/losers in price and two volume leaders. **Most Shared Traded** lists the most shares traded. **Volume as % of Average** shares traded today over the past year.

Data source: Bloomberg Financial Markets. Charlottesville, Va. 804/977-1600, produced the tables. Financial News Network, Vienna, Va. provides DK with the daily prices.

Niagara Asset Corporation
Loan Sale Opportunity

Niagara Asset Corporation, a service corporation managing and selling loans for the FDIC, as Receiver of Goldome, intends to offer the following performing commercial mortgage loans for bid through a Bulk Loan Sale:

Commercial Mortgage Loans Package #000196	Approximate Principal Balance	Bid Date
Strip Plaza/Shopping Center	$5.2MM	August 18, 1993
Multi-family	$1.3MM	August 18, 1993
Office Building	$ .3MM	August 18, 1993

Properties located in TX, OH, OK, MI, and FL.

Each loan must be bid upon separately. There are 8 loans ranging in size from $.3MM to $2.3MM.

For details regarding this sale and packages, please contact:

Joanne M. Campagna, Vice President
at (800) 846-6164 or write to:
Niagara Asset Corporation
Waterfront Village Center
60 Lakefront Blvd., Suite 316
Buffalo, New York 14202-4392

Please respond by August 5, 1993.

Selected Data from the Federal Reserve Board

From the New York Fed's weekly press release of July 8, 1993 ($ billion)

Monetary Aggregates*	7/5/93	6/28/93	Change	6/21/93	6/14/93	6/7/92
M1- weekly average	$1,078.6	$1,076.6	+$ 2.0	$1,076.3	$1,081.0	$1,072.7
M2- weekly average	3,502.8	3,503.8	-$ 1.0	3,516.2	3,516.9	3,518.9
M3- weekly average	4,155.6	4,155.7	-$ 0.1	4,176.5	4,173.6	4,176.1
M1 Aggregate*	**M1**			**M2**		
Latest 13 weeks	+11.2%	+ 2.4%	+ 2.6%			
Latest 26 weeks	+ 8.8%	+ 0.2%	- 0.5%			
Latest 52 weeks	+11.9%	+ 1.0%	- 0.3%			
Other data	7/7/93	6/30/93	Change	6/23/93	6/16/93	6/9/93
Business Loans† 8 New York City banks	$ 41.6	$ 41.4	+$ 0.2	$ 41.8	$ 42.0	$ 42.2
Demand Deposits 8 New York City banks	62.2	53.2	+$ 9.0	50.8	56.7	56.3
Commercial Paper All issuers	544.8	543.3	+$ 1.5	551.9	554.3	544.9
Finance companies	385.1	390.2	-$ 5.1	393.0	390.3	389.4
Nonfinancial companies	159.7	153.1	+$ 6.6	158.9	164.0	155.4

(*)— Seasonally adjusted. (†)— Annualized rate. (**)— Excludes bankers' accept. and commercial paper.

Key Rates•

(July 15, 1993)

	7/15	7/14	7/8	7/15/92
Federal Funds domestic range:	3¼–3¾	2¾–3	3¼–3¾	3¾–4
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	6.00	6.00	6.00	6.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit*				
1 Month Deposit	2.78	2.78	2.78	2.95
6 Month Posted	2.97	2.97	2.90	3.10
1 Year Posted	3.15	3.25	3.25	3.35
Eurodollar deposits*				
3 Month	3⅛	3⅛	3⅛	3⅛
6 Month	3⅜	3⅜	3⅜	3½
1 Year	3¾	3¾	3¾	3¾
Dealer Commercial Paper*				
1 Month	3.10	3.13	3.13	3.43
3 Month	3.14	3.13	3.18	3.43
6 Month	3.27	3.25	3.30	3.51

• — Late afternoon quotes, New York market. (*)— Highest offering rates (annual % yield) at selected NYC money center banks. (**)— Late London bid. (***)— AA rating or the equivalent.

STOCKS
First Chicago Rises On Profit Forecast

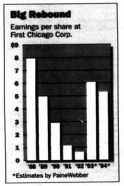
By GORDON MATTHEWS

First Chicago Corp. shares advanced on brisk volume Thursday after analyst Lawrence W. Cohn of PaineWebber Inc. raised his earnings estimate for the bank this year by 12%.

In late trading, First Chicago shares were up $1.125, or 2.6%, to $43.625.

Mr. Cohn, who has a "neutral" rating on the stock, cited strong second-quarter results as the reason he expects earnings of $6.05 a share this year instead of $5.40.

But the analyst said his 12-month price target of $45 a share does not provide enough upside potential to support a "buy" recommendation.



High of $50 Possible

Mr. Cohn said that the stock could trade as high as $50 if the market pushes up the [price-earnings] multiple based on the company's efforts to become more of a regional bank.

At present, he regards First Chicago as a money-center bank. As such, its stock should and does trade at about eight times core earnings, which he estimated at $5.60 a share.

He said he was raising his estimate for this year to reflect much better than expected trading and venture-capital results. They were reported earlier this week when the bank unveiled its second-quarter results.

First Chicago said it earned $1.72 per fully diluted share in the quarter, up from 32 cents a year earlier and far ahead of Mr. Cohn's estimate of $1.15.

Mr. Cohn said second-quarter trading results "were exceptional at $92 million," compared with $37 million a year earlier and $54 million in the first quarter.

"The company has changed the management of its trading operation and adopted a somewhat more aggressive philosophy," he said.

The analyst said he "suspects trading results have moved to a new, higher plateau," but will await further results.

Mr. Cohn also said he was raising his estimate for First Chicago's 1994 earnings to $5.30 from $5 "to reflect a higher estimate of credit card fee income and lower loan-loss provisioning."

Credit card income improved to $164 million in the second quarter, he noted, up 40.2% from $117 million a year ago and up 11.6% from $147 million during the first quarter.

Aggressive Program

Increased securitization as well as higher merchant discount and interchange revenues helped card results, he said, and the bank has been running "an aggressive credit card solicitation program in recent months."

Nonperforming assets actually rose to 1.9% of loans from 1.7% in the first quarter, but the analyst said he was "not concerned with this modest uptick."

First Chicago, he said, "is significantly overreserved," covering 222% of nonperforming assets.

Moreover, he noted, the bank is in the midst of a major program for selling off lackluster real-estate-related assets.

THURSDAY'S MARKET

J.P. Morgan & Co., Bankers Trust New York Corp., along with First Chicago Corp., were the top gainers on Thursday as banks staged a partial recovery from their recent price weakness.

Morgan was up $1.625 to $71.75 and Bankers was ahead $1.875 to $77 in late trading.

Others enjoying strong outings were Chemical Banking Corp., up 75 cents to $39.75, First Interstate Bancorp, up $1 cents to $64.625 and First Bank System Inc., up 62.5 cents to $30.375.

Crestar Financial Corp. surrendered the most ground, falling $1.25 to $42.125. □

Cash America Lines Up $125 Million Credit

FORT WORTH — Cash America International Inc. has obtained a three-year unsecured credit facility for up to $125 million from a syndicate of five banks led by NationsBank Texas.

Terms of the financing are essentially the same as those for Cash America's previous credit line of $65 million, which had been in place since April 1990, the company said.

The credit line strengthens its ability "to finance future expansion and take advantage of new acquisition opportunities," the company said. □

CAPITAL
PNC Joins Home Loan Bank System

By DAVID SIEGEL

PNC Bank on Thursday became the largest commercial bank in the Federal Home Loan Bank System.

Joe Irwin, executive vice president and chief investment officer of PNC, said his institution joined the Federal Home Loan Bank of Pittsburgh to gain access to potentially cheaper funding available through the system.

The system makes low-rate loans to its members, which use the funds to support home lending.

Expanding in Home Loans

The bank and its parent, PNC Bank Corp., are expanding mortgage lending. The holding company has announced plans to buy the mortgage banking operations of Sears, Roebuck and Co.

Mr. Irwin said PNC is a big borrower of short-term funds. It has met this need in the past two years largely by issuing bank notes maturing between one year and 15 months.

PNC Bank will purchase $94 million of Home Loan bank stock, Mr. Irwin said.

Norwest Belongs

Other PNC banks are applying for membership with the Federal Home Loan Bank of Cincinnati, Mr. Irwin said.

The largest commercial bank members after PNC are Norwest Bank in Minneapolis and First Tennessee Bank.

First Tennessee earlier this week joined the Home Loan Bank of Cincinnati. The bank was attracted by the "potential source of liquidity" available to members, said List Underwood, senior vice president and treasurer at First Tennessee National Corp.

Comprising 12 regional Federal banks, the system was set up in the 1930s for the thrift industry. Since 1989, the regional banks have served a growing number of commercial banks, credit unions, and insurance companies. □

Citicorp Wins Higher Ratings from Moody's

By RICHARD LAYNE

Citicorp was rewarded Thursday for improving financial results with an upgrade by Moody's Investors Service.

Moody's said it boosted Citicorp's ratings because it expects that the bank's improving earnings will lead to higher capital.

The agency upgraded senior debt one notch, to Baa1 from Baa2. Subordinated debt was boosted to Baa2 from Baa3.

In addition, commercial paper was raised to Prime-2 from Prime-3, and noncumulative preferred stock was raised to Baa3 from Ba2.

Sustained Growth Seen

Moody's expects Citicorp to sustain earnings growth by substantially lowering loan losses and loan-loss provisions. Citicorp has a relatively low level of provisions – 77% at the end of the first quarter – compared with other banks, but Moody's said the bank will need lower provisions.

Citicorp earned $670 million in the first quarter, nearly equaling the $722 million earned in all of 1992. Second-quarter results are due out Tuesday.

At March 31, Tier 1 capital ratio was 5.23%, more than the regulatory minimum but by a much smaller cushion than any other major bank. Moody's expects that cushion to widen, but predicts Citicorp's capital ratios will not surpass many banks'.

Standard & Poor's Corp. rates Citicorp one notch higher than Moody's on senior and subordinated debt. Standard & Poor's rates those A-minus and BBB-plus, respectively. □



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Foreclosure Hangover Seen For Northeast

By EDWARD KULKOSKY

Mortgage lenders in the Northeast may be saddled with abnormally high loan foreclosures through 1997, reflecting persistent weakness in the regional economy.

An analysis by Fitch Investors Service Inc. says the highest average foreclosure rates on residential mortgages will be in New Jersey, Connecticut, and the New York area.

For example, foreclosure rates will average 1.44% in Connecticut, nearly double the projected national average of 0.74%, according to Fitch.

"Although there are signs of economic improvement, Connecticut will continue to lag the nation in terms of job growth," the report says. One of the biggest problems: fewer manufacturing jobs because of cutbacks in defense spending.

ECONOMIC OUTLOOK

Despite the weak outlook for the Northeast, the report contains some encouraging predictions. Fitch says foreclosures will reach the national average in California, where they have skyrocketed this year.

Bright Spots

The best areas for mortgage credit quality will be the nation's capital, Delaware, and Baltimore. In the Midwest, mild default rates are likely to continue, Fitch says.

Overall, Fitch expects a national five-year average of about 74 foreclosures for each 10,000 mortgages – about three-quarters of 1%. The national rate has not been that low since 1974, when it was one-half of 1%.

"We are expecting some economic improvement, and the national average we're projecting is below what it's been recently," said James D. Nadler, a Fitch managing director and co-head of its residential mortgage group.

"The important thing is that the change isn't uniform across the country – and we are focusing on regions because of this."

Forecasting Model

New York-based Fitch derived its foreclosure forecast from a model it has just developed to help buyers of mortgage-backed securities anticipate defaults in specific regions of the country. But the findings have broad significance to mortgage lenders and servicers.

"A lender can look at regions and use expected defaults to ra-

See **FORECLOSURE** *page* **10**

INSIDE NEWS

MANAGEMENT STRATEGIES



Jim Judkis

TECHNOLOGY SPENDING by banks outpaced inflation for the first time in three years, an *American Banker*/ Ernst & Young survey showed. Bankers like Fred Eisenbacher of PNC Bank Corp. are using the money to create systems and augment existing structures. *Page 14*

REGULATORS

IN NAMING William J. McDonough the new president of the Federal Reserve Bank of New York, the bank's search committee picked a banker very much in the mold of his predecessor, E. Gerald Corrigan. *Page 2*

REGIONAL BANKING

COMERICA INC. has launched a widespread advertising campaign in Texas promoting itself as an up-and-coming business bank. *Page 6*

COMMUNITY BANKING

CU BANCORP of Encino, Calif., said it is working to build a "fortress balance sheet." *Page 8*

MORTGAGES

FANNIE MAE told its mortgage lenders to help flood-ravaged homeowners who have trouble keeping up with their mortgage payments. *Page 10*

INVESTMENT PRODUCTS

CONCORD FINANCIAL Group Inc., the leading distributor of bank-managed mutual funds, promoted three executives. *Page 11*

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NationsBank Fights to End Regional Pact

By KENNETH CLINE

Only a month after scoring an interstate banking victory in North Carolina, NationsBank Corp. has extended the battlefront to Florida, Georgia, and Virginia.

The Charlotte-based bank company, the nation's fifth largest, is pushing for piecemeal dissolution of the so-called Southeast compact – a series of reciprocal banking agreements among nine states that limits acquisitions by outsiders.

The pacts, put together in the mid-1980s, were originally aimed at protecting the regional banks from then-threatening banks in New York City. But the compact contains an "80-20" rule that says 80% of deposits must remain in the Southeast – a stricture that has now become limiting to NationsBank and some of its regional brethren with national ambitions for growth.

May Hinder Further Expansion

An interstate banking law engineered by NationsBank passed the North Carolina legislature on June 16 by a margin of 84 to 12. It will allow full interstate banking in the state by July 1, 1996.

But NationsBank also has operations in Georgia, Florida,

See **NATIONSBANK** *page* **6**

Banks Win Big Victory In Fight to Sell Insurance

By BARBARA A. REHM

WASHINGTON — National banks have won what could be the final round in a seven-year legal battle against the insurance industry, securing the right to sell insurance nationwide from small towns.

"This court case may well have the impact of blowing the insurance sales area wide open," said Edward Yingling, executive director of government relations at the American Bankers Association.

The U.S. Court of Appeals for the District of Columbia decided Friday that no law bars the Office of the Comptroller of the Currency from allowing national banks in towns with fewer than 5,000 people to market insurance nationwide.

No High Court Action Seen

The Independent Insurance Agents of America, the industry trade group that sued the comptroller in 1986, is expected to appeal the case to the Supreme Court. But lawyers – who usually shy away from predicting the court's actions – expressed confidence Friday that the high court would refuse the appeal.

Asked if he thought the Supreme Court would take the case, Robert Griffin, the director of litigation for the Comptroller's office, said: "I would be very shocked."

Most lawyers said the Supreme Court would not take the case because the appeals court's decision relied on a widely accepted principal that courts defer to regulators when there is no law on the books for the judges to interpret.

The bank at the center of the case is U.S. National Bank of Oregon, Portland. Jeff Grubb is president of U.S. Bank Insurance Agency, the affiliate that has been selling insurance since 1986 from Banks, Ore., a town of 500 people about 20 miles

See **BANKS WIN** *page* **11**

A Lengthy Battle

1984	**U.S. National Bank** of Oregon asks Comptroller for permission to sell insurance nationwide from small town.
Aug. 1984	**Comptroller approves** request; insurance agents file suit.
May 1986	**U.S. district court in** Washington upholds Comptroller's decision.
Feb. 1992	**U.S. court of appeals** in Washington reverses lower court, ruling that insurance law in question was not valid.
June 1992	**Supreme Court rules law** is valid and remands case to appeals court.
July 1993	**Appeals court upholds** lower court ruling, permitting nationwide sale of insurance from small towns.

Syndicated Loans Rebounded in 2d Quarter

By WILLIAM GOODWIN

After a first-quarter drop-off, the syndicated loan market staged a comeback in the second quarter, driven by multibillion-dollar refinancings for investment-grade corporations.

The volume of domestically syndicated loans surged 36% to $135 billion from $99 billion in the second quarter of last year, according to Loan Pricing Corp.

First-half volume rose nearly 13% to $201 billion from $178 billion in the first six months of 1992.

In the second half of the year, bankers expect to see more leveraged financings for non-investment-grade clients, including an increase in demand for buyout loans.

More and Bigger Deals Seen

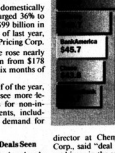
"Our sense here is that there's a pickup in M&A activity and that acquisition-related financing volume will pick up in the second half," said Timothy Conway, head of private placements and bank loan underwriting and structuring at Citicorp.

James Lee, senior managing director at Chemical Banking Corp., said "deal sizes will also get bigger in the second half."

While high valuations in the public equity markets continue to put a damper on buyout activity, financing is now available from both banks and the junk bond market.

Leveraged lending generally is riskier but also more lucrative than the credits banks provide to their investment-grade clients, which are often just backup lines for commercial paper.

"Assuming there is more non-investment-grade business in the second half, I think the syndication business will be more profitable," Mr. Conway said.



Giant GM Financing

Chemical Bank, which shepherded an $18 billion refinancing for General Motors Corp. through the domestic loan market, held on to first place among loan syndicators in the quarter.

Chemical was agent or co-agent on $61 billion worth of syndicated loans, more than twice its first-quarter volume of $25 billion.

Citicorp ranked second, followed by BankAmerica Corp., Chase Manhattan Corp., and NationsBank Corp.

After a February reorganization of its North American corporate finance business, Citicorp has regained some of the momentum it lost in recent years as it grappled with losses

See **SYNDICATIONS** *back page*

NEWS *briefs*

Keycorp Gives Evergreen Second Extension

ALBANY, N.Y. — Keycorp said that for the second time, it has extended the expiration date on its offer to acquire Evergreen Bancorp of Glens Falls, N.Y.

The deadline now stands at midnight Aug. 5, which marks a three-week extension. Terms of the offer, which have not been disclosed, remain unchanged from those made on June 22.

Keycorp chairman Victor J. Riley Jr. said, "Representatives have contacted me to say that they need still more time to evaluate Evergreen's true worth and, until that process is finalized, they are not prepared to respond to our offer."

OCC Seeks to Raise CRA Investment Caps

WASHINGTON — The Office of the Comptroller of the Currency is considering a plan to smooth its approval process for banks that want to invest more money in their community development bank units. The plan, which also covers individual community development projects, was published Friday for public comment.

If the plan is adopted, banks with less than $100 million in assets could invest up to 5% of their unimpaired capital in community development banks or projects without regulatory approval. The capital limit for larger banks would be 2%. When OCC approval is necessary, the agency's plan promises that requests will be processed within 30 days.

First American Increased Profits by 165%

NASHVILLE — First American Corp. said it earned $26 million, or $1.01 a share, in the second quarter, an increase of 165% from $9.8 million in the 1992 quarter. The company, which has $6.7 billion of assets, said its return on average assets and return on average equity were 1.55% and 20.96%, respectively.

Net loan chargeoffs fell 63% from the year-earlier period and nonperforming assets were down 38%, permitting the company to draw down its loan-loss allowance through a $10 million "negative provision." The company said the drawdown was worth 25 cents a share to investors.

First American's stock was up $1.125 to $29.50 a share early Friday afternoon. The earnings report was released Thursday afternoon.

CB Bancshares' Deal for Thrift Advances

HONOLULU — CB Bancshares Inc. said it completed a definitive agreement to acquire International Holding Capital Corp. for $51.7 million.

Ohio's FirstFederal Rebuffed on Takeover

WOOSTER, Ohio — FirstFederal Financial Services Corp. said First Federal Savings Bank of Dover, Ohio, has decided to reject a proposed acquisition.

The briefs were compiled from staff and wire reports.

Correction

An article and accompanying table on July 13 about second-quarter bank mergers and acquisitions misidentified the headquarters city of Firstier Financial Corp. The company is based in Omaha.

* * *

Because of an editing error, an article on July 16 about second-quarter earnings incorrectly said that U.S. Bancorp's results were stronger than analysts had expected. In fact, U.S. Bancorp was in line with projections; it was West One Bancorp that came in 9% above predictions.

McDonough, N.Y. Fed's New Boss, Seen as Much Like His Predecessor

By KAREN GULLO

In naming William J. McDonough as the new president of the Federal Reserve Bank of New York, the bank's search committee picked a banker very much in the mold of his predecessor, E. Gerald Corrigan.

The appointment of Mr. McDonough, 59, to the second-most-powerful position in the Federal Reserve System, was announced on Friday.

Mr. McDonough, who assumes the post today, spent most of his career at First Chicago Corp., where he rose to the level of vice chairman. After leaving the bank, he was recruited by Mr. Corrigan to join the New York Fed. He arrived in January 1992 as executive vice president in charge of the foreign desk, which oversees the Treasury Department's foreign exchange trading operations.



William J. McDonough
Veteran of First Chicago

Field of 50 Candidates

Mr. McDonough was one of 50 candidates considered by the bank's search committee, said Ellen V. Futter, chairman of the New York Fed board of directors. He was chosen for his "broad-based knowledge of the workings of financial institutions and financial markets, both nationally and internationally," said Ms. Futter at a new conference.

Mr. McDonough is expected to follow Mr. Corrigan's views on monetary policy. Though somewhat more centrist on inflation, he would make preemptive strikes if inflation were to rise, said David G. Jones, a Fed watcher at Aubrey G. Lanston & Co.

Not an Inflation Hawk

Mr. McDonough said he will push for sustained economic growth through price stability and low levels of inflation, but added that he is not a hawk.

"A hawk is someone who says zero inflation is necessary," said Mr. McDonough at a news conference. "The data are not so precise that there is a magic number."

Mr. McDonough, whose appointment was announced two days after the Clinton administration unveiled an effort to encourage community development loans, said economic growth in the inner city will be one of his priorities at the New York Fed.

"We all need sustained growth and financial stability, but many of the people in the urban centers need it more," said Mr. McDonough, a native of Chicago. "I hope to have this institution work at it very actively."

International Experience

Mr. McDonough was handed additional Fed responsibility last year when the bank merged the foreign desk with its influential open market group, which conducts reserve operations and implements the monetary policy of the Federal Open Market Committee.

"He's exactly the kind of person that Alan Greenspan wants in a Fed president," said Mr. Jones. "He's a strong international banker and a strong leader."

Mr. McDonough, however, is untested in the operational areas where Mr. Corrigan proved himself.

"He can easily step into Corrigan's shoes," said Mr. Jones. "The only places where Corrigan will be hard to replace is in crisis management and the payment systems. No one knew the nuts and bolts of the payment system like Corrigan." □

COMPANY *index*

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Point of Sale Devices Seen Outpacing ATMs

By MATT BARTHEL

The rate of deployment of point of sale terminals that accept debit cards will far outstrip new automated teller machine installations over the next four years, a Cleveland-based analyst projects.

The prediction, by Freedonia Group Inc., supports assertions by electronic banking executives that debit point of sale – in which a consumer makes retail purchases using an ATM card – will soon be a lucrative source of revenue for financial institutions.

"You've heard a lot of talk over the years about the cashless society, and now we're seeing the cornerstone of that vision – namely the POS terminal – being installed on a widespread basis," said Stephen Cole, president of Chicago's dominant electronic banking network, Cash Station.

Fast Growth Expected

According to Freedonia Group, retail merchants in the United States have currently installed about 320,000 POS terminals that accept debit cards, including about 25,000 terminals that can authorize both debit and credit transactions.

By 1997, the number of debit POS terminals is expected to grow by more than 300% to 1.1 million.

The terminals have thus far been installed mainly at supermarkets, gas stations, and convenience stores. But as consumers begin to use their cards at these locations, observers feel that POS debit will soon make inroads into other types of retail businesses, including department stores.

Yet despite the fact that debit POS is accepted as the most promising electronic banking product of the '90s, ATMs still clearly have their place.

Room for Expansion

According to Freedonia Group, the number of ATMs will grow over 20% in the next four years from the current 87,000 terminals to over 110,000 in 1997. This prediction is surprising, given that many experts feel the U.S. market is already almost saturated with ATMs.

However, Freedonia Group said that banks are increasingly looking to install ATMs away from their branch offices. This is supported by American Bankers Association figures. According to a 1992 ABA automation survey, about 14% of banks that do not currently operate off-premises ATMs plan to begin doing so by the end of 1994.

In addition to new ATM installations, Freedonia sees a healthy market for replacement machines over the next few years. In the past two years alone, two of the nation's largest financial institutions, Bank-America Corp. and Chemical Banking Corp., have announced plans to replace almost 2,500 older ATMs with new models.

Point of Sale Boom?
Projected growth in automated teller machines and point of sale terminals, in thousands

	1993	1997
ATMs	87	110
Debit card terminals	295	950
Debit and credit card terminals	25	175

Source: Freedonia Group Inc.

Brisk Sales Expected

"We think the combination of replacement machines and additions to new locations will keep ATM sales at a consistently high level over the next few years," said Edward Hester, an analyst with Freedonia Group.

Mr. Hester emphasized, however, that the rise of point of sale will force banks to be creative about where they place the ATMs in the future. He said that debit POS will probably begin to reduce consumers' need for cash at shopping malls and other retail-oriented locations.

Thus, banks should begin installing their ATMs in places where it will not have to compete with POS terminals for transactions. Such locations include workplaces and college campuses. □

Cirrus Signs 30 Foreign Institutions

The Cirrus System Inc. automated teller machine network, owned and operated by MasterCard International, has added 30 international financial institutions as new members.

Eight of the institutions are principal members – banks that are authorized by Cirrus to resell the network's ATM services to other institutions.

The new principal members are: Europay Belgium, Asociacion Red Multicolor and Corporacion Colombiana de Ahorro y Vivienda from Colombia, Unicredit Ecuador, Bank Bali Jakarta in Indonesia, Jordan National Bank of Amman, Redtef SA in Panama, and Gota Bank in Sweden.

The new members will add more than 700 ATMs to Cirrus' existing international network of about 129,000 terminals.

— Matt Barthel

Fiserv Selling Software to Two Latin Banks

Deals in Mexico and Honduras Part of Vendor's Plans to Sell Globally

By DEIDRE SULLIVAN
Special to the American Banker

As part of a long-term plan to expand globally, Fiserv Inc. has signed agreements to install Spanish-language versions of its commercial banking software in two Latin American banks.

Grupo Financiero Margen in Monterey, Mexico, and Bancahsa, in Tegucigalpa, Honduras, will both be installing Fiserv's International Comprehensive Banking System software. The system runs on AS/400 midrange computers from International Business Machines Corp.

From North to South

These institutions represent Milwaukee-based Fiserv's third and fourth forays into Latin America. Last year, the company signed software deals with Finalvez and Valin Bank in Caracas, Venezuela, and Provensa in Bogota, Columbia.

"Our plan is to target the northern tier of this region, countries like Mexico, Columbia, Venezuela, and Honduras," said Rick Durant, Fiserv managing director. "Then we hope to expand south."

Mr. Durant said that Fiserv seeks to establish "anchor" clients in these regions much in the same way it did in Europe and in the Far East. "We first moved into the United Kingdom in 1988, working with banks we viewed as anchors and then expanded into Europe from there," he said. "In 1990, we began operating in Singapore in the same fashion. Now our next steps are in Latin America."

At Bancahsa, which has $170 million of assets and is the second largest bank in Honduras, the Fiserv installation is the technology component of a bankwide reengineering effort.

Technologically in the Lead

According to Mr. Durant, Bancahsa is already using an AS/400 but had trouble programming the system to do little more than automate manual tasks.

With the Fiserv system, Bancahsa will be able to provide deposit and loan accounting, as well as financial accounting and reporting. "Bancahsa is looked at as a leader in Honduras," said Mr. Durant, adding that the new system will give the bank capabilities never before seen in that country.

For the first time, Bancahsa customers will be able to get all their various account information in one statement and bank employees will begin using an integrated customer data base to determine the total bank relationship with a particular client.

Mr. Durant also said that Bancahsa plans to launch a series of cash management products for small businesses and wealthy individuals.

Ms. Sullivan is a freelance writer based in New York.

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Opinion

Comment

By Warren G. Heller

Discord in the Kingdom: A Banking Allegory

PARTICULARLY egregious behavior by one small group of merchants led the enraged king to impose a set of new accounting rules on the entire merchant community.

A recent archeological finding tells a story that should be of some interest to the banking community.

During the reign of a particular king, three powerful groups found themselves in political and economic conflict. The merchants, who from the earliest days had enjoyed a somewhat rough-and-tumble, laissez faire existence, were reined in by a royal decree.

The decree circumscribed their operating freedom at the time of an especially severe famine that was blamed partially on some of their excessive practices.

The sorcerers and magicians, longtime foes of the merchants, enjoyed particularly strong influence in the king's court. Over the years, they used this influence to have laws and traditions established to prevent the merchants from selling virtually any commodity that could be used as an ingredient in the practice of magic or in support of the casting of spells.

A Fight for Influence

However, the merchants enjoyed some influence in the court, too, although it was diminished by squabbling among their various groups (large vs. small, cash vs. guilds, country vs. city, etc.). This influence allowed them to maintain certain small exceptions to the general prohibition against their sale of tools of sorcery.

But, as can be imagined, courtesans who were friends of the magicians continually strove to influence the king to close off those few exemptions.

Mr. Heller is research director of Veribanc Inc., a bank rating firm based in Wakefield, Mass.

Following the limitations placed on the merchants, and the establishment of detailed rules defining a merchant as both a buyer and seller of various broad categories of merchandise, another group began to amass large amounts of commercial and political influence.

This third group, the importers, had earlier operated mostly in a wholesaling role. They would sell to merchants large lots of goods brought by ship from other lands.

The importers also bulk-purchased manufactured goods from the merchants to export to foreign buyers. As the importers were able to identify and participate in certain highly profitable retail enterprises that fell outside the classifications that would have counted them among the merchants, their wealth, power, and prestige — as well as their arrogance — grew immensely.

Merchants' Woes Grow

Meanwhile, the merchants, as they squabbled among themselves, found the king who, on more than one occasion, was heard to express frustration at the babble of their conflicting requests.

To add to their woes, other groups exerted influence which

THE WEALTH, power, and prestige of the importer class grew,

resulted in decrees that further increased the merchants' burdens.

The police were able to have the merchants assigned some of the kingdom's law enforcement duties (with no payment, of course; the new duties were simply regarded as an appropriate tail enterprises grew.

As the situation began to worsen, a respite came in the form of several successive devaluations of the kingdom's currency. Each of these left the merchants, by virtue of their relatively large commodity stocks, well ahead of most of the rest of the country, which was then going through hard economic times.

But even this blessing was a mixed one, because pleadings from the merchants for relief typically met with a skeptical response.

Nonetheless, the wise men of the kingdom grew increasingly worried about the unsustainable burden on the merchants and the toll that burden would exact once the successive devaluations ceased.

Deepening Plight

In particular, they worried about the vast areas of discretion that the importers could not or would not serve.

Others in the court also recognized the merchants' plight. Some encouraged the merchants to abandon all of their internecine rivalry so they and their courtesans could speak with the king in unison; others advised the merchants to forge whatever alliances they could with the magicians; still others urged them to try to encourage the king to equalize the competition with the importers.

Many of the merchants themselves took up their own cause, while others believed it better to simply enjoy their current prosperity and bear up under the persecution as best they could.

Moral of the Story

At this point, there is a break in the historical record. We do not know what happened to the merchants or whether the problems contributed to the ultimate fall of the kingdom.

However, it is interesting to observe that, from our 20th century vantage, the merchants' only hope was clear – follow all of the advice to act in concert, build out-of-industry alliances, seek to compete on equal terms with the importers, and make whatever sacrifices were necessary to achieve the political clout needed to halt their decline. □

service to the crown); the tax collectors similarly prevailed to conscript the merchants' help in gathering in a portion of the king's levy; the artists and musicians were able to require the merchants to allot them rent-free space for their exhibits and concerts; the clergy obtained a decree requiring all prices and quantities to be posted in each of the measures and languages used throughout the land.

Stiff Penalties

Following particularly egregious behavior by one small group of merchants, the enraged king enacted a set of new accounting rules on the entire merchant community. These rules required very detailed tracking and reporting of virtually every part of every transaction that each merchant engaged in, and applied penalties for transgressions that in many cases exceeded those exacted for violent crimes.

The penalties even included forcing a merchant to forfeit all of his or her possessions in certain instances when a customer failed to pay for purchases.

A Mixed Blessing

While the merchants groaned under their persecution, the importers' ability to increase the size and effectiveness of their re-

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Letters to the Editor

Bank Ethics Vital, but Not Because of Shady Bankers

To the Editor:

In his commentary on June 17, "Strong Ethical Standards Crucial for Banks to Survive," Keith Darcy correctly concluded that ethical management and strong organizational values are crucial in the 1990s.

While we most certainly agree, we cannot go along with some of the assumptions on which the article seems to be based.

Unfair Assumptions

By his tone, Mr. Darcy apparently assumes that the majority of bankers are naturally unethical and, if left alone, would defraud and destroy just like the highly publicized S&L looters.

While there have certainly been some shady operators, most bankers, including many thrift leaders we have met, are solid and community-sensitive professionals.

It is a tremendous mistake to feel that one must dangle financial carrots in bankers' faces to make them ethical.

Our assumption is that bankers, in general decent people, often are unknowingly given conflicting messages within the organization.

Training Helps

Add community pressures, regulations, shareholder expectations, and differing cultural and regional expectations, and we often have a recipe for disaster.

Training programs can help bankers recognize ethical problems and dilemmas and can teach useful, principled problem-solving techniques.

Yes, ethical banking is crucial in a purely bottom-line sense, but the many intangible benefits – better decisions that incorporate personal and social concerns – are just as important.

Elizabeth D. Grossman
Lydia Hacker
Woodstock, N.Y.

Editor's Note: The writers are affiliated with RCFM Inc., a consulting firm that runs seminars in ethical banking.

Thrifts Seen Paying Twice What Banks Pay for Insurance

The report by a congressional advisory committee could strengthen the thrift industry's argument for funding.

By ROBERT M. GARSSON

WASHINGTON — Thrifts could find themselves paying twice as much as banks for deposit insurance in three or four years, according to a panel created by Congress to monitor the industry.

The report, by the Savings Association Insurance Fund Industry Advisory Committee, was delivered to lawmakers last week at a time in which the House leadership is trying to move legislation that would provide funding for the insurance fund and the Resolution Trust Corp.

There was a possibility that the House Rules Committee could take up the RTC legislation on Tuesday, paving the way for floor action on Wednesday.

However, the thrift cleanup legislation has been tentatively scheduled for a floor vote at least twice before, only to be postponed. Further delays are likely.

The report, with its warning of a bleak future for the savings and loan industry, could help thrifts make the argument for funding. Although House and Senate bills provide funding for the insurance fund, each includes conditions that might be difficult to meet.

"It really cuts to the heart of the matter," said Robert Schmermund, a spokesman for the Savings and Community Bankers of America, the main thrift trade group.

"The industry has significant concerns about what this kind of competitive disadvantage could do."

As previously reported, Federal Deposit Insurance Corp. officials told the advisory committee on July 1 that the Bank Insurance Fund would be recapitalized by 1998, and possibly as soon as 1996.

Recapitalization in 2012

Once the Bank Insurance Fund's reserves reach $1.25 for each $100 of insured deposits, bank premiums would drop, probably to about 11 cents for each $100 of deposits.

By contrast, the thrift fund will probably not be recapitalized until 2012 and it is "not unrealistic" to believe that a premium of 35 basis points – the FDIC's pessimistic scenario – will be needed.

The report said panel members "were staggered" by the realization that the bank fund was so near recapitalization and that the looming disparity in premium rates could be as high as 24 basis points.

"We do not believe the industry can survive under a disparity even approaching that level," the report argued.

"More important, we are certain that the public in general and the housing markets, which are largely dependent on thrift institutions for financing, have no conception of the severity of the crisis facing the SAIF and SAIF-insured institutions," the report added.

Industry observers said the report could help thrifts on capital hill.

"I hope it alerts the congressional leadership to the collision course that BIF and SAIF are headed toward," said Rick Hohlt, a financial industry consultant.

Still, it is hard to know how the report might affect votes. The Senate has completed action on a bill which sets conditions that must be met before the thrift fund can receive federal monies.

The House Banking Committee has adopted an even tougher bill, and it is unlikely that any member of Congress will try to weaken the measure.

It is possible that House and Senate negotiators could produce legislation more acceptable to thrifts, but it is more likely that they will try to find a middle ground between the two bills.

"There is a feeling that both bills are unworkable," said Alfred Pollard, a lobbyist for the Savings and Community Bankers. □

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OTS Forms Panel To Handle Gripes

By ROBYN MEREDITH

WASHINGTON — The Office of Thrift Supervision has appointed five senior staff members to hear complaints about examinations.

The OTS announced its appeals policy on Friday. It followed similar announcements from the Office of the Comptroller of the Currency and Federal Reserve Board and is part of the Clinton administration's attempt to ease the credit crunch by telling regulators to lighten up.

Reviewing Bank Exams

The new examination oversight managers will review reports of examinations for content, perspective, tone, uniformity, and conformance with national policy and guidelines, the OTS said.

They will visit thrifts regularly to discuss exam procedures and solicit ideas for improving the process, the OTS said.

The oversight managers for the different regions are: Ralph Gridley, Northeast; Timothy T. Ward, Southeast; Jerry W. Stewart and John T. Lawrence, Central; James W. Smith and Dorothy Van Cleve, Midwest; and Ron Lake, West.

NationsBank Extending Battle Against Interstate Restrictions

Continued from page 1

Virginia, and South Carolina – states where the compact is still in force. Laws on their books could hinder an effort by the company to branch into, say, California, where company officials are known to be searching.

William T. Graham, the commissioner of banks in North Carolina, said there was little organized opposition to the bill. But the effort may encounter more resistance in Georgia and Florida, where banking laws have been more restrictive and community banking groups are more politically active.

NationsBank has begun talking with bank trade association groups in Florida, Georgia, and Virginia about opening those states to full nationwide interstate banking.

The "80-20" rule has become limiting to banks with national ambitions.

The company "will be working with other banks," said Ellison Clary, a NationsBank spokesman. "Now we have banks in a position to compete nationwide outside the compact and they need a chance to do so.

"The compact served well, but its time has passed," added Mr. Graham, the North Carolina bank commissioner.

Michael M. Fields, NationsBank's regional executive for northern Florida, is trying to influence bankers and legislators in the state to introduce an interstate bill in the next legislative session beginning in January, banking sources in Florida said.

'A Very Clear Interest'

Mr. Fields, who is based in Tallahassee, confirmed that his company has "a very clear interest" in such legislation. But timing and strategy are not yet fixed, he added.

An executive committee of the Florida Bankers Association plans to discuss interstate banking on Sept. 9 and recommend a position for the association's full membership, according to executive director John Milstead. He said NationsBank has informed him that an interstate proposal would "likely be very similar" to the North Carolina statute.

James R. Lientz Jr., president of NationsBank of Georgia, briefed bankers in his state two weeks ago on "the probability" of introducing a similar bill being introduced in the state Legislature in January , said J. Joseph Brannen, president of the Georgia Bankers Association.

"We have not been asked to take a position at this point," Mr. Brannen said.

Mr. Lientz could not be reached for comment Friday.

Looking for Consensus

The Virginia Bankers Association, meanwhile, plans to put together atask force to study the interstate banking issue, with hopes that its full board can reach a decision by September, according to vice president Bruce Whitehurst.

"The first approach will be to look for consensus," Mr. Whitehurst said.

In Florida, at least, some original proponents of the Southeast compact support its demise. "It was always designed as a way station so that banks in the South would have the opportunity to do their own growing," said John Edward Smith, a Miami attorney who helped draft Florida's reciprocal banking law in 1984. "Things have changed dramatically over the years."

In addition to the interstate banking bill, North Carolina passed an interstate branching bill last month that allows Tarheel State banks to branch into any other state with similar legislation.

The effect of this legislation, which becomes Oct. 1, is likely to be more limited than interstate banking since only New York has similar legislation. Also, NationsBank is not encouraging other states to emulate North Carolina's branching law. □

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THE SPORTS-OBSESSED Dallas-Fort Worth market is the target of this campaign by the Detroit-based superregional.

Comerica Aims Texas Ad Blitz At Middle Market

By JOHN RACINE

Company Focus

THOUGH IT IS STILL digesting three acquisitions in Texas, Comerica Inc. has launched a widespread advertising campaign in the Lone Star State promoting itself as an up-and-coming business bank.

The Detroit-based company, which has $26.3 billion of assets, is using print, radio, and billboard advertising to boast of its new branches in Austin, Houston, and San Antonio. In the sports-obsessed Dallas-Fort Worth market, a highly visible campaign promotes Comerica as the area's "newest expansion team."

In Dallas, in particular, the bank is hoping to attract middle-market customers. "Our vision is to be the business bank of choice here," said Charles L. Gummer, president of Comerica Bank Texas. "We look to be the entrepreneurial bank, the one that takes a consulting approach with our customers."

Comerica has been on an acquisition binge in Texas, nearly doubling its branch network and more than doubling its assets to $3 billion in the past 18 months.

It now has 51 branches statewide, including 39 in the Dallas-Fort Worth region. The bank plans to close four overlapping Dallas branches later this summer.


Charles L. Gummer

Comerica recently consolidated its biggest acquisition – the $800 million Historic National Bank of Texas – and is now absorbing Sugar Creek National Bank in Sugar Land and NorthPark National Bank in Dallas. Both are single-office banks.

Comerica ranked ninth in terms of Texas market share one year ago, with 2.57% of statewide deposits, according to Ferguson & Co. More recent estimates are not available.

The bank's "limited budget" marketing campaign, which began June 20, is aimed primarily at building name recognition among small businesses.

Comerica also is developing a farther-reaching corporate identity campaign, she said, but "the point of the campaign now is to say that Comerica has really expanded."

Comerica is carving different marketing strategies for different states. In Michigan and Illinois, it sells itself as a full-service bank serving retail, business, and corporate customers. Private banking and personal trust services are the focuses in Florida, while Comerica California tilts toward corporate lending.

But business is the calling card in Texas.

Mr. Gummer said the bank will soon launch a direct-mail campaign and a personal-call blitz to owner-managed companies with annual revenues of up to $100 million. The company Comerica has identified "several thousand" middle-market companies, he says.

Comerica thinks it can compete in the Southwest against smaller community banks as well as with such giants as Texas Commerce Bancshares, the Chemical Banking Corp. subsidiary that is Texas' top corporate lender.

"We don't see any banks that are focused on owner-managed businesses as we are," Mr. Gummer said.

Business lending is potentially more lucrative than consumer or corporate banking, but it is also riskier. Owner-managed businesses are likelier to fail than mature corporations. But Mr. Gummer says chargeoffs for business loans have been minimal since Comerica entered the Texas market in 1988.

"Owner-managed businesses are better run today then they have ever been," he said. "We thought they were good four or five years ago, and we still think they are today." □

EXECUTIVE *changes*

Tokai Names Inouchi a Director And General Manager of N.Y. Unit

Takashi Inouchi has been elected a director and promoted to general manager of the **Tokai Bank Ltd.**'s New York branch.

Mr. Inouchi had been president of Tokai Bank of California, Los Angeles. Before that, he was general manager of the London branch of the parent company, which is based in Nagoya, Japan.


Takashi Inouchi

He joined the parent, the 14th-largest bank in the world, in 1963. He has over 13 years of overseas banking experience, predominantly in Britain and the United States.

— **Franklin Smith**

MIDWEST

NATIONAL CITY BANK Northwest, Toledo, Ohio, has promoted **Maureen G. Brown, Christopher E. Macino,** and **Robert S. Ruhlin** to vice president. Ms. Brown and Mr. Macino work in private banking, and Mr. Ruhlin is a corporate banker.

Promoted to assistant vice president were **Randolph J. Chavez,** who works in commercial real estate; **Deborah A. Erustinzen,** a manager of specialty sales; **Matthew J. Swart,** a secured credit manager; and **Diane E. Varner,** a marketing manager.

Also promoted, to bank officer, were **Susan K. Hughes,** a commercial loan manager; **David W. Olenik,** a commercial real estate representative; and **Jeffrey S. Smith,** a bond trust administrator.

MARSHALL & ILSLEY Corp., Milwaukee, said **Michael J. Roman** was elected chairman this year as president of **Marshall & Ilsley Trust Co.** and as vice president of the parent firm.

Mr. Revane will remain in his positions until a replacement is named.

BANK ONE Indianapolis has promoted **Corinne C. Rhea** to vice president in the loan review division and **Patricia J. Bratton** to assistant vice president in the consumer services group. Also, **Tacy B. Swinehart** has been appointed trust officer in the trust group.

HUNTINGTON Bancshares, Columbus, Ohio, has promoted **Clifford E. Ford** to vice president, private banking division; **Terri F. Austin** to audit officer, investment compliance department; and **Patricia A. Case** to financial control officer in the corporate tax department of the bank holding company.

Mark G. Palazzo has been promoted to assistant vice president, corporate banking division, **Huntington National Bank,** Cincinnati.

Also, **Lee A. Blanks,** operations manager in the secondary marketing department, was promoted to staff officer, **Huntington Mortgage Co;** **Eric J. Wiegandt,** sales representative in the institutional investment department, was promoted to assistant vice president at **Huntington Capital Corp.**

Promoted to investment officers at the **Huntington Investment Co.** were **Michael T. Necamp, Robert J. Willer, Kenneth J. Weinstein,** and **Dennis L. Adams.**

MIDDLE ATLANTIC

THE NEW JERSEY SAVINGS League has elected **Edward C. Gibney** as its chairman.

Mr. Gibney is president of **Boiling Springs Savings Bank,** Rutherford, N.J., a post he assumed in 1980. He has been a mortgage officer, platform officer, and branch manager.

He was elected to the New Jersey Savings League's board of governors in 1989 and is a past president of the Bergen County Savings League.

UNITED JERSEY BANK Central, Moorestown, N.J., said **Peter D. Halstead** has been named a senior executive vice president of the bank.

He previously was executive vice president of this unit of **UJB Financial.**

SOUTHEAST

HIBERNIA NATIONAL Bank, New Orleans, a subsidiary of **Hibernia Corp.,** announced several promotions and new hires.

Those promoted are: **Darrell C. Dragon** to vice president, account services; **Kay B. Hughes** to assistant vice president, loan administration; **Trudy W. Nelson** to vice president, private banking; **W. Pete Scharf** to assistant vice president, retail credit systems; and **Karen R. Tipton** to assistant vice president, loan review.

New hires at Hibernia are: **David A. D'Antoni,** assistant vice president, Baton Rouge small-business banking; **S. John Castellano,** assistant vice president, New Orleans commercial banking; **G. Ivan Hinderer,** vice president, commercial loan administration; **Raymond W. Sprung,** vice president, asset-based services; and **Scott A. Umberger,** assistant vice president, lending unit.

WEST

THE FEDERAL RESERVE Bank of San Francisco said **S. Jean Hinrichs** has joined the audit division of the San Francisco


S. Jean Hinrichs

Fed as an assistant vice president after relocating to the Bay Area from Southern California.

In the newly created position, Ms. Hinrichs will oversee nonelectronic data processing audit activities in the home office of the 12th Federal Reserve District. The 12th serves the nine western states, including Alaska and Hawaii. □

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Q: How do you keep overhead under control?

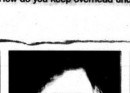


H. LEE SWANSON
President, chief executive
State Bank of Cross Plains, Wis.

One of the more important things that we do is that all expense items must go through a process where two people review them.

Another priority is to have a damn good budget – so what you're spending is in a planned format. If you are doing that, staying within budget and monitoring peer numbers, you have a pretty good handle on the basics.

Besides that, we are always looking for technology that reduces cost, especially anything that reduces paperwork, so that we have a long-term view on spending. □



JAY F. MORROW
President, chief executive
Marathon National Bank
Los Angeles

For us, it's a constant battle. The two main things that we do are constantly evaluating and re-evaluating both our employees and the vendors we use to make sure that we get the best price and value for each dollar we spend.

We also make vendors rebid every year, even if we've used the same vendor for many years, to make sure we get the best price.

Also, we do local checks of other similar-size institutions to make sure we don't expect too much or too little of both employees and vendors. □



DAVID BALLWEG
President
Community State Bank
Union Grove, Wis.

The key would be to keep staff at a manageable level and at an efficient level. That is the biggest factor that is controllable.

If we have an employee leaving the bank, we look at opportunities to consolidate duties.

We also believe very much in automation. We have our own in-house computer system. It initially increased our data processing costs but . . . we have been able to grow significantly without increasing those costs.

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Smaller Banks Shine At Reducing Costs

By ROBERT B. COX

Community bankers continue to demonstrate the cost-cutting edge they have over their larger rivals.

At the end of the first quarter, noninterest expense as a percentage of average assets at community banks stood at 3.52%, compared with 3.94% for all U.S. banks, according to W.C. Ferguson & Co., Irving, Tex.

For community banks the first-quarter figure represented a slight drop from the yearend expense ratio of 3.55%, while the figure for all U.S. banks actually spiked up from 3.82%.

"Business as a whole in America has been on a cost-containment, cost-efficiency kick for a number of years, and banks are no exception," said Thomas J. Maier, analyst at Kemper Securities Inc., Chicago.

By bringing down their expense ratios, community bankers have managed to improve their net interest margins – and their earnings.

In fact, partly because of community banks' lower expenditures, their net interest margin stood at 4.67% at the end of the first quarter – compared with 4.38% for all banks.

Because small banks have lower loan-to-deposit ratios – and therefore fewer interest-earning assets – every penny counts. Loans accounted for just 65% of deposits at the nation's community banks, while large banks had a 76% loan to deposit ratio at the end of the first quarter.

'Looking for Other Ways'

"It gets tougher and tougher to do loan business," said Mr. Maier. "Banks are looking for other ways of driving their earnings up."

Because employee costs account for most bank expenditures, many community bankers have been trimming their workforces in much the same manner as larger banks.

At some banks, increased use of automation has freed up employees to perform other functions. Other banks have slashed the costs of health insurance and other benefits by employing more part-timers.

"That's where most of the costs are coming from," said Dan Coughlin, community banking analyst at Howe Barnes Investments, Chicago.

Holding companies with more than one community bank have taken to consolidating boards of directors and functions such as data processing and accounting.

Chicago's Heritage Financial Services, for example, cut costs by merging the back office functions of seven subsidiary banks over the past two years. □

CU Bancorp Works to Build A 'Fortress' Balance Sheet

By PHIL ZAHODIAKIN

Earnings

OF THE MANY small California banks that have struggled in recent years, one dramatic turnaround is Encino-based CU Bancorp.

"We're trying to build a 'fortress' balance sheet' with solid capital, solid reserves, and high loan loss provisions," says CEO Stephen G. Carpenter.

CU, parent of California United Bank, last year returned a minus 1.89% on assets and minus 26.06% on equity. This year, the assets returned 0.60% and the equity 7.5%

Mr. Carpenter picked up the "fortress" term during his days at Wells Fargo & Co., San Francisco. When $331 million-asset CU Bancorp recruited him, he was vice chairman of Security Pacific Bank in Los Angeles. He took CU's helm in June 1992.

His specialty at Security was private banking and middle-market lending. Now that Mr. Carpenter has jettisoned $100 million worth of problem assets, and built up reserves, "he's strengthened his balance sheet to where he's now in a position to take put his [middle-market] expertise into play," says Campbell Chaney, bank analyst for Dakin Securities, San Francisco.

In the past, the bank largely pursued business lending tied indirectly to real estate, and "when the realtors' business dried up, you had your defaults," Mr. Chaney says.

"What's unique," he adds, "is that the nonperformers are still increasing. He's cut out a cancer and it turned out it be benign."

'Tremendous Opportunities'

In Southern California, "there are tremendous opportunities," Mr. Carpenter said. He agreed that environmental regulation and economic weakness are impeding a rebound, but said, "In a 60-mile radius around Los Angeles you've got the 11th largest GNP in the world.

"I want to be in position to take advantage of that when the economy turns, so we did everything in our power to get rid of the bad assets. We're also turning away from transaction banking and turning toward relationship banking with manufacturers and distributors."

Mr. Chaney says "many California banks are . . . not providing for any future strategies. Those that do will survive." □

Bankers and Regulators Need to Hold Regular Powwows

J. Knox McConnell, CEO of the First National Bank of Keystone, W.Va., has been written up recently in the community banking pages because of his bank's 38% return on equity.

He runs a $110 million bank with such a loyal staff that one employee even paid to put a spot in the roof that was causing a leak over her desk.

What bothers Knox most is excessive government regulation.

"The Lord's Prayer is 120 words, the Gettysburg Address was 128 words, and Regulation DD is 30,000 words," he notes.

Specifically, he reports that First National was No. 4 in profitability among all American banks in 1991. Yet, he says, the Comptroller's office made him spend $500,000 on equipment to match asset and liability maturities.

"We spent $35,000 last year on meetings to comply with regulations," Knox adds.

Sit-Downs with Regulators

Apropos this problem, he recently wrote me to offer a suggestion: "A group of bankers, say, 10 chief executive officers from the smallest banks to the largest should meet with the comptroller of the currency, or the appropriate regulators, and talk about excessive regulations.

"We should not be in an adversarial role with regulators. We are due an examination next week. The examiners will come into this bank like the Texas Rangers – and I do not mean the baseball team. This is wrong!"

I wondered if regulators liked Knox's idea, so I contacted Mark Sniderman, a friend who's an associate director of research at the Federal Reserve Bank of Cleveland. He replied:

Advisory Panel in Place at Fed

"Our bank already has a small-bank advisory council, currently consisting of 11 members. The council meets at our bank four times a year over an 18-month period, and then a new group is impaneled.

"Council meetings, which last roughly half a day, are attended by the Cleveland Fed's president, first vice president, and a few other bank officers.

"Generally, we present infor-

Mr. Nadler is a contributing editor of *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

Weekly Adviser



by PAUL NADLER

Regulatory micromanagement is in no one's interest.

mation to the council members about economic conditions, monetary policy, and regulatory developments. They, in turn, inform us about economic conditions in their communities and provide feedback about banking conditions and the regulatory process at work in the field.

Hearing It from Bankers

"Council members can talk with us face-to-face about regulatory proposals that are out for comment. We can get a feel for how the examination process operates at their institutions and where the red tape is thickest.

"And for purposes of monetary policy, a first-hand account of what their customers are saying helps us to get behind all the statistics we look at.

"Not all Federal Reserve banks have what we call a small-bank advisory council, but each Fed bank attempts to have a relationship with community-oriented financial institutions in its own way.

"In addition to getting input from small banks through advisory councils, most (if not all) Federal Reserve banks have representatives of small banks on their boards of directors."

My only thought would be that if acute bankers like Knox McConnell do not already know about the Fed's advisory councils, then someone is not doing a good job of publicizing these programs.

Micromanagement

I do know that every regulator I talk to is worried about the problem of "micromanagement" of the banking system.

Some low-level examiners may love telling bankers what to do, but the higher you get in the regulatory structure, the more the officials worry that the new laws have given them too much authority and pressure to micromanage.

When bankers ask, "Why don't you tell Congress to back off in the creation of this legislation?" many regulators respond: "After the S&L mess, we have no credibility with Congress. It is you bankers who have to get Congress to back off."

Maybe the advisory councils that Knox McConnell suggests and that some, like the Fed of Cleveland, already operate can be an important step in getting control over bank operations and policies away from the regulators and back in the hands of the banks. □

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Acquirors Drawing Attention of Community Groups, Activists

CRA Slowing More Acquisitions

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Send Us Your Ideas

Weekly Adviser is a forum for community bankers to share their concerns, problems, and solutions. You can participate by writing to:

Paul S. Nadler
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Responses will be printed in the column.

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Jim Marks, Publisher

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Foreclosure Woes for Northeast

Continued from *page 1*

tionally price a loan. If there's more risk in an area, you need to put that risk into your pricing," Mr. Nadler said. "Also, you can decide how to allocate resources. You need more attention to workouts and counseling in a higher-foreclosure area."

ECONOMIC OUTLOOK

The Fitch model, developed with the WEFA Group of Bala Cynwyd, Pa., looks at employment, personal income, population trends, housing starts, industry diversification, and sales of existing homes in each region. It then projects foreclosure rates from these data.

"The interplay between the indicators, as well as the amount of change in each indicator, plays an important role in the outlook for each region," says Mr. Nadler.

Appreciation Projected

Home prices play a significant role in the Fitch analysis. The company's report includes projections of price appreciation by region through the fourth quarter of 1995.

Parts of the Northeast are expected to have the highest total appreciation in the period, with the Boston area leading the way, at about 27%. The rest of Massachusetts is expected to show a gain of just under 20%, as are Nassau and Suffolk counties in New York.

Such gains would constitute recovery from a flat housing market, but they would not be enough to restore default rates to normal if the economy remained sluggish. □

Regional Single-Family Home Prices
Ranked by expected rate of appreciation 4Q '92 - 4Q '95

	Price change
Boston area	27.21%
Atlanta	19.56
Chicago	18.52
Baltimore	17.82
Connecticut	17.06
United States	14.31
New York metro area	14.04
Washington, D.C., Md., Va.	13.74
Houston	11.36
Los Angeles area	10.90
Washington State	6.06

Foreclosure Rates Projected by Region
Average for next five years

Washington State	0.23%
Delaware	0.28
Baltimore	0.28
Chicago	0.32
Washington, D.C., Md., Va.	0.33
United States	0.74
Massachusetts (non-Boston)	1.29
New York metro area	1.30
Essex-Bergen-Passaic, N.J.	1.43
Connecticut	1.48
New Jersey (other)	1.70

Source: Fitch Investors Service Inc.

Fannie Mae Urges Borrower Relief In Flood Areas

By SNIGDHA PRAKASH

Fannie Mae told its mortgage lenders on Friday to help flood-hit homeowners who have trouble keeping up with their mortgage payments.

The company advised lenders to apply existing mortgage-relief procedures for homeowners whose properties have been damaged or whose livelihoods have been affected by the floods.

"We are reminding our lenders that these guidelines exist. We want them to use them," said Bonnie O'Dell, director of consumer information at the Federal National Mortgage Association, known as Fannie Mae.

Most lenders continue to service loans they originated after the mortgages have been sold to the housing agencies.

Waiving Late-Payment Fees

Under Fannie's guidelines, lenders can help homeowners whose mortgages were sold to Fannie in several ways. They can waive late-payment fees and withhold reports of late payments to credit bureaus.

They can also negotiate longer-term agreements with borrowers who need to suspend their mortgage payments for up to 18 months.

Freddie Mac has similar disaster guidelines, but has not sent out a special advisory to lenders, said Albert LeQuang, that agency's national policy administrator.

The guidelines were formulated last May, in response to the string of disasters – the East Coast storms, Oakland's fire, the Los Angeles riots and California's earthquake, Mr. LeQuang said.

Freddie Mac has financed 800,000 mortgages in the five states thus far declared disaster areas – Illinois, Iowa, Minnesota, Missouri, and Wisconsin – and in Kansas and Nebraska, which have also suffered serious flood damage. Fannie Mae has financed mortgages on 965,000 units in the five states declared disaster areas.

Both Fannie and Freddie said any aid to homeowners would not affect payments to holders of mortgage-backed securities. □

Banks Win Long Fight on Insurance Sales

Continued from *page 1*

from Portland.

"It's been a good, profitable business," Mr. Grubb said. "We plan to continue, in fact expand, our marketing of insurance products."

Banks that have been waiting for the legal questions to be settled will get into the business now, industry experts said.

"I don't think too many banks will wait too long; there is no reason to," said David Roderer, a partner with Winston & Strawn , a Washington law firm.

"I would not hold back on any business plans."

State Banks Also Win

The decision also is a boon to state banks in 21 states that allow their state banks to exercise the same powers as national banks.

The banking industry's legal quest for insurance powers goes far beyond this case; there are a number of court cases on bank insurance powers going on around the country.

But banking lawyers said Friday that those cases are overshadowed by the Oregon case because it establishes the legal authority of banks to sell insurance from small towns.

National banks in small towns may market insurance nationwide.

"It really eclipses all these other cases on bank insurance powers," said Richard M. Whiting, general counsel at the Association of Reserve City Bankers. "If this case stands, there's statutory authority to sell the product no matter what."

Insurers to Lobby Lawmakers

Paul Equale, senior vice president of government affairs at the Independent Insurance Agents, is not giving up the fight. He said Friday that the agents will ask Congress to clamp down on insurance sales by banks.

He said the agents will lobby lawmakers to pass restrictions on banks allowing them to sell insurance only in their small towns rather than from the small towns to other locations.

"People who know us know we have no qualms about going back to the legislature when necessary," Mr. Equale said. "We have never been known as shrinking violets either in going to Congress or the courts."

'It Is Up to Congress'

Even though the agents lost the case, the court opinion does give them some ammunition.

In a 10-page opinion, Judge James L. Buckley concluded that without any law to rely on, the court had to defer to the Comptroller's office. Mr. Buckley wrote: When "time and technology open up a loophole, it is up to Congress to decide whether it should be plugged, and how.". □

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And second, we're introducing "The New Shape of Checking," a comprehensive nationwide consumer education initiative. Simply put, this program is designed to help you educate your customers about the what, where, why and how of the Visa check card and Interlink® service.

A blend of public relations and promotional efforts, the program will feature a consumer handbook on responsible use of the Visa check card and Interlink, new modules of our Choices and Decisions educational materials which focus on Visa check card and Interlink, and consumer advocacy forums to advance consumers' awareness and understanding of how these services work.

We're also helping members educate their customers on a local level.

To achieve that goal, we've created "The New Shape of Checking" member kit.

Included in the kit are an 18-month marketing support schedule, sample consumer advertising materials, a program brochure, in-branch promotional support and a video explaining the Visa check card and Interlink educational programs.

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So, to help get your customers interested, order "The New Shape of Checking" member kit today—just call 1-800-VISA-311. Or, for more information on how to become a Visa check card or Interlink issuer, call your Visa Member Relations Account Executive at 703-827-8404 in McLean, Virginia, or at 415-570-2120 in San Mateo, California.

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Susan L. West
New chief operating officer

Concord Elevates Three Executives

Concord Financial Group Inc., the leading distributor of bank-managed mutual funds, has promoted three executives, chief executive Richard E. Sierwalt announced.

Susan L. West, Concord's executive vice president since 1992, was named chief operating officer. She joined Concord in 1987 from the Vanguard Group, a mutual fund company in Valley Forge, Pa.

J. Christopher Klutch was named senior executive vice president of sales and business development. He had been executive vice president since 1992. He worked at Shearson Lehman Hutton, leaving to help set up Concord in 1987.

Dennis R. Sheehan was named executive vice president and chief financial officer. He joined Concord in 1992 as a senior vice president. Previously, he was president of Equinox Securities, a unit of Equitable Life Assurance Society.

"These promotions recognize the important contributions these executives have made to the growth and success of Concord Financial Group," Mr. Sierwalt said. — **Debra Cope**

Concord has $35.5 billion in bank mutual fund assets under administration. Its eight bank clients, including BankAmerica Corp., Chase Manhattan Corp., and Barnett Banks Inc., offer more than 100 proprietary mutual funds.



New rules on real estate appraisal are good news for bankers.

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A proposal to make appraisals on 1–4 family homes conform to FHLMC and FNMA standards can reduce your paperwork and help you make more mortgage loans.

This more open approach to regulation could be the start of a better era for bankers. To make the most of it, and encourage more easing of the regulatory burden you and your staff have got to know where the new lines are drawn so you don't cross them. The **Sheshunoff... Banker's Real Estate Appraisal Compliance Manual** will guide you through today's rules, and keep you up to speed with changes through periodic Updates.

Our authors know this topic inside out. One helped write the new regulations, the other owns an appraisal firm. Both are active in the Appraisal Institute, and work with banks to develop real estate appraisal procedures that pass regulatory scrutiny.

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Trade Groups Mine FDIC Talent

Three Chief Economists Did Research for Agency

Call it coincidence, kismet, or just plain weird, but the chief economists at three major banking trade groups used to work in the research department at the Federal Deposit Insurance Corp.

Jim Chessen at the American Bankers Association, David Lereah at the Mortgage Bankers Association of America, and Bob Davis at the Savings and Community Banks Association were all financial economists at the FDIC. "There are former FDIC research people everywhere," Mr. Davis says.

The Inside Line

Take Marty Regalia, another ex-FDIC economist. He was Mr. Davis's predecessor at the community bankers' group and is now chief economist for the U.S. Chamber of Commerce.

Policy plus Economics

In fact, the FDIC's current research director, Roger Watson, can rattle off a list of prominent – even infamous – alums. From Paul Horvitz, who as a professor at the University of Houston is one of the industry's big thinkers, to Bill Gibson, who is serving time in a Texas prison for plane ticket fraud.



Jim Chessen

The FDIC is a good training ground for trade association work because it blends policy-making with economics.

"The whole orientation of the FDIC's research department is economics with policymaking, and I think that is a very good combination for the kind of work we do for trade associations," Mr. Chessen says.

Mr. Lereah adds, "the best thing we learned there at the FDIC is how to write memos. You learn to write concisely and get to the point."

Mr. Chessen, 40, and Mr. Lereah, 40, overlapped at the FDIC, working there during the mid-1980s. Mr. Davis, 44, was at the agency in the late 1970s.

When Mr. Davis joined the Savings and Community Bankers this month, Mr. Chessen and Mr. Lereah decided to welcome him to the world of trade associations by taking him to lunch.

"I think it struck us as somewhat remarkable," Mr. Chessen says of their common careers.

"We have lots of common friends and experiences," Mr. Davis says.

Putting in a Good Word

From the FDIC Mr. Lereah went to work in Richmond for Sovran Bank. While there, he got a call from then-ABA chief economist Rob Dugger, who was looking for a second-in-command. Mr. Lereah recommended Mr. Chessen, who was still at the FDIC.

Mr. Davis also joined a bank, moving to Chicago with Harris Bank. After five years, he returned to Washington, working briefly for the Joint Economic Committee before becoming a commissioner at the Commodity Futures Trading Commission. He was consulting in New York when the SCBA job came up.

The FDIC gives the economists something in common. But it's because they all face the same issues at their respective trade groups that they plan to continue lunching together.

— **Barbara A. Rehm**

McColl's Pitch for Creating A CRA Program that Works

NationsBank Corp. chairman Hugh L. McColl Jr. is emerging as the White House's liaison of choice to the banking industry. Last Thursday, he was on hand to speak for the industry when President Clinton announced his community development lending program.

Toward the end of the ceremony, Mr. Clinton highlighted his regard for the bank chairman, noting that he had "stayed up half the night" with the President, talking about the Community Reinvestment Act "and how we could make it work." Here's some of what Mr. McColl had to say at the ceremony:

Verbatim

It's an honor to speak today on behalf of the banking industry – especially when the agenda is how political leaders and the banking community can work together to achieve greater prosperity for all Americans.

Banks and their communities depend on each other. Banks have a responsibility to meet the needs of their communities by making loans in every neighborhood, rich and poor.

But it goes beyond responsibility. The fact is, a bank that limits the economic opportunity of a certain neighborhood or a certain category of borrowers ultimately limits its own opportunity.

An 'Expectation Gap'

Our communities in turn have a right to expect their banks to provide the credit that primes the economic pump.

NationsBank and others have advocated a results-oriented CRA because there is an enormous gap between the intent of the law and what it actually does. That, in turn, creates an expectation gap.

A small-business owner in Baltimore, hungry for operating capital, won't succeed if her banker is buried in regulatory reports.

Seeking New Standards

A new law – one that bridges that gap between expectations and reality – can make better partners of banks and communities grow. A new law – one that sets tougher, more objective, more quantifiable standards – would send the clear message to banks that we will be measured by our results. No excuses.

Mr. President, I think you will find NationsBank and other banking companies are eager to work with regulators and community groups in the formation of policy that sets measurable, objective standards – and makes true partners of all involved. □

THE WEEK *ahead*

MONDAY, JULY 19

Bias Update: The Office of the Comptroller of the Currency and the Housing and Urban Development Department announce the results of their working group on mortgage discrimination. Call 202-874-1700.

Mutual Rules: The Comptroller's office plans to release its guidelines on bank sales of mutual funds. Call 202-874-1700.

Deadline: Comments are due at all the regulatory agencies on a plan to exempt from appraisal requirements all loans under $250,000 and all business loans under $1 million for which real estate is not the principal collateral.

RTC Oversight: The Thrift Depositor Protection Oversight Board meets in open session at 2 p.m. on the fifth floor of the FDIC Building, 550 17th St. Call 202-786-9672

TUESDAY, JULY 20

Fed Talk: Federal Reserve Board Chairman Alan Greenspan delivers his semiannual monetary policy report to Congress. He testifies before House Banking's economic growth and credit formation subcommittee. 10 a.m. in room 2128 of the Rayburn House Office Building. Call 202-225-4247.

WEDNESDAY, JULY 21

Eyeing CDBs: The House Banking Committee holds the first of two planned hearings on President Clinton's plan for community development lending. 10 a.m. in room 2128, Rayburn House Office Building. Call 202-225-4247.

THURSDAY, JULY 22

Fair Lending: The House Banking subcommittee on financial institutions holds a hearing to find out how well the bank regulatory agencies are enforcing fair lending laws. Comptroller of the Currency Eugene A. Ludwig, Fed Governor Lawrence B. Lindsey, and Justice Department officials will testify. 10 a.m. in room 2128, Rayburn House Office Building. Call 202-225-4247.

Speak Now: Comments are due at the Farm Credit Administration on a proposal to allow earnings held by a farm credit bank and allocated to a direct lender to be counted as permanent capital.

Fed Redux: Mr. Greenspan returns to Capitol Hill to repeat his monetary policy report, this time before the Senate Banking Committee. 10 a.m. in room 538, Dirksen Building. Call 202-224-7391. □

PEOPLE

Republicans: Spur Lending for Flood Relief

Republicans began work last week on their own relief bill for the flood-stricken Midwest, and their approach would use regulatory relief to spur bank lending in that region.

Rep. **Doug Bereuter,** R-Neb., planned to introduce legislation that would permit bank and thrift regulatory agencies to waive regulations that might inhibit lending in the flood area.

The waivers would apply to any insured institutions in or adjacent to the disaster area, and would expire three years after the declaration of a disaster area.

Joining Rep. Bereuter are Rep. **Jim Leach** of Iowa, the banking committee's ranking Republican; Rep. **Rod Grams,** R-Minn., and one Democrat, Rep. **Neal Smith** of Iowa.

Similar legislation was adopted last year to help with widespread hurricane damage along the Florida coast.

* * *

The **William Taylor** Memorial Fund has topped $50,000, according to a recent letter to contributors from **Paul A. Volcker,** the former Federal Reserve Board chairman who is now working Wall Street with James D. Wolfensohn Inc.

Mr. Volcker helped set up the fund after Mr. Taylor died unexpectedly in August.

Mr. Taylor, who spent 20 years at the Fed, was chairman of the Federal Deposit Insurance Corp. 10 months before he died.

The memorial fund will sponsor a lecture on banking policy on Sept. 30 in New York. **Gerald Corrigan,** the retiring president of the Federal Reserve Bank of New York, is slated as the first speaker.



Rep. Doug Bereuter
To introduce measure

Mr. Volcker intends to make the lecture the first of a series.

The Group of Thirty, a financial industry research group, is co-sponsoring the lecture.

"Lectures of this kind are a very suitable way of marking Bill's memory by encouraging the same kind of prudent but creative thinking about banking policy that characterized his contribution in this area of public policy," Mr. Volcker's letter reads.

He stressed that the lectures will not be fund-raisers, but noted that contributions to the fund are being accepted.

Contributions can be sent to Mr. Volcker's office at 599 Lexington Ave., New York, N.Y. 10022.

* * *

Members of the Mortgage Bankers Association of America took a hands-on approach to home building last week in hurricane country.

Several volunteers from the association traveled to Dade County, Fla., and donors chipped in $70,000 to build two houses with Habitat for Humanity.

Robert L. Bonnet, senior vice president at Miami's ConsumerSavings Bank, is representing the association in Florida for the Habitat project.

The association will help build the three-bedroom, single-family houses in an area that was hit hard by Hurricane Andrew.

"The devastation that this area of Florida has endured is difficult to imagine," Mr. Bonnet said.

"The road back is one house at a time, and I am proud that we can play some part in the rebuilding effort." □

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Essex House
Sept. 30 & Oct. 1, 1993
New York City

Day 1

PRELIMINARY PROGRAM

8:00 – 9:00 Registration

8:00 – 9:00 Continental Breakfast
Sponsored by: **BHC Securities Inc.**

9:00 – 9:15 1993 Conference Chair
Debra McGinty-Poteet, *Senior Vice President and Director, Bank of America*

9:15 – 9:45 The Role Banks Are Playing in the Mutual Fund Explosion
A. Michael Lipper, *President*
Lipper Analytical Services

9:45 – 10:45 How Banks Can Build a Profitable Mutual Fund Business
PROPRIETARY: Paul Klug, *Vice President*
Vista Capital Management
NON-PROPRIETARY: J. Edward Diamond,
Senior Vice President
Dime Savings Bank

10:45 – 11:00 Coffee Break
Sponsored by: **Fidelity Investments**

11:00 – 11:30 Banks and Mutual Funds: Risks and Opportunites
Matthew P. Fink, *President*
Investment Company Institute

11:45 – 1:00 Lunch

1:15 – 2:30 Your Funds or Mine: The Advantages and Disadvantages of Starting Your Own Fund, Working with a Third Party Provider or Entering into a Private Label Agreement
Moderator: Joy P. Montgomery, *President*
Money Marketing Initiatives
W. Christopher Maxwell,
Executive Vice President, KeyTrust
Mark Mitchell, *Senior Vice President*
First Federal Bank
Harley Sefton, *Vice Chairman*
San Diego Trust & Savings Bank

2:30 – 2:45 Coffee Break
Sponsored by: **GE Investments**

2:45 – 3:15 Taking the Plunge: What Do Customers Want? A Look at Customer Attitudes
Marcia Selz, *President & CEO*
Marketing Matrix

3:15 – 4:15 Building a Mutual Fund Business: Marketing to Your Customer Base, Cross Selling Opportunities
Moderator: Debra Cope
Investment Products Editor, American Banker
Eugene Purcell, *Vice President*
Branch Banking & Trust
Richard Davies, *President*
First Chicago Investment Services

4:15 – 5:00 And the Walls Come Tumbling Down: A Look at What State/National Banks and State/Federal Thrifts Can & Cannot Do
Moderator: Melanie Fein, *Partner*
Arnold & Porter
Laurie Schaffer, *Senior Attorney*
Federal Reserve Board
Thomas Harman, *Chief Counsel*
Division of Investment Management
Securities and Exchange Commission

5:00 Cocktail Reception

Day 2

8:00 – 9:00 Continental Breakfast
Sponsored by: **PNC Financial Services Group**

9:00 – 9:30 Mutual Fund vs. Deposits: The Impact on the Banking Industry
Lawrence Kudlow, *Chief Economist*
Bear Stearns & Co.

9:30 – 10:30 Pricing the Product: The Load, No Load Question
Moderator: Fred Werblow, *Partner*
Price Waterhouse
Marc Lieberman, *Director, Mutual Funds*
First Union Corporation
Peter Herlihy, *Vice President*
Fleet Investment Service

10:30 – 11:00 Managing Compliance in an Aggressive Sales Environment
Rainey Gray, *Senior Vice President*
Boatmen's National Bank

11:00 – 11:45 Banks and Mutual Funds: The Next Generation
L. William Seidman
Chairman of the Board, Com Mac
Former Chairman, FDIC

11:45 Conference Adjourns

Space is extremely limited, please register early!

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Lien Sale: 7/27/93 Bklyn, N.Y. 2823 Flatbush 4:00pm '73 Marquis 190 (4Y) #8E8P19S403E, re: Harry Crosland, James Evans; 5927 Strickland 4:30PM '74 American Marlon (4Y) #A98R2-5309M74A(H) re: John & Mary Wreteland; B. Zarrow, Auct'r.

Lien Sale 7/26/93 9:00AM at 74 Carleton Ave, Brklyn Re: 82 #1KAKZJ9912-CA001285 Re: J. Pascalido. Published 7/12 & 7/19/93.

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FINANCE

CREDIT RATINGS
Attention Turning To Banking Units

By BART FRAUST

Bank-level ratings are becoming increasingly important to investors, the rating agencies say.

In the past few years, billions of dollars of debt securities have been issued at the bank level instead of the holding-company level.

"This has given banks the opportunity to save on FDIC insurance premiums and borrow at slightly lower rates," said Glen Grabelski, an analyst for Standard & Poor's Corp.

Typically, banks are rated one notch higher than their holding companies, and this enables the former to borrow at cheaper rates. The banks raised are not insured, so no premiums have to be paid on them.

Michael Starr, vice president at Duff & Phelps/MCM Investment Research Co., said the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 has also increased the need for investors to be aware of bank-level ratings.

Cross Guarantees

The statute mandates "cross guarantees" – that is, the holding company must provide financial support to all of its bank subsidiaries. Thus, regulators have access to all of a bank holding company's assets if a bank fails.

Mr. Starr said this has caused holding companies to retain some of their operating units to the bank level.

"Regulations have made the holding company an ineffective institution," he added. "Investors see little strength in the holding company. They want to be close to the cash."

An emerging issue at the ratings agencies is whether to assign separate ratings to different bank subsidiaries.

At present, Standard & Poor's rates all of a holding company's

The funds raised from debt securities are not insured.

banks the same. Mr. Grabelski said the agency is looking at the issue of separate ratings.

Mr. Starr said Duff & Phelps already assigns different ratings to units of NationsBank Corp. and First Interstate Bancorp.

"Generally, where there is a meaningful difference in financial strength, we will differentiate between subsidiaries," he said.

The rating agencies took the following actions last week:

Anchor Bancorp: Moody's Investors Service Inc. assigned a Ba3 rating to senior notes issued to the Federal Deposit Insurance Corp. in partial exchange for outstanding preferred stock.

Moody's said the rating reflects concerns about the company's relatively short history of core earnings and its undeveloped lending business.

Moody's said asset quality is good, a result of the thrift's large investment in high-quality mortgage-backed securities. Capital was strengthened through the recent sale of $72 million in common stock.

BankSouth Corp.: Moody's upgraded subordinated debt from B2 to Ba3 and assigned Baa2 to long-term deposits and Prime-2 to short-term deposits issued by the subsidiary Bank South.

Moody's said the upgrade reflects the lifting of regulatory agreements with the Office of the Comptroller of the Currency

Typically, banks are rated one notch higher than their holding companies.

and the Federal Reserve Bank of Atlanta. The agency said Bank South has improved asset quality, earnings, capital levels, and liquidity.

Moody's analysts expressed concern about Bank South's ability to compete with superregional banks in Georgia but added that a recent agreement to acquire the Atlanta banks of Barnett Banks in exchange for Bank South's Pensacola, Fla., operations will enhance its competitive position.

Barnett Banks Inc.: Standard & Poor's revised the company's rating outlook to "stable" from "negative." It added, "Investors see little strength in the holding company. They want to be close to the cash."

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Comerica Earns $84 Million, Raises Its Dividend by 9.8%

Comerica Inc. said it earned $84 million in the second quarter, or 70 cents a share, virtually even with its earnings for the first three months of the year and well ahead of its results one year earlier.

The Detroit-based company lost $12 million in the second quarter of 1992 because of a $92 million after-tax restructuring charge related to its merger with Manufacturers National Corp. The profits reported Friday were directly in line with analysts' expectations. Comerica's shares fell 25 cents to $30.125 in late trading Friday afternoon.

The company, which has $27.4 billion of assets, has been under the gun because of its failure to realize expense savings from its 1992 merger with Manufacturers National. Expenses "still seem to be lagging," said Mark Lynch, an analyst at Lehman Brothers. But he added that Comerica, like many midwestern banks, is in the second quarter, experienced fairly strong loan growth.

Comerica's outstanding loans grew 2.6% since the end of the first quarter, or more than 10% annualized. Net interest income grew 1% from the year-earlier quarter, reflecting "improved net interest margins," the company said.

The company's return on average assets rose from negative territory one year ago to 1.25% for the quarter, while return on equity rebounded to 15.68%. Comerica also announced that it increased its quarterly cash dividend by 9.8% to 28 cents a share. The dividend was last increased to 25.5 cents in the fourth quarter of 1992.

Mr. Lynch said the dividend rise was unexpected.

— Jed Horowitz

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DEALS

Two Chemical Units Playing Roles In Sterling's Buyout of Purina Mills

By DAVID SIEGEL

Chemical Banking Corp. is playing dual roles in the financing of the Sterling Group's $425 million purchase of Purina Mills.

Chemical's Texas subsidiary, Texas Commerce Bank, has won a leading role in a $188 million loan that will support the acquisition, while Chemical's securities underwriting subsidiary will comanage a $200 million junk bond offering planned by Purina, market sources said.

The Sterling Group is a Houston-based buyout firm. Sterling in late June agreed to buy Purina Mills from British Petroleum Co.

British Petroleum acquired Purina Mills, a St. Louis-based producer of feed for farm and other animals, from Ralston Purina Co. in 1986.

Texas Commerce has jointly underwritten the $188 million acquisition loan with the CIT Group, it will manage syndication. CIT is 40% owned by Chemical and 60% owned by Dai-Ichi Kangyo Bank of Japan.

The financing comprises a $138 million, seven-year term loan and a $50 million, four-year revolving credit. The borrowing rate starts at about 275 basis points over the London interbank offered rate but can change based on the company's debt coverage.

Participants Sought

About 20 banks have been invited to participate in the loan.

They are being asked for commitments of $10 million to $25 million and being offered upfront fees of roughly 1% to 1.375% of the committed amount, a banker said.

Details of the financing package will be sent this week to invited banks with a bank meeting to follow shortly. The loan is set to close by the end of next month.

Purina also plans to issue $200 million of 10-year senior subordinated debt. The lead manager will be Kidder, Peabody & Co., with Chemical Securities Inc. as a co-manager. This would be Chemical's fourth corporate bond underwriting since the Federal Reserve Board approved its application to enter the business in May. □

THE MARKETS

Long Rates Seen at 6.25% or Lower

By BART FRAUST

How low can long-term rates go?

At least another quarter percentage point lower, some economists and bond traders think.

The government's 30-year bond has lost more than a quarter percentage point since the beginning of June and stood at 6.54% late Friday, a record low.

David Blitzer, chief economist at Standard & Poor's Corp., predicted that the yield on the long bond will bottom out at 6.25% later in the year.

Rally Seen Continuing

"The four-year-old rally among U.S. Treasury bonds has further to go," Mr. Blitzer wrote in the current edition of the agency's *CreditWeek* publication.

Mark Grant, managing director for capital markets at Chicago-based Rodman & Renshaw, thinks rates can go even lower. He predicted a 6.25% yield by the summer's end and 5.85% by yearend.

Those predicting lower rates cited a number of factors, including a persistently sluggish economy, low inflation, and the prospect of new federal taxes and spending cuts.

In the latest signs of economic slowdown, the government reported on Friday that industrial production fell 0.2% in June and the reading for May was revised to "unchanged" from the originally reported 0.2% gain.

Consumers Less Confident

In addition, a closely watched consumer sentiment index from the University of Michigan registered a decline to 76.9 from 81.5 in June.

Weak economic data contribute to low interest rates by indicating to investors that inflation will remain low. Inflation erodes the value of bonds.

Last week's data also confirmed the view that inflation is not a major problem. A sharp rise in commodity prices prompted an inflation scare earlier this month. The rise in prices was related largely to the effect of midwestern flooding on grain prices.

Government reports that wholesale prices fell 0.3% and consumer prices were unchanged in June have pretty much eliminated the scare.

Atmosphere of Uncertainty

President Clinton's economic plan and the current congressional debate about it are both suspect as factors in the rally.

"The economy is stalled," said Donald Fine, market strategist at Nations Bank in Charlotte. "Uncertainty about the Clinton economic plan is causing an orderly slowdown [in manufacturing] and a hiring freeze."

On the other hand, once the bill is signed, it will include spending cuts and tax hikes that are likely to curb growth.

Mr. Grant said that despite the rate cuts, the Treasury securities market remains an attractive place to invest funds.

'Monetary Compression'

He described the process as "monetary compression," in which funds from other fixed-income investments fall into Treasuries. "There are gigantic amounts of money that have to go someplace," Mr. Grant said.

For example, a rush of corporate bond calls is redirecting funds into Treasuries, he said.

Municipalities will continue to buy Treasuries to support future re-fundings, a process known as defeasance. This activity has been a boon to the Treasury market all year.

In addition, lower interest rates cause mortgage-backed securities to shorten, prompting another source of funds for the Treasury market.

David Fine, an economist at First Union Corp., believes the overall trend is for lower interest rates. "We do not believe the trend will be an even one. He expects the yield on the 30-year bond to fall to as low as 6.40% but turn upward by the end of the year or fall.

"The second-half economic numbers will be better than expected," he said. "That will change the psychology, and rates will back up some."

By the end of summer, the inventory correction in the manufacturing sector should end and hiring resume, Mr. Orr said.

At that point, rates will move below 6%, he added.

Mr. Fine of Chase thinks rates will be frozen in the near term. Besides uncertainty created by the big unknown of the Clinton economic plan, the market will be weighed down by the prospect of the sale of 30-year bonds at next month's Treasury refunding. □

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Highlights for Friday, July 16

TOP 10 GAINERS %

First Amarillo Bancorporation	11.3
Midlantic Corporation	6.4
Whitney Holding Corp.	6.3
Harleysville National Corp.	5.9
First American Corporation	5.7
Peoples First Corporation	5.6
Constellation Bancorp	5.5
BOK Financial Corporation	5.0
First Commerce Bancshares	4.9
UST Corp.	4.8

TOP 10 LOSERS %

City Holding Company	-11.7
Cathay Bancorp	-8.3
Security Capital Bancorp	-5.5
FNB Corporation	-4.4
Sterling Bancshares/ System Corp.	-4.0
Mark Twain Bancshares, Inc.	-3.6
Iowa National Bankshares Corp	-3.3
Deposit Guaranty Corp.	-3.3
Valley Bancorporation	-3.3
First Midwest Bancorp, Inc.	-3.2

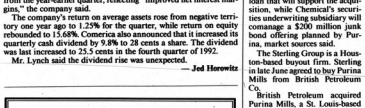
MOST SHARES TRADED

Citicorp	2218900
Norwest Corporation	954500
BankAmerica Corporation	943900
First Chicago Corporation	877400
First United Bank Group	856300

VOLUME AS % OF AVERAGE

First Commonwealth Financial	1533.7
First United Bank Group	1387.7
Trustcorp Bank Corp NY	1213.6
United Counties Bancorporation	1191.0
BancorpSouth, Inc.	773.6

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts 1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.64	0.21	0.47	0.20	-1.76	5.50	0.07	0.37	8.32

Top 225 Banks

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cls.	Chg.
26¾	19	1stSourceCorp/In	10.8	146.0	22¼
27¼	18	AMCORE Fin'l.	11.7	132.4	24¾
31¾	24	BancFlorida Saving	15.8	337.4	¼
35¾	26¾	BancWestCorp/Hi	11.0	151.1	37¼
19¾	14¾	BancWest Corp/Ne	10.7	177.8	36
35¾	27¾	BB&T FinCorp/Nc	12.0	154.2	22¾
29	17½	BB&T Fin'l Corp/	11.7	268.1	21
33	21¾	BT FinCorp/In	11.3	139.3	30¼
31¾	24¾	BancFirst Corp/Ok	12.3	129.7	30¼
29¾	24¾	BankAtlantic/Fl	10.8	139.7	28¾
61	42¾	BancOne Corp/Oh	15.7	255.1	55¾
30¾	24¾	BancTexas Group/	10.2	102.1	28¾
40¾	27¾	BancorpSouth/Ms	12.0	152.1	39¼
31¾	24¾	BankAmerica Corp	10.6	87.3	31¼
30¾	26	BankGrandeCorp/Nc	16.6	262.4	28
14¾	9¾	BankSouth Corp/Ga	10.2	174.4	14
77¾	59	BankersTrust/Ny	9.0	175.6	77
19¾	13¾	BarnettBanks/Fl	11.4	87.3	18¾
38¾	18¾	BatonRouge/Bancsh	8.4	109.4	23¾
61¾	39¾	BayBanks/Inc	11.4	146.1	58
50¾	34¾	BarnettBanks/Fl.1	17.9	172.7	46¾
19¾	14¾	BeneficialCorp	10.7	127.2	44¾
64¾	49¾	BostonCo/Inc/Wts	11.9	156.6	61
59¾	33¾	BostonCo/Inc	11.9	156.6	61
31¼	23¾	BrenhamCorp/Tx	10.6	180.1	28
39¾	30¾	CBT Corp/Ct	9.1	NA	NA
39¾	30¾	CBT Corp/Ct.1	9.1	NA	NA
42¾	31¾	CCB FinCorp/Nc	11.9	148.8	36¾
42¾	31¾	CCB FinCorp/Nc.1	11.9	148.8	36¾
29¾	21¾	CPB Inc/Il	8.8	125.4	25
17¾	14¾	CalFed Inc/Ca	10.2	160.9	16¾
14	9¾	CalBancInstCo/Ca	15.1	109.2	12¾
25	13¾	CalFedPartner/Ca	10.2	138.5	13¾
19	13	CentralBcshs/Ks.	11.8	184.6	25¼
16¾	12¾	CentralBcshs/Ks.1	12.3	183.1	30¼
24¾	18¼	CentralJersey/Nj	14.6	155.7	21¼
24¾	18¼	CentralJersey/Nj.1	14.6	155.7	21¼
37¾	21	CharterMidAm/Ar/Ky	9.6	99.7	32¼
30¾	24¾	CharterOneBank/Oh	9.4	118.0	30¾
47¾	31¾	CharterOneCorp/Oh	14.2	180.6	46¼
47¾	31¾	CharterOneCorp/Oh.1	14.2	180.6	46¼
31¾	19¾	CitizensBcshs/Mo	10.4	129.9	24¾
31¾	19¾	CitizensBcshs/Mo.1	10.4	129.9	24¾
20¾	15¾	CitizensFirst/Ky	10.4	135.1	23
7¾	2¾	CitizensFstn/Nj	11.7	194.8	6¼
30¾	17¾	CityNatBcp/Ca/Wt	10.7	169.2	30¾
11¼	4¾	CityNatCorp/Ca	NM	113.6	7¾
23¾	17	CmrcBcshs/Mo	12.3	182.5	23¾
34¾	27¾	ComericaInc/Mi	15.4	170.8	30¼
34¾	27¾	ComericaInc/Mi.1	15.4	170.8	30¼
17¼	11¼	CommercialBancp/Al	11.6	157.3	16¾
33¾	25	CommercialNtlFin/Pa	10.4	137.2	29¼
45¾	24¾	CommonwealthPr/Pr	14.0	207.1	42¾
9¾	3¾	ConsolidatedCap/Tx	NM	166.5	9¼
9¾	3¾	ConsolidatedCap/Tx.1	NM	166.5	9¼
60¾	47¾	CoreStatesFinCp/Pa	12.1	192.5	57¼
60¾	47¾	CoreStatesFinCp/Pa.1	12.1	192.5	57¼
25¾	21¾	CrossKeyFin/Tn	10.3	162.8	24¾
23¾	20¾	DauphinDeposit/Pa	11.9	160.9	24
20¾	20¼	Deposit/Guaranty/Ms	9.9	145.2	20¼
17¼	12¾	F & M Natl Corp/Va	11.4	150.7	14¾
22	16¾	F&M Bancorp/Md	11.4	150.7	14¾
16¾	9¾	FNB Corp/Pa	16.8	109.1	13¾
24¾	17¾	FamrsCmbrl/Oh	15.0	118.4	21¾
38¾	40¾	FifthThirdBncp/Oh	18.6	310.5	53¾
37¾	20¼	FinancialCorp/In	12.3	174.5	37
55¾	33¾	FirstFarFnc/Nj	14.2	224.8	53¾

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cls.	Chg.
38¾	27¾	FirstAlabama/Al.	12.2	161.8	33¼
19¾	10	FirstAmarillo/Tx	5.9	160.2	19¾
31¾	24¾	FirstBancorp/Nc	14.3	159.7	29
50¾	39¾	FirstBancorp/Oh	11.3	180.0	48¼
50¾	39¾	FirstBancorp/Oh.1	11.3	180.0	48¼
45	29¾	FirstChicago/L	116.5	122.0	44¾
6¾	4¾	FirstCmtyCorp/Ca	6.4	131.7	4¾
18¾	14¾	FirstCmtrBncsh/La	16.1	130.7	17¾
31¾	24¾	FirstCmwlthCorp/In	10.6	138.2	30¾
74¾	49	FirstCmwlthFin/Pa	10.8	182.7	74¾
34¾	27¾	FirstCommerce/Ak	10.8	181.2	31¾
34¾	27¾	FirstCommerce/Ak.1	10.8	181.2	31¾
20	9¾	FirstEastern/Pa	NM	137.4	18¾
157¾	127	FirstEmpire/Ny	11.2	157.3	147
51¾	34	FirstFidelity/Nj	11.2	165.9	48¼
35¾	24¾	FirstFinancial/In	15.2	166.3	29¾
56	36¾	FirstFncCorp/In	11.7	153.3	56
30¾	23¾	FirstFncMgmt/Ga	18.2	165.5	27¾
65	36¾	FirstInterstate/Ca	10.2	165.1	63¾
65	36¾	FirstInterstate/Ca.1	10.2	165.1	63¾
24¾	14¾	FirstMidwest/Il.	15.7	149.5	23
30¾	21¾	FirstNiagara/Ny	12.5	156.8	29¾
30¾	21¾	FirstSecurity/Ut	12.0	165.9	28¼
30¾	21¾	FirstSecurity/Ut.1	12.0	165.9	28¼
51¼	29¾	FirstSvgBk/Nc	10.5	177.1	39¾
51¼	29¾	FirstSvgBk/Nc.1	10.5	177.1	39¾
37	29¾	FirstSvgCorp/Il	11.9	203.0	33¾
37	29¾	FirstSvgCorp/Il.1	11.9	203.0	33¾
43¾	30¾	FirstSvgFnc/Ga	12.3	171.1	37¾
43¾	30¾	FirstSvgFnc/Ga.1	10.5	157.0	37¾
44¾	32¾	FirstTennNtl/Tn	10.4	155.7	33¾
44¾	32¾	FirstTennNtl/Tn.1	13.2	160.0	40
31¼	24	FourthFinCorp/In	12.6	178.4	30¾
28	20¾	FranklinCorp/Tn	10.8	153.3	26¼
24¾	18¾	FranklinNatBcp/Az	11.4	139.7	24¾
33	24¾	FtWestBancorp/Mt	12.2	166.5	30¾
24	18¾	FultonFin/Corp/Pa	13.5	166.1	22¾
17¾	13¾	GBC Bancorp/Ca	7.5	123.3	14¾
39¾	27¾	GeorgiaBcshs/Ga	10.2	156.6	39¾
39¾	27¾	GeorgiaBcshs/Ga.1	10.2	156.6	39
37¾	28	HarleysvilleNtl/Pa	11.7	188.8	35¾
14¾	11¾	HawaiianTrust/Hi	11.4	153.1	17¾
18¼	12¾	HeritageFnCl/Sc/L	13.5	186.8	18¼
24¾	18¾	HibernaCorp/La	NM	152.2	24
24¾	11¼	Hubco/Nj	13.3	234.4	23
28¾	19¾	HuntingtonBcshs/Oh	13.3	223.7	26¾
15	6¾	ImperialBancorp/Ca	11.5	81.9	9¾
25¾	20¾	IndependentBk/Ma	13.3	183.8	24¾
49¾	32¾	IntegraFnCp/Pa	10.7	150.0	46¾
18	12¾	InterstateBcshs/Va	10.4	118.3	13¾
47	38	IowaNatBnkshs/Ia	10.4	118.3	43¾
52¾	40¾	JacksonNtl/Mi	8.2	151.4	44¾
74¾	58¾	JP MorganNy	10.2	183.5	71¾
23	13¾	KeyCorp/Ny	11.5	158.1	19¾
23	13¾	KeyCorp/Ny.1	11.5	158.1	19¾
32¾	25	KeyCorp/Ny.2	12.5	166.2	29¾
34¾	22¾	LibertyBancorp/Ok	8.5	144.4	32¾
34¾	22¾	LibertyBancorp/Ok.1	8.5	144.4	32¾
29¾	18¾	MBNACorp/De	15.2	390.5	27¼
14¾	10	MNC FinancialMd	10.1	122.4	14¾
18¾	12¾	MagnaGroup/Md	11.8	121.4	17
27¾	17¾	MarshallBancMn/Wi	12.5	212.5	26
25¾	19¾	MarshallMnBnk/Mn	14.2	190.2	23¾
25¾	19¾	MarshallMnBnk/Mn.1	14.2	190.2	23¾
56¾	38¾	MercantileBncp/Mi	11.6	142.5	47¾
56¾	38¾	MercantileBncp/Mi	11.6	142.5	47¾
62	44¼	MerchantsBncp/In	20.6	190.3	57

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cls.	Chg.
69	72	UnitedCounties/Nj	8.1	124.3	65¾
41¾	36¾	UnitedMissouri/Mi	13.8	138.2	38¼
32½	17	UnitedNatBncp/Ak	12.7	143.1	32¼
24¾	14¾	WaMyBancorp/Wi	13.6	177.3	24
28	18¾	WaNatBkshs/Ks	13.2	264.4	25¼
27¾	20¼	VictoriaBkshs/Tx	6.9	116.6	22¾
40¾	29	WachoviaCorp/Nc	12.9	200.0	34¾
120	61¾	WellsFargo/Ca	26.3	183.5	107¼
32¼	21¾	WesBancorp/Wi	15.5	175.1	31¼
32¼	21¾	WesBancorp/Wi.1	15.5	175.1	31¼
36¾	24¾	WestAmericaBcp/Ca	11.5	138.4	36
30	20¼	WestonBanc/Wi	13.7	213.3	30
30	20¼	WestonBanc/Wi.1	13.7	213.3	30
31	24¾	WilmingtonTrust/De	13.0	267.2	27¾
31¾	24¾	WilmingtonTrust/De	13.0	267.2	27¾
49	27	ZionsBancorp/Ut	10.7	191.2	38¼

TOP 25 Thrifts

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cls.	Chg.
18¾	12¾	ALBANYFinancial/Ny	11.1	80.4	18¾
21¼	13¾	AmericanFst/Ca	15.3	96.0	19¾
19¾	13¾	CalFedSemiFS/Ca	NM	98.2	19¾
19¾	13¾	CalFedSemiFS/Ca.1	15.2	142.2	19¾
12¾	6¾	CoastSavingsFn/Ca	12.5	67.6	13¾
19¾	13¾	CollectiveBcp/Nj	8.9	184.7	32¼
27¾	11¼	CommercialFedCp/Ne	11.4	122.8	25¼
19¾	12¾	DeltaFinancial/Ca	12.6	109.6	16¼
19¾	11¾	DowneySavings/Ca	5.6	89.2	18¼
18¾	12¾	FedFinCorp/Ca	10.1	94.4	18¾
34	17¾	FirstFedMich/Mi	11.3	73.7	32
30	20¼	GoldenWestFn/Ca	9.8	111.2	30¼
19¾	13	GreatWesternFn/Ca	77.8	103.5	17¼
27¾	20¾	GtSoBancorp/Mi	10.3	93.7	27¾
18¾	11¾	MetroFedFs/Mi	9.7	107.0	16
18¾	12¾	NBB Bancorp/Ma	10.6	111.2	17¾
18¾	12¾	NorthAmericanSvg/Ca	11.6	138.8	18¾
18¾	12¾	NorthAmericanSvg/Ca.1	11.6	138.8	18¾
24¾	13¾	SIFIncorporated/Ny	11.2	164.2	24¾
38¾	18¾	SIFIncBancorp/Ny	9.1	112.8	27
38¾	18¾	SIFIncBancorp/Ny.1	9.1	136.8	27¾
34¾	23¾	TCFFinancial/Mn	8.2	151.4	33
20¾	12¾	WashMutual/Wa	10.4	98.1	20¼
29	22¾	WashingtonFed/Mi	10.8	200.0	25¼
22¾	16¾	WestcoastBncp/Or	12.7	100.4	14¾

Bank Stock Table Explained: The table lists in alphabetical order daily composite stock prices at 4:30 p.m. (unless otherwise noted) for the 225 largest publicly traded commercial banking firms and the 25 largest publicly traded thrifts as measured by the market value of their outstanding common stock. Banks with at least $75 million market value cutoff for banks was $73.08 mil. and for thrifts $244.20 mil.) **52 Wk Hi Lo:** the moving 52-week high and low closing prices for the stock. **PE:** the price-earnings ratio. It is the current stock price divided by the trailing four-quarter earnings per share. **Mkt Cls:** the closing price of the stock. **Chg:** the change in the last for companies with less than four quarters of data. **NM:** Not meaningful. **NA:** the current or last quarter's earnings per share are not available because the company has not released its unaudited earnings and dividends. **Last:** The price at which the last trade was traded. If no trades for the day, the latest bid. **52 Week and Thrift Indexes:** A weighted average of the top 225 banks in market value and the top 25 thrifts. The indexes are calculated daily. **Highs and lows:** The highest and lowest price/earnings ratios and yield ratios for each industry group. **Footnotes:** Unless otherwise noted, figures are for the most recent quarter. **Sources:** Bank indexes, Financial News Network, Vienna, Va.; provides SNL with the daily prices.

New Bank and Thrift Securities
Most recent offerings listed in size order of offering

Issuer Manager	Date (§ Mil.)	Type	Offer Price	Offer Yield	Maturity Date
First Union Goldman, Sachs	7/15/93	150.0	FRSUB	Market	Floats /7/22/03
Branch Banking & Trust Merrill Lynch & Co.	7/13/93	100.0	BKN	99.842	4.813 5/15/96
Household Bank FSB, II. Lehman Brothers	7/15/93	100.0	SUB	99.497	6.569 7/15/03
Charter Fed'l Svgs Bk Not-underwritten	7/12/93	43.6	COM	2.000	

Sec. Type: Type of security issued. **BKN**—Bank Notes; **FRSUB**—Float rate subordinate notes; **SUB**—Subordinate Notes
Data Source: *Securities Data Company, Newark, N.J. (201) 622-3100*

Key Rates• (July 16, 1993)

	7/16	7/15	7/9	7/2
Federal Funds domestic range:	2⅞–3	3/16–3⅛	2⅞–3	3⅛
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate: **FRBNY**	3.00	3.00	3.00	3.00
Certificates of Deposit•				
3 Month Posted	2.73	2.78	2.78	2.90
6 Month Posted	2.97	2.97	2.90	3.01
1 Year Posted	3.15	3.15	3.25	3.25
Eurodollar deposits•				
3 Month	3⅛	3⅛	3 1/16 – 3⅛	3 1/16 – 3⅛
6 Month	3⅛	3⅛	3⅛	3 1/16 – 3⅛
1 Year	3 1/16 – 3⅛	3 1/16 – 3⅛	3⅛	3 1/16 – 3⅛
Dealer Commercial Paper•				
1 Month	3.08	3.10	3.11	3.42
3 Month	3.20	3.20	3.14	3.43
6 Month	3.28	3.27	3.25	3.51

(•)—Late afternoon quotes, New York market. **(f)**— Highest offering rates (annual % yield) at selected NYC money center banks. **(F)**— Late London bid. **(P)**— AA rating or the equivalent.

STOCKS

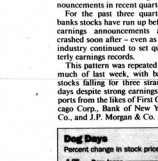
Banks Seen Breaking Their Selloff Cycle

By RICHARD LAYNE

Bank stocks are expected to rise this week, breaking the boom-and-bust pattern that has surrounded their earnings announcements in recent quarters.

For the past three quarters, banks stocks have run up before earnings announcements and crashed soon after – even as the industry continued to set quarterly earnings records.

This pattern was repeated for much of last week, with bank stocks falling for three straight days despite strong earnings reports from the likes of First Chicago Corp., Bank of New York Co., and J.P. Morgan & Co.



The *American Banker* index lost 2.2% in the five trading days ended Thursday, versus a 1% gain in the Dow Jones industrial average.

Results Due for Big N.Y. Banks

But the shares showed some signs of life late in the week, giving hope that this week's scheduled earnings releases from big New York banks and some of the top superregionals will spark further recovery in the shares.

"I think the selloff has subsided and share prices are stabilizing," said Sam A. Marchese, director of Sife Trust Fund, Walnut Creek, Calif. "I believe they can start to move higher this week."

Money managers and analysts breathed a sigh of relief as what started out as another rout of bank stocks was quickly reversed.

"Our sense is that the market has firmed, both for money-center and superregional banks," said Thomas H. Hanley, an analyst with First Boston Corp.

Gains for Industry Leaders

Six of the 10 biggest banks were up slightly on Friday, a sign of returning strength for the sector. BankAmerica Corp. gained 37.5 cents to $44.875, and Citicorp's shares rose 37.5 cents to $31.75.

Among the biggest losers on the week were First Union Corp., which dropped 4.8% from $49.25 to $45.625, and Mellon Bank Corp., which fell 3.9% from $57.875 to $55.625.

Analysts said last week's selloff stemmed mostly from profit taking. Bank shares had risen about 10% in the previous month, giving investors the chance to sell holdings. Trading volume was light early in the week, indicating that there was not a wholesale rush to sell.

But stocks of some banks sold off sharply when their earnings reports fueled investor concerns about whether they could sustain earnings growth.

Shares of Signet Plunge

Signet Banking Corp., for example, reported last Wednesday that net interest margin narrowed by 32 basis points, to 5.03%. The stock lost $4, to $50.75 on the day. The stock dropped even though Signet reported that net income rose 41% to $40.4 million in the period.

Two factors cut short last week's bank stock downturn, analysts said. Inflation worries, which crushed bank shares last quarter, dissipated with last week's announcement that wholesale prices fell 0.3% in June and consumer prices were unchanged that month.

The Good News

In addition, there have been some pleasant surprises among the earnings announcements. They provide evidence of a modest revival in loan demand, excellent trading revenues, sharp declines in nonperforming assets, and expense control.

Good reports from some banks have pushed Wall Street to raise earnings estimates. For example, PaineWebber analyst Lawrence Cohn said Friday that he raised his 1993 earnings estimate for J.P. Morgan to $7.45 a share from $6.15.

Last week's positive surprises have set the stage for share prices to rise this week. Following in the footsteps of J.P. Morgan and First Chicago, the New York banks reporting earnings this week are expected to show substantial gains in trading income. The group includes Chase Manhattan, Chemical, Citicorp, and Bankers Trust.

"The strong trading revenue reported by other banks holds out the prospect for material earnings surprises that haven't been anticipated," said Judah Kraushaar, an analyst with Merrill Lynch & Co.

Mr. Kraushaar said Bankers Trust's second-quarter trading revenues may yield the biggest surprise.

For the superregionals that will announce earnings this week – including NationsBank, Wells Fargo, and First Interstate – Mr. Kraushaar is not concerned about a shrinkage in net interest margins. □

Five Largest Deals Of Second-Quarter 1993

Borrower	Amount (billions)
General Motors	$18.0
AT&T	6.0
IBM	4.6
Dean Witter, Discover and Co.	3.0
Boeing Co.	3.0

Top 10 Banks by Syndicated Loan Volume
Full credit to agents and co-agents. Dollars in billions.

SECOND-QUARTER 1993		SECOND-QUARTER 1992	
Chemical	$61.1	Chemical	$34.9
Citicorp	49.7	J.P. Morgan	16.2
BankAmerica	45.7	BankAmerica	13.4
Chase Manhattan	43.8	First Chicago	12.0
NationsBank	40.7	NationsBank	11.9
J.P. Morgan	34.9	Barclays Bank	10.9
Bank of Nova Scotia	31.9	Wells Fargo	10.7
Credit Lyonnais	27.3	Bank of Nova Scotia	10.7
National Westminster	26.9	Credit Lyonnais	10.4
Societe Generale	24.8	Credit Suisse/CSFB	10.2

Source: Loan Pricing Corp.

Syndications Stage Comeback

Continued from *page 1*

on commercial real estate loans.

All of the top 10 banks in the ranking were among the 17 so-called global arrangers of the GM refinancing, and each got full credit for the $18 billion portion syndicated in the United States.

Since most of these banks usually rank among the top 10 syndicators, the GM deal did not have much of an effect on banks' second-quarter standings, which are closely followed by banks and their clients.

A few normally high-profile banks, though, dropped out of sight in the second quarter because they did not participate in arranging the GM credit.

Landmark Syndication

First Chicago Corp., after ranking third in the first quarter, was not even among the top 20

More demand for buyout loans is expected.

syndicators in the second quarter.

The GM syndication was the largest ever undertaken in the corporate loan market, and it also marked the automaker's first syndicated deal.

International Business Machines Corp. also completed its first syndicated bank line in the second quarter – a $4.6 billion credit led by Credit Suisse.

GM and IBM were once able to dictate the terms of their credit lines in one-on-one dealings with their banks.

Other weakened corporate giants may also find themselves turning to the syndication market for help in refinancing bilateral credit lines.

Refinancings for both investment and non-investment-grade clients are expected to continue unabated in the second half, as borrowers take advantage of low interest rates.

Pricing Has Come Down

Banks have responded to falling interest rates in the public debt markets by cutting their own pricing.

The downward pressure on pricing is compounded by fierce competition among banks themselves, as more asset-hungry lenders reenter the market.

"Everyone who wasn't in the market [before] is back in the market now," said Thomas Bunn, head of syndications at NationsBank in Charlotte, N.C. □

First Union Issues $150 Million in Ten-Year Notes

By DAVID SIEGEL

First Union Corp. on Friday issued $150 million of floating-rate subordinated notes.

The 10-year issue floats quarterly at 12.5 basis points above the three-month London interbank offered rate, with a 4.125% minimum rate known as a "floor."

The three-month Libor is now 3.25%.

Refinancing Use Seen

One market source speculated that the issue would be used for refinancing rather than additional capital, because First Union's capital ratios far exceed regulatory minimums.

The bank's total capital ratio was 14.58% at the end of the second quarter, up from 12.27% at March 31.

First Union officials were not available for comment.

The noncallable issue is rated A3 by Moody's Investors Service Inc. and BBB-plus by Standard & Poor's Corp.

Goldman, Sachs & Co. was the lead underwriter.

N.Y. Bancorp Splits Its Stock, Raises Payout

DOUGLASTON, N.Y. — New York Bancorp, the holding company for Home Federal Savings Bank, said its board has declared a three-for-two stock split and will increase by 20% its quarterly dividend.

The next quarterly dividend is scheduled to be declared in September and paid to shareholders in October.

The stock split distribution is payable on July 29, to shareholders of record on July 19. Before the stock split, the company had 4,430,646 common shares outstanding. □

Footnotes in History



After consulting his generals, his wife, his brother-in-law, his barber, and his soothsayer, Custer follows his astrologer's advice. (What could it hurt?) about marching to the Little Big Horn.

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July 19, 1993

USING INFORMATION TO INCREASE PROFITS

Industry Picks Up Technology Spending as Outlook Improves

BY BRIAN HELLAUER

THE BACK OFFICE: SYSTEMS

AFTER THREE LEAN years, bankers are mustering a modest technology spending spree.

According to the *American Banker*/Ernst & Young 1993 Survey of Technology in Banking, financial institutions are expected to consume $15.3 billion worth of information technology in 1993, an increase of more than 6% over 1992.

The increase marks the first time since 1990 that technology spending growth outpaces the inflation rate.

In addition, the employment decline in this sector of the industry has abated, with the number of technology jobs expected to increase slightly over the next three years, according to the study, which was conducted by the Tower Group, a Dover, Mass.-based consulting firm. Total employment should rise from 86,000 this year to nearly 87,000 by 1996, still down from a high of 90,000 in 1991.

More robust spending coincides with the end of the industry's extended convalescence in the wake of the recession and credit problems.

Spending allocations look much the same as they did in 1992. Roughly 63% of banks' technology dollars fund centralized data processing applications, 28% information technology in other departments, and 9% outsourcing of one or more business lines.

But the bulk of the additional dollars included in this year's budgets are not being spent on the maintenance of existing mainframe-based applications.

Instead of spending more on these so-called legacy systems, bankers are betting on the development and installation of new types of technology, using improved telecommunications, personal computer networks, and imaging systems.

There is also a flip side to the restructurings and reorganizations that many banks have undergone. For example, Fred Gronbacher, senior vice president of operations at PNC Bank Corp., Pittsburgh, said that many of the development projects he oversees are a direct result of a change in the bank's operational philosophy since the late 1980s.



Jim Judkis

FRED GRONBACHER, head of operations at PNC Bank Corp., says data processing led sweeping changes that permitted the company to fold eight data centers into a new 90,000-square-foot facility.

Personnel remains the single biggest line item in most technology departments

The $51.1 billion-asset bank consolidated its independent banking units on a single, identical product set. The change allowed the bank to consolidate eight data centers in a new 90,000-square-foot facility, said Mr. Gronbacher.

"Data processing led the process of change within the corporation to centralized lines of business and a local sales force," he added.

The savings incurred through the consolidation, along with the company's continued merger and acquisition activity, provided some justification for the new data center, which was recently completed at a cost of $30 million.

PNC's nerve center is equipped with the latest support systems and fiber-optic telecommunications facilities, which maximize system availability, according to Mr. Gronbacher.

"Now that we have created something new, we can build from that, rather than try to support the old infrastructure," Mr. Gronbacher said.

He also said that PNC's 1993 spending on hardware and software will be about 15% higher than in 1992. He attributed the jump to the data center project

Continued on page 18A

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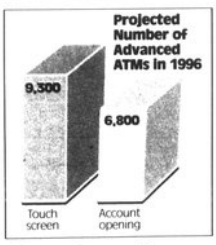

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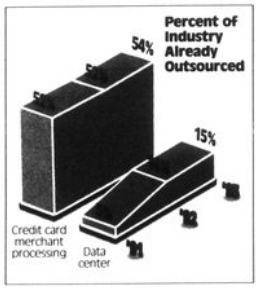

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APPLICATIONS DEVELOPMENT IS NO LONGER BUSINESS AS USUAL

Personal Computers Helping Branches Make a Comeback

BY WILLIAM PESEK JR.

TEN YEARS AGO, THE smart money said that bank branches were going the way of the dinosaur.

But, just like millions of pre-history-loving moviegoers this summer, bank customers aren't ready to render the branch extinct, either.

U.S. banks spent hundreds of millions of dollars in the 1980s on automated teller machines and other self-service devices. Nevertheless, bank branches today are making something of a comeback.

Although technology has provided a smorgasbord of delivery alternatives for consumers, bankers say the branch system is still a critical part of the business.

"The branch is not going to go away, because there is a large segment of the marketplace that still desires a high-personal-touch environment," said Waino H. Pihl, a partner at Andersen Consulting Co. in Chicago. "There is, however, a fundamental shift in the way customers use banks."

Branches are rapidly changing from transaction centers to souped-up sales hubs

The *American Banker*/Ernst & Young 1993 Survey of Technology in Banking supports that view. According to the survey, banks are refocusing attention on the branch and searching for ways to maximize brick-and-mortar investments. And they are depending heavily on automation to do it.

The survey of the top 300 banks showed that "dumb" terminals relying on a central mainframe or minicomputer for processing power are on the way out, replaced by networks of personal computers. The branch with no technology support at all is becoming a rarity: just 13% of banks' teller stations have no automation, and only 8% of platform desks are without a computer.

The survey paints a bright picture for the future of branch automation. By 1996, 86% of teller stations will have PCs and 94% of platform workers will use desktop computers.

The transition to PCs accompanies a shift in the branch's function. Branches are rapidly being transformed from transaction centers to souped-up sales and service hubs.

Once this transition has run its full course, customers will conduct routine transactions and services over the telephone and purchase the full gamut of bank products in the branch, or so goes the thinking.

This change is driven more by an attempt to meet the needs of time-conscious customers than an effort to improve operational efficiencies, bankers say.

"If the 1990s have taught banks anything, it's that consumers want to bank the way they want to and not the way the bank dictates," said Tim Meier, senior vice president and manager of information services at U.S. Bancorp, Portland, Ore.

Given this environment, bankers agree that automation is the wave of the future and the key to more efficient and profitable branch networks.

"Banks are putting a lot of money into platform and teller technology to improve productivity and get the most out of their brick-and-mortar investments," Mr. Meier said.

"The emphasis these days is on continuing to make it easier for platform people to do their jobs and support the sales process."

The $20 billion-asset bank has taken pains to retool its branches. U.S. Bancorp has already installed intelligent workstations for its customer service representatives and is currently building a proprietary platform system that uses Microsoft Corp.'s Windows operating environment.

U.S. Bancorp is not alone. Albany, N.Y.-based Keycorp is also going the intelligent-automation route. The $30 billion-asset holding company replaced all of its dumb-terminal branch automation systems with a more modern, personal-computer-based arrangement. This project, which involved installing new software from Ampersand Corp., York, Pa., was completed in the early part of 1992.

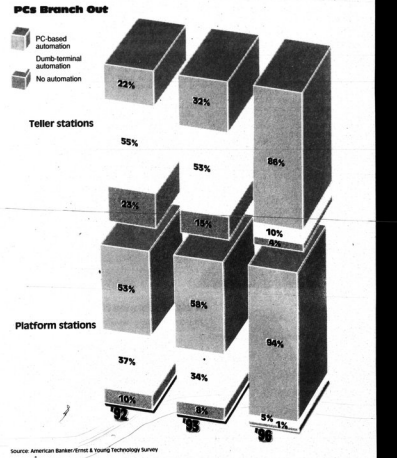
"Given customer demand and the need to improve functionality, we've got 100% of PCs in the branches," said Jay Ward, executive vice president at Keycorp.

Mr. Ward added that the new system not only boosts efficiency, but it also provides a platform for further automation efforts. Those efforts include Vision 2001, in which Keycorp plans to install new loan processing software in its branches and operations centers. Components of this software that will run on the personal computers installed for the branch automation project will help branch workers complete loans faster and more accurately.

With automation budgets currently on the rise after several years of stagnation, bank technology vendors are also experimenting with new ways to invigorate branches.

"Our view is that there's still a very real use for the brick-and-mortar branch and that banks will expand the branch into virtual-branch networks," said Craig M. Grant, general manager of retail delivery systems at Unisys Corp., Blue Bell, Pa.

Unisys is at the drawing board trying to come up with systems for areas such as imaging, customer information technology, and videoconferencing.



Ampersand, a long-time provider of PC-based branch automation, is now making inroads with systems implementing a graphical user interface, namely Windows.

Looking ahead, the physical bank will be more important than ever, and banks are tailoring the branches to better match the customer base each serves.

"Banks are designing branches to meet the individual needs of consumer groups and to relay the message that they know who the customers are and what they want," said Curtis Wayne, president of Wayne Architects, a Greenwich, Conn.-based firm that designs branches. Mr. Wayne's clients include Citicorp and Fleet Financial Group.

One of the best examples of this strategy is PNC Bank Corp.'s airport branch. The bank built a fully automated branch in Pittsburgh International Airport to meet the demands of busy travelers. A number of industry observers have dubbed it "the bank of the future."

PNC has stocked the outlet with several automated teller machines for simple transactions like making withdrawals, deposits, and cashing checks. There also are several video-conferencing kiosks where customers can apply for loans and purchase investment products.

The study projects that by 1996, 86% of teller stations will have personal computers

"If an executive has 40 minutes or so between flights, he can use the facility to do anything: cash checks, apply for a loan, or purchase securities," said John Alden, director of marketing at the $51.1 billion-asset bank.

Another example is a highly automated Banc One Corp. branch in the Sawmill Shopping and Financial Center, Columbus, Ohio. Sort of a banking hypermarket, the branch offers 10 different business lines to customers, with a minimum of staff and space. Industry observers often cite the branch as one of the best examples of optimal branch automation and customer convenience.

"Platform automation lets us take care of bank services as close to the point of contact as possible, and that's exactly what the Sawmill branch is about," said John Russell, chief communications officer and a member of the team that helped design the branch for the $70 billion-asset bank.

As bankers see it, such efforts to reshape and invigorate the branch environment are consistent with the industry's needs.

"I envision that automation will help banks become more like retail stores in the future," said Mr. Meier of U.S. Bank. "But you have to get people into the store to get them to buy anything." □

Consumer Banking: Delivery Systems

Bankers Warming to Cash Machines with Advanced Functions

BY MATT BARTHEL

"BELLS AND WHISTLES," bankers' typical term for advanced automated teller machine functions, connotes a certain amount of excessiveness.

But results from the *American Banker*/Ernst & Young Survey of Technology in Banking indicate that bankers may soon need a more favorable-sounding characterization for ATM features such as touch-sensitive screens and automated bill payment.

After years of relying on ATMs to handle mainly the basics of automated banking – cash withdrawals, account balance inquiries, and, in some cases, deposits – many banks are now looking to include more complex functions.

At the same time, there is also a contingent of bankers who believe these functions belong on a separate terminal so they will not interfere with the desire of most ATM users to accomplish basic transactions quickly.

Clearly, both camps believe that these more complex ATM functions – the bells and whistles, if you will – will be more necessary than excessive in the future.

This year's survey affords a look into which of the advanced functions will be most prominent in the upcoming years.

"It's only natural that we are seeing a demand for a wider range of functions for both cash-dispensing and non-cash terminals," said John Buschmann, senior product manager in the self-service and financial systems division of Dayton, Ohio-based NCR Corp.

"Expanding what can be accomplished through self-service is a natural evolution that builds on the ATM's success."

The *American Banker*/Ernst & Young 1993 technology survey, conducted by the Tower Group, incorporates data from 174 financial institutions whose combined noninterest expense accounts for about half of the industry's total.

The advanced feature that bankers expect to make the most use of in the coming years is touch-sensitive screens

Since this expense is a good indicator of technology spending, the survey is, in effect, based on the American banks that are most influential in technology terms.

The survey found that there currently are about 89,000 functioning ATMs in the United States. Bankers expect that number to reach 100,000 by 1996.

Touch-sensitive screens head the list of advanced features that bankers expect to make the most use of in coming years. According to the survey, nearly one in 10 of the ATMs operating in 1996 are likely to have this feature. It enables customers to conduct their business by touching the screen on which information is displayed.

This technology was pioneered by Citicorp, which manufactures its proprietary machines through a subsidiary called Transaction Technologies Inc., Santa Monica, Calif.

Citi's ATMs are widely recognized as among the industry's best cash-dispensing terminals with regards to ergonomics and ease of use. And the bank has effectively used its proprietary machines to differentiate itself from competitors.

But now several other institutions, including Chemical Banking Corp., appear ready to install large numbers of touch screen ATMs.

The technology has its benefits, experts said. Consumer surveys indicate that bank customers prefer touch-screen ATMs to ordinary terminals that operate with keypads.

Although this feature is no guarantee of increased transaction volume, many bankers feel it is a step in the right direction.

However, touch-screen ATMs also present some problems. Under the Americans with Disabilities Act, banks are required to make their ATMs accessible to people with a wide range of physical handicaps, including vision impairments.

Unless touch-screen ATMs are equipped with special software, they are next to impossible for a visually impaired person to operate. As such, an ATM site that features only touch-screen terminals might be found in violation of the law and expose a bank to federal fines.

And pure touch-screens of the type offered by Citicorp are not readily available to other banks in the United States.

Of the country's three top ATM vendors – NCR, Dallas-based Fujitsu ICL Systems, and Interbold, a joint venture of Diebold Inc. and International Business Machines Corp. based in North Canton, Ohio – only NCR offers touch screen ATMs, and its terminals still make some use of a conventional keypad during every transaction.

For these and other reasons, several institutions wishing to incorporate touch-screen technology into their self-service banking have chosen to use machines that do not dispense cash. One of these is Fleet Financial Group, based in Providence, R.I.

Like many institutions, Fleet embraces the idea of expanding upon the basic self-service banking functions that an ATM provides. But the bank's officials indicated that they felt the touch-screen ATMs currently available did not put the technology to use as well as non-cash terminals.

"Touch screen, at this point, is more useful for the types of transactions we want to do at non-cash terminals," said Chris Fredrick, senior vice president in corporate administration at Fleet.

Mr. Fredrick said that non-cash terminals, which provide services such as stop payments on checks, product information, and check reorders, are typically 80% cheaper to support than an ATM, which must be replenished with cash periodically.

Because of this, Fleet is trying to keep all of its more complex self-service transactions on the non-cash terminals. The idea is to make sure that transactions that take a minute or two to complete, such as check reorders, do not delay people who want to withdraw cash – a transaction that typically takes only 30 seconds.

"We have resisted the temptation to load up our ATMs with a lot of time-consuming functions," Mr. Fredrick said.

But not all institutions agree with Fleet's strategy.

According to the survey, almost 7% of the ATMs installed in 1996 will allow customers to open new accounts.

In addition, bankers responding to the survey indicated that in 1996 about 2.6% of ATMs will have video conferencing capabilities, which allow an ATM user to interact with customer service representatives through the screen.

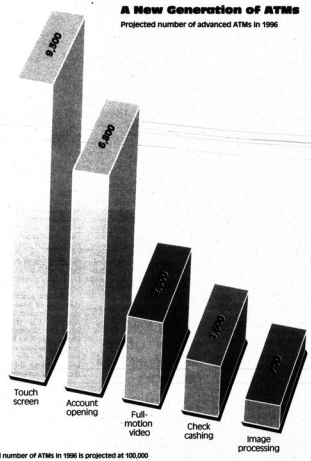
Several institutions have chosen to limit the touch-screen feature to machines that do not dispense cash

Several institutions, including Huntington Bancshares, Columbus, Ohio, are piloting this feature, which is available from both NCR and Interbold.

In addition to these functions, 1.6% of the 100,000 ATMs in 1996 are expected to feature check cashing capabilities.

Fewer than 1% will be able to display images of deposited checks. Many experts find this number surprising, because banks have expressed an interest in increasing the number of deposits handled through ATMs, and displaying a picture of the check after the terminal accepts it seems an ideal way to help consumers overcome any inherent discomfort.

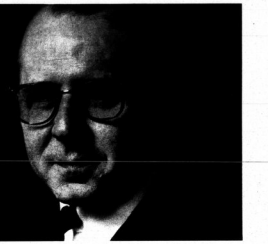
PNC Bank Corp., based in Pittsburgh, has installed about 30 terminals with imaging capabilities. The ATMs, from Interbold, are also capable of reading bar codes – a feature that would be useful in making automated bill payments. □



*Total number of ATMs in 1996 is projected at 100,000

Source: American Banker/Ernst & Young Technology Survey

"TECHNOLOGY IS A JOURNEY, NOT A DESTINATION."



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The Back Office: Systems

Shift to Personal Computer Networks Is Solidly Under Way

By BARTON CROCKETT

TECHNOLOGY GURUS have predicted for years that networks of personal computers eventually will replace mainframe and midrange machines as the dominant computing engine in corporate America.

In banking, this transition is slowly but surely taking hold. And even bankers who work outside data processing areas are getting excited about it.

"This is the direction of the business, and the way of the future," said William H. Berls, a group vice president in Chemical Banking Corp.'s corporate trust unit.

The 1993 *American Banker*/Ernst & Young Survey of Technology in Banking illustrates that the transition to distributed computing is under way.

Among other findings, 4% of the "on-line" production software in the industry runs on so-called distributed computing systems in which networks of PCs work in tandem with larger machines.

In three years, bankers expect to run 12% of their business-specific "production" software on distributed networks. In that time, bankers also expect to boost from 0% to 13% the proportion of production software running on PCs.

By contrast, 89% of the banking-specific software in the industry now runs on mainframe or midrange computers, down from 92% last year. The total is expected to drop to 75% by 1996.

Mainframe and midrange computers dominate mainly because they have been around longer than PCs. Also, they are traditionally the only machines powerful enough to crunch the tomes of data generated by such bank products as checking accounts, consumer loans, credit cards, and automated teller machines.

But PCs are growing more powerful, and, when hooked into networks, can rival the much larger machines for much less cost.

"At the highest level, the [price/performance] benefit of PCs over mainframes is literally 10 to 1," said Todd Rulon-Miller, chief executive of Software Alliance Corp., Berkeley, Calif.

PCs are also benefiting from a whole new class of easy-to-program software that lets programmers design software applications in weeks, rather than the months or years it can take using mainframes.

The result: Many bankers, including Citicorp chairman John Reed, think the time has come to start shifting to distributed computing.

In a speech last month at a computer conference in Boston, Mr. Reed glumly spoke of flat revenue growth and a global economy "in a refrigerator." He perked up, though, when describing how Citicorp can boost profits by "reengineering" the way people work using "on-line, distributed technology."

These "modern systems" could eventually cut Citicorp's annual operating costs in half, Mr. Reed said.

And he isn't alone. Now, nearly 60% of the banks in the country are either testing or running at least one new production application on a distributed computing network, according to the survey. In three years, 96% of the country's banks are expected to run at least one production application on a distributed network.

These ambitions are affecting bank purchasing plans.

There are now 805,000 PCs in banks, according to the survey. Bankers expect to have more than 1.2 million PCs by 1996. By contrast, there are 2,920 mainframes, a total expected to drop to 2,650 in three years. Similarly, there are 2,220 midrange computers, a total expected to drop to 1,860 over the same period.

In terms of computing power, PCs already dominate. One standard measure of this is based on the millions of instructions a machine can execute in a second, or MIPS.

There are now 64,000 mainframe MIPS in banks, 10,000 midrange computer MIPS, and five million personal computer MIPS, according to the study.

But even though PCs have the bulk of computing power, mainframes store most of the data. Banks now have the ability to store 2,920 terabytes of data. That's roughly two million pieces of information — such as a Social Security number or street address – for each man, woman, and child in the United States.

Ninety-six percent of this data storage capacity is on mainframes, the study indicates.

Distributed networks let banks leverage the best features of each type of computer by making it possible to use PCs to retrieve data over a network from central mainframe repositories.

Among the banks building such computing systems is Chase Manhattan Corp., in New York.

"We've been extremely active for about 14 months" with a brand of distributed computing called client-server," said Eugene Friedman, a Chase vice president.

Client-server is a type of computer system where so-called PC clients run software that retrieves data from powerful server computers over a network.

The servers can be powerful PCs, midrange computers, or mainframes.

Virtually every division in Chase has at least one client-server application, Mr. Friedman said. One of the most ambitious client-server applications was installed last year in the bank's credit card unit.

This software, which Chase designed itself, runs on networks of personal computers used by about 700 customer service representatives in telephone centers in Arizona, Delaware, Florida, and Long Island, N.Y.

Representatives punch buttons on their personal computers, and, over a network, get account information from mainframe computers on Long Island.

The PCs display the information on easy-to-read screens, and speed calls by "queuing" up data in anticipation of the next question a customer will ask.

Mr. Friedman said a boost in worker productivity and a reduction in data-entry errors will pay for the multimillion-dollar computer system in about 20 months.

To accelerate the use of client-server applications, Chase has also created a committee of computer specialists to set standards for the type of client-server technology that divisions should buy or design.

Banks around the country have formed similar committees. And this standard-setting activity is a potential source of controversy.

On the one hand, standards are needed to ensure that bankers buy good computer systems, at a fair price, and don't expose the bank to security risks.

But the problem is that setting standards impinges on the freedom that departments have traditionally enjoyed to choose their own PCs and PC software.

"There's a conflict because users want more control over their destiny," said Jeffrey Rocchio, a computer planning analyst at National City Corp., Cleveland. Mr. Rocchio works on a client-server standards committee recently established by the bank.

Most people, including bankers, use PCs to run so-called personal productivity software, like spreadsheets and word processing applications. Many people also play computer games.

But as client-server banking software starts to run on these PCs, technologists are wondering if they will have to tell users not to run their favorite personal software.

The problem is that personal software could eat up so much memory on a PC that the banking applications can't run. Or the personal software could have strange attributes that interfere with banking applications.

There is also the danger that users might bring in software with computer viruses, and infect an entire bank.

So far, banks like National City haven't clamped down on personal software. But this could change.

"There are differences of opinion over how far we should go with standardization," Mr. Rocchio said.

The distributed software that banks are installing usually does not replace mainframe or midrange computer software.

This change, called downsizing has only happened for 300 mainframe applications over the past three years, according to the study. There are now more than 200,000 mainframe banking applications in the country.

In the next three years, another 1,100 mainframe applications are expected to be downsized.

Instead, most of the new, distributed computing software is either giving bank employees and customers better access to data on mainframe or midrange computers, or automating tasks that have never before been computerized.

In fact, there are very few core banking applications that run only on PCs. Instead, almost all of the core banking software in the industry runs on mainframe or midrange computers, with PC access available as an option.

But, over time, this could change, as vendors try to take greater advantage of the cheap computing power available on PCs.

"I think it's a matter of when, rather than whether," said Charles Kight, executive vice president at Michigan National Corp., Farmington Hills.

One vendor that is trying to be a leader in the shift is Savings and Loan Data Corp., Cincinnati.

Since 1978, this not-for-profit service bureau has used mainframe computers to run core banking software for its owners – some 170 thrifts and banks, based mainly in the Midwest.

Last year, the company, which goes by the name S&L Data, decided to diversify by buying a struggling start-up vendor that had built a core accounting, general ledger, and teller software package, called Anthem, for PC networks.

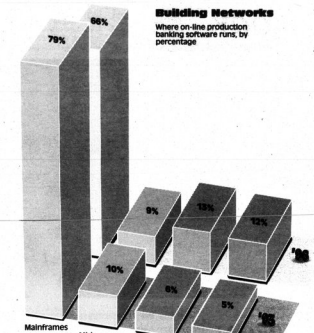
Jack Kuntz, an S&L corporate vice president, said S&L bought the company to prepare for "platform migration" of computing operations from mainframes to PC networks.

"That's the wave of the future," Mr. Kuntz said. "That's where the leaps are going to be made in technology."

Six banks, each with less than $100 million of assets, now use Anthem to run their core banking software.

One customer is Founders Bank of Arizona, Scottsdale, which bought the Anthem software in 1991. "We spent a lot of time studying it," conceded Jan McDowell, senior vice president and cashier.

But despite the hassles of dealing with "bleeding edge" technology, Ms. McDowell said the bank has been happy with its move. The software cut data processing costs 24%. □



*Defined as networks of PCs, midrange, and mainframe computers

Source: American Banker/Ernst & Young Technology Survey

MANAGEMENT STRATEGIES
A biweekly supplement to American Banker

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How the Survey Was Conducted

THE ARTICLES IN this publication analyze and report the results of the *American Banker*/Ernst & Young 1993 Survey of Technology in Banking, conducted by the Tower Group. The survey, containing many detailed questions on banking technology, was delivered to the chief technology executives at every bank holding company in the United States with over $1 billion in assets (275 banks) and to the chief executive officers at 1,200 selected bank holding companies with under $1 billion in assets.

One hundred and seventy-four surveys were returned, allowing the survey to incorporate data from just over 50% of the industry, as measured by noninterest expense. Noninterest expense was chosen as a measurement because, of all publicly known figures, it best correlates with technology spending.

Ninety-six of the respondents were from banks with over $1 billion in assets, including more than 70% of the top 25 banking companies and over 50% of the top 100.

In calculating the industry projections, each bank's responses were weighted according to the percentage of the industry, as measured by noninterest expense, that they represent. Both quantitative and qualitative responses were used to develop industry projections.

The weighting ensures that, for example, if a large money-center bank were strongly committed to imaging, it would be considered proportionately more significant for establishing an industry trend than a similar response from a smaller bank.

All data represent estimates for the U.S. commercial banking industry as a whole. For a large variety of questions on this survey, the statistical validity of the results will vary based on the number of respondents who answered that particular question, the degree to which their interpretation of the question was consistent with others, the structure of the particular question, and the degree to which the distribution of the respondents answering the question is representative of the distribution of the population at large. □

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The Back Office: Systems

Image Processing Rolls On as Banks Reap Benefits

BY JEANNE IIDA

IMAGE PROCESSING, a technology that promises to level the mountains of paper bankers have to cope with daily, has only just begun to pay off for a few of the banks that have installed it.

Viewed as costly and time-consuming to install, image processing is nevertheless slowly gaining ground in paper-intensive areas such as check processing, mortgage origination, and consumer and commercial lending.

Banks are using image capture technologies to perform one of two basic functions: high volume transactions such as check processing, where thousands of items must be handled quickly, or storage and retrieval in areas such as mortgage applications, consumer loans, or letters of credit.

According to the 1993 *American Banker*/Ernst & Young Survey of Technology in Banking, more check imaging projects have been completed, and more are in progress, this year than in 1992.

Bankers believe that besides slashing costs, imaging will lead to increased fee income and improved service

Thirteen percent of those questioned said they had completed projects to install check image processing systems in 1993, compared with just 4% in 1992. More banks, 27%, said they had imaging projects in progress in 1993 than in 1992, when 20% said they had such projects under way.

All banks said they were at least considering installing image processing. In 1992, 2% said they were not.

1991 was actually the breakthrough year for check image processing. Huntington Bancshares Inc., Columbus, Ohio; Comerica Inc., Detroit; and Signet Banking Corp., Richmond, Va., began processing high volumes of checks through systems that use check images for the purpose of proofing and encoding them.

Others, including First Chicago Corp., Fleet Financial Group of Providence, R.I., and First Tennessee Bank, of Memphis, produce statements for consumer and corporate customers that contain the images of checks rather than paper checks themselves.

Even BankAmerica, which alone of the biggest banks had decided not to rush into check image processing, said earlier this year that it would continue a check image processing pilot started by Security Pacific Corp., with which BankAmerica merged in 1991.

Bankers believe that image processing will not only cut expenses dramatically, but also help them generate fee income and improve customer service.

"The real payoff in image is not the expense cut, but the additional product development that it makes possible," said Rick Sellers, president of Huntington Treasury Management, the processing arm of Huntington Bancshares.

Check processing, the more complicated and costly image technology, has garnered the most attention over the past year. Bankers believe they can save millions of dollars using image processing to speed the check sorting, proofing, and encoding processes.

But the technology is limited to the highest-volume facilities of the biggest banks. Smaller banks have the option of outsourcing their check processing to service bureaus, several of which already offer or plan to offer image processing services. So far, however, there have been few takers.

Banks that have actually taken the image processing plunge say now that they are capturing images, the technology is starting to change their business in unexpected ways.

The banks say that the potential for new products and improved customer service based on faster processing is the real boon, although they are reluctant to discuss the nature of the new products.

Consultants say imaging also could make it easier for banks to share check processing facilities, because accelerating the work flow it can get the work out the door faster.

The technology for high-speed check image processing is still new. The first machines able to decipher handwritten amounts were installed at banks in 1992.

More advances in technology are expected next year. International Business Machines Corp., which hit numerous snags in developing its image processing platform, has begun to deliver crucial pieces of software. Its leading test bank, Mellon Bank Corp., Pittsburgh, expects to be operational by early next year.

Unisys Corp. plans to introduce new products that will enable banks to put check images onto a CD-ROM, a high-capacity data disk, making them easier to transfer.

Huntington, Comerica, and Signet say that image processing has cut their check processing costs, improved processing time, and given them better funds availability.

Huntington says it has met its goals for imaging, and has cut the encoding staff in its main Columbus processing center by 20%.

Comerica and Signet have found it easier to consolidate check processing centers as a result of their imaging systems. Signet has eliminated three of its five centers since 1991, and expects to save $6 million to $7 million in check processing costs over a five-year period ending in 1995.

But converting to an image-capture system is a time-consuming process, and banks have had to iron out kinks.

"You learn a new class of exceptions that tend to make you inefficient or cost you money," said one check processing executive, who asked not to be identified. "In the old check world, we had them down to a science, but now we're trying to find new tools to understand the process."

The use of file folder technology is also on the rise. Advocates of the technology say that such systems could be used to eliminate paper throughout an organization. But to date, most of those banks using the technology are still testing it in small, self-contained areas. Wachovia Corp., Winston-Salem, N.C.; and PNC Bank Corp., Pittsburgh, are among the leading banks installing file folder systems.

Until recently, "banks haven't known how to get involved in imaging," says Frank L. Zaubi, a group executive in the operations division of Wachovia. "They've had to buy huge processing systems. We've searched for smaller ways to get involved."

Wachovia has three imaging projects under way: one to develop an advanced wholesale lockbox system, one in retail banking, and one in check processing.

"Imaging allows you to look at all the processes you go through and really redo the process," Mr. Zaubi says. Wachovia will create electronic images of the thousands of checks received daily at its wholesale lockbox sites, using the images instead of paper for work flow, storing, transmission, and retrieval of information.

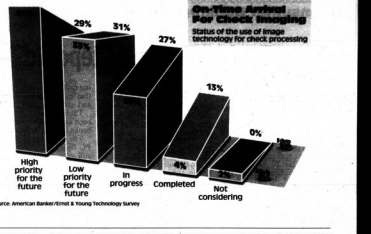
The project, still in test phases, will go into production late this year, Mr. Zaubi said.

Wachovia also has an ambitious project to install what will eventually be a central repository of images for its retail bank. In July, the bank plans to roll out the image system to a handful of branches.

There are currently 250 separate applications of file folder technology in banks, according to this year's survey, 50 more than the 1992 survey reported.

But it seems that banks are not installing file folder image systems as rapidly as they expected. The 1992 projection indicated 1,200 systems would be installed by 1995, a target unlikely to be reached at current rates of installation.

Of banks questioned, 47% said they had already installed, or planned to install, imaging systems in the consumer loan area; 30% said they would install imaging in the credit card area; 29% in mortgage loans; 29% in trust; and 23% in commercial loans. □



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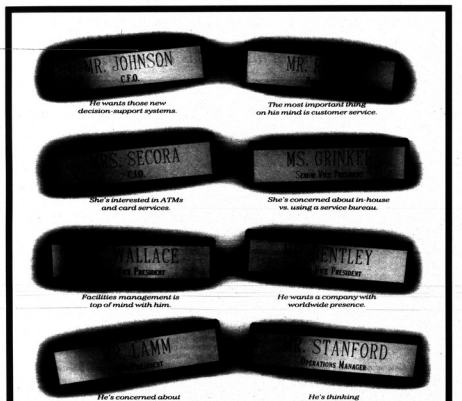

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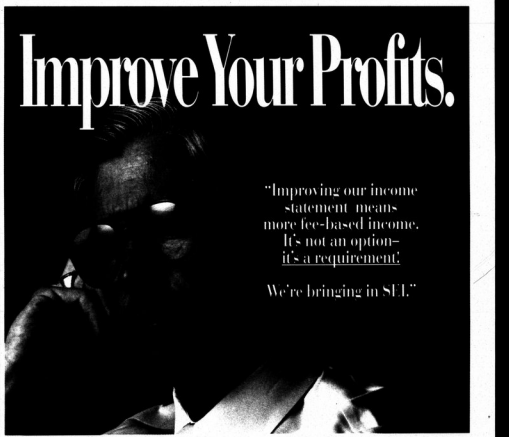

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Consumer Banking: Delivery Systems

Home Banking, Once a Stepchild, Now a Favorite Son

BY WILLIAM PESEK JR.

CONSUMERS MAY finally be inviting banks into their homes.

Until now, home banking has never really got its foot in the door. But 10 years after the first remote access system was introduced, banking from home is on the rebound, according to the latest *American Banker*/Ernst & Young Survey of Technology in Banking.

Well over half of the industry currently enables its customers to bank from home – a fundamental shift from last year's reading, when half of the industry gave home banking a thumbs-down, according to the survey.

"We're seeing a fundamental shift in bank delivery," said Sean W. Kennedy, president of the Electronic Funds Transfer Association, Reston, Va. "There's no doubt that the industry is experiencing a redefinition of distribution services that are sure to take hold this time around."

Why the sudden pickup in home banking experiments?

The answer has much to do with the current climate of the industry. More than ever, banks are dead set on offering the newest in customer convenience, while at the same time stripping operational expenses to the bone. For the first time, home banking is becoming a viable alternative to staffing existing branches or breaking ground for new ones.

"It's the riddle of the sphinx," said Chris Armstrong, executive vice president at Maryland National Corp., Baltimore. "The riddle is that consumers want time/place convenience and banks want to do transactions cheaper. The industry is realizing that offering services from remote locations is in fact the way to do that."

There are many reasons why home banking has had such a checkered past. Technologists are quick to blame high production costs and the inability to penetrate the consumer banking market.

"There was no real plan to effect a change in delivery strategies, and banks didn't make the kinds of investments needed to break into the market," said William M. Randle, executive vice president at Columbus, Ohio-based Huntington Bancshares Inc.

Perhaps the highest profile pairing – and failure – of late was Huntington's partnership with American Telegraph and Telephone Co. to develop the Smart Phone. The much-ballyhooed project bit the dust earlier in the year – yet another setback for home banking.

Despite the dismal track record, home banking experiments are again moving to the fore, even at Huntington.

According to Mr. Randle, the $14 billion-asset bank is still very much in the game.

"We're moving forward with discussions with outside firms and fully expect to bring a project to market before the end of the year," he said, adding that the effort would be phone based.

However, PC-based access systems are still the medium of choice for most banks, according to the survey.

The survey found that the bulk of the home banking projects already completed were geared toward PC users because of the dwindling costs of the machines and their increasing ease of use – not to mention that 26 million Americans own and use PCs in their homes.

Thus, PCs have generally been an attractive medium for banks to work with.

The most common type of PC link for home banking is still via networking services such as Prodigy. Of the banks currently offering PC access to bank products and services, about 66% use services like Prodigy or Compuserve, while 55% provide direct access to the bank.

Now that PCs have clearly been established as banking tools, technologists agree that the telephone is the next frontier.

"It makes sense for the telephone to be the next target for banks, given that everyone knows how to use it and everyone is willing to use it for other functions," Mr. Kennedy said.

New banks are marketing more affordable home banking phones than ever before.

The $16 billion-asset Maryland National, for example, offers its Online Home Banking Service, which consists of a special phone that sells for $68.95 and $6.95 monthly fee to access the service. The phone displays information on a four-line screen.

Other banks involved in home banking by telephone include Banc One, Boatman's Bank of Tennessee, and Bank of Boston.

Although some telephone banking projects have failed in the past, bankers are more excited about the prospects now. The reason? Developing intelligent telephone banking systems should be easier this time around because the systems will be largely based on research derived from earlier, failed efforts.

"The industry has learned from the mistakes of the past and is building a base" on which to grow, said Huntington's Mr. Randle.

Much of the research and development for both hardware and software has already been done, and the costs amortized. Thus, many of the home banking phone units currently being offered are much less expensive than their predecessors.

"The industry has found a way to ride some existing rails," Mr. Armstrong said. "The ATM switch, for example, is a set of electronic railroad tracks that banks don't have to create now. The technology was already there. It was just a matter of refining it."

The biggest question mark looms over the future of television banking. The survey respondents were lukewarm about the idea. Just 2% of them indicated that such projects were in progress, and a scant 9% placed a high priority on them for the future. More importantly, a whopping 68% said they were not considering this medium at all.

Bankers say part of the problem is that television banking units – such as one marketed by TV Answer Inc. – require consumers to embrace a new technology.

"Because some of the television-based offerings out there require users to put another box on top of their TV, many consumers may be unwilling to go for it," said Greg Schmergel, vice president of the Tower Group, which analyzed the 1993 technology survey results.

Meridian Bancorp, Reading, Pa., is one of a handful of institutions experimenting with television banking. The bank was the first to sign up with TV Answer to provide bill payment, funds transfer, account balance, and other banking services over the system.

"There's been a change in the way people bank," said Michael Ritter, assistant vice president of electronic banking at the $11.8 billion-asset bank. "Historically the bank has told the customer how to bank. Customers are starting to tell us they want to bank by phone and by TV."

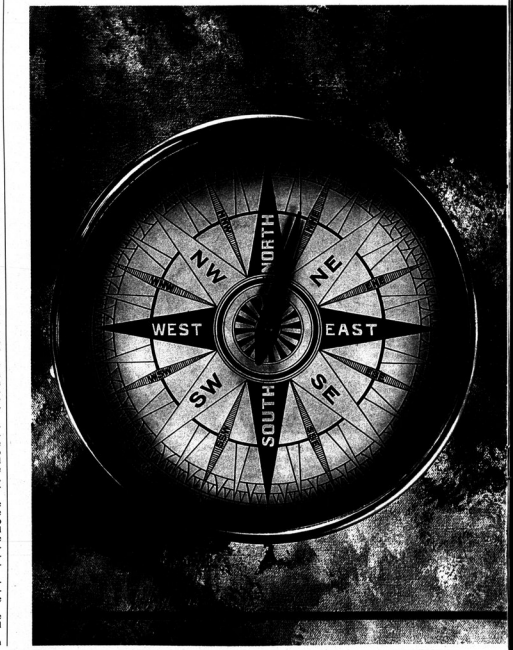
What makes Meridian's television access system different is that information and transactions are relayed over a radio network, rather than over a cable television system.

"We're offering TV banking to provide our customers with yet another way to do business with us," Mr. Ritter said. "It allows us to target people who do not subscribe to cable and who do not wish to pay a large premium every month just to do their banking."

According to the National Cable Television Association, 60% of Americans subscribe to cable systems. As Meridian sees it, that leaves a sizable chunk of the market to target with its wireless television banking system.

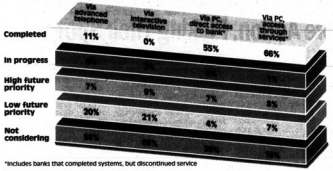
Bankers agree that there are still bumpy roads ahead. One problem that is sure to come up again is market penetration. "We still haven't gotten over the penetration hurdle. A big issue is people still don't want to pay a lot for these systems," said Mr. Armstrong of Maryland National.

But like most bankers, Mr. Armstrong philosophizes that cheaper units and the customers' never-ending quest for convenience will make banking at home a logical choice. After a number of high-profile fits and starts in recent years, it looks like home banking may be here to stay. □



Home Banking Gets a Foot in the Door

Percent of industry with options for consumers to bank from home



*Includes banks that completed systems, but discontinued service

Source: American Banker/Ernst & Young Technology Survey

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Outsourcers Are Getting More Action, Picking Their Spots

BY WILLIAM PESEK JR.

WITH ONE EYE ON cost cutting and the other on the latest technology, bankers are increasingly looking to outside firms to handle at least some portion of their information processing burden.

While many banks have tapped the resources of outside vendors to augment areas that are not strategic to their core businesses or where internal capabilities are lacking, there are indications that the nature of outsourcing may be changing.

Statistics from the *American Banker*/Ernst & Young 1993 Survey of Technology in Banking indicate that banks increasingly favor partial outsourcing, rather than the all-encompassing agreements that were in vogue a few years ago.

"Banks have realized that by outsourcing certain functions or lines of business they can get economies of scale without outsourcing everything and giving up control over their operations or their ability to differentiate themselves to customers," said William T. Gregor, senior vice president, financial services practice, Gemini Consulting Inc., Cambridge, Mass.

The argument in favor of outsourcing remains clear. A bank involved in a number of different lines of business faces the arduous task of developing software and expertise to support each one. Instead, many banks have found they can achieve significant economies of scale by hiring outside firms to handle these tasks for them.

Staying current is another concern. Staffing each operation and stocking it with the latest in technology can be a hefty drag on a bank's bottom line.

Survey results, which cover the 300 largest banks, show that 15% are currently outsourcing all data center operations, a scant increase over 1991.

Outsourcing by line of business, meanwhile, showed stronger growth, including credit cards, mortgages, trust, and automated teller machine support.

This shift in strategy may have to do with the tough lessons of the recent past, when many banks signed long-term contracts with vendors and later regretted it.

"With a lot of outsourcers you get the plain-vanilla version," said Fred Gronbacher, senior vice president of operations at Pittsburgh-based PNC Bank Corp. "Your flexibility is restricted when you outsource anything."

Given that perspective, a bank may be reluctant to sign away control of its data center, even with the prospect of large cost savings. Instead, banks are outsourcing bits and pieces.

One institution that maintains such a mix-and-match strategy is Republic New York Corp.

"For a major financial institution outsourcing everything would be a mistake and would create an uncomfortable situation," said John M. Scopaz, president of Republic Information and Communication Services, the bank's technology arm.

The $37 billion-asset bank is no stranger to outsourcing. Republic has been outsourcing data processing of its retail banking area to Systematics Information Services Inc., Little Rock, Ark., since 1982.

More recently, the bank enlisted Electronic Data Services, Plano, Tex., to operate its national telecommunications and network management services.

PNC has blazed a similar trail with regard to outsourcing. The $51.1 billion-asset bank has turned over its mortgage processing tasks to Computer Power Inc., Jacksonville, Fla.

"We will only outsource areas we consider to be nonstrategic and noncritical components of the bank," Mr. Gronbacher said.

Customer satisfaction also is a hurdle that some vendors have traditionally had trouble clearing.

While bankers are generally loath to call an outsourcing decision a mistake, they are equally unwilling to express complete satisfaction with their vendor arrangements.

"We're moderately satisfied with our agreements," Mr. Gronbacher said.

The survey indicates that just 10% of those outsourcing were "very satisfied" with the cost savings realized from their agreements, while 7% were "very dissatisfied."

In the area of new enhancements, slightly more banks were dissatisfied than satisfied, with 6% "very dissatisfied" and 5% "very satisfied."

Republic places itself in the satisfied group. While the bank has no immediate plans to hire out other processing functions, Mr. Scopaz said it would probably stick with Systematics and EDS.

"We're not looking to expand the scope of companies in the future," he said.

With a cooler business climate, vendors have had to pay closer attention to the diverse needs of their clients.

"In the last couple of years we've been pretty flexible in making contracts," said Coley Clark, corporate vice president and group executive at EDS. "We've done a lot of readjusting on the fly."

Systematics has taken a similar tack. "We're positioning ourselves to be able to offer a variety of services, from complete to one application at a time," said Doris Krain, a vice president.

Computer Power Inc. also is on the bandwagon. According to Linda Simmons, executive vice president, the vendor has come up with systems that provide for continuous updating, to take advantage of future hardware and software innovations.

There also are banks which have paid little heed to outsourcing's naysayers. Perhaps the best example is Continental Bank Corp., Chicago, which raised eyebrows three years ago when it outsourced all of its information technology processing to Integrated Systems Solutions Corp., a subsidiary of International Business Machines Corp.

Prior to that arrangement, the $22 billion-asset bank outsourced its legal operations, internal auditing, warehouse, courier service, building administration, and cafeteria.

Continental seems to have no problem entering into long-term agreements with vendors either. The bank's contract with ISSC is for 10 years.

"Our search for outsourcing has been for efficiency, better quality of service, and to save money," said Richard L. Huber, vice chairman. "We know that concerns have been raised about the loss of control when you outsource everything but we looked for a firm who could do the job. We matched up cultures and figured out who could do the job."

Hibernia Corp., New Orleans, is another institution which has found reasons to go the outsourcing route. Hard times in 1991 put the bank on the lookout for ways to cut costs and improve efficiency.

The $4.6 billion-asset bank hired ISSC to manage its mainframe systems and handle deposit-account and loan processing. M&I Data Services handles trust processing.

"For us it's a cost issue but the question is do you have the faith that the deliverer of the products will keep it current and deliver you the service that's going to enhance your services or damage your services? We're comfortable," said Kirk Domingos, executive vice president.

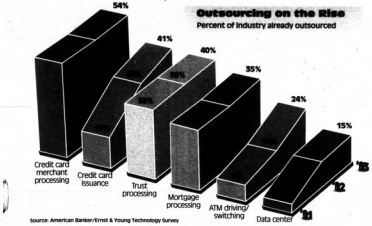
There also are banks looking to get in on the outsourcing action. Survey results indicate that 75% of banks offer some type of outsourcing service.

Los Angeles' First Interstate Bancorp, for example, offers corporate cash management and treasury services to other banks. "We offer these services as a full service bank to our downstream correspondents," said Jan Cloyde, executive vice president.

Also offering cash management services to other banks are Citicorp, Chase Manhattan, CoreStates Financial Corp., and Mellon Bank Corp.

With lean and mean looking increasingly like the shape for the 1990s, banks are likely to continue to tap the skills of third party providers.

"With outsourcing becoming a more attractive means to do what banks need to do, banks should increasingly look for it," said Mr. Gregor. □



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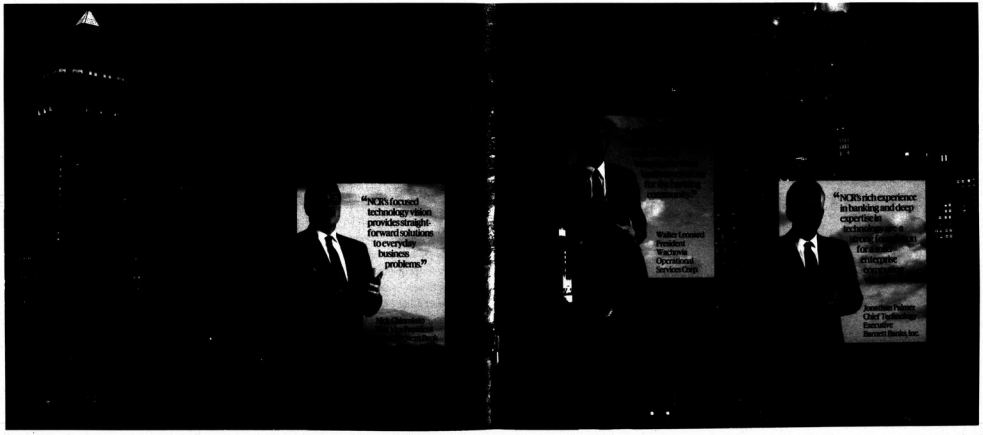

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Outsourcers Are Getting More Action, Picking Their Spots

BY WILLIAM PESEK JR.

WITH ONE EYE ON cost cutting and the other on the latest technology, bankers are increasingly looking to outside firms to handle at least some portion of their information processing burden.

While many banks have tapped the resources of outside vendors to augment areas that are not strategic to their core businesses or where internal capabilities are lacking, there are indications that the nature of outsourcing may be changing.

Statistics from the *American Banker*/Ernst & Young 1993 Survey of Technology in Banking indicate that banks increasingly favor partial outsourcing, rather than the all-encompassing agreements that were in vogue a few years ago.

"Banks have realized that by outsourcing certain functions or lines of business they can get economies of scale without outsourcing everything and giving up control over their operations or their ability to differentiate themselves to customers," said William T. Gregor, senior vice president, financial services practice, Gemini Consulting Inc., Cambridge, Mass.

The argument in favor of outsourcing remains clear. A bank involved in a number of different lines of business faces the arduous task of developing software and expertise to support each one. Instead, many banks have found they can achieve significant economies of scale by hiring outside firms to handle these tasks for them.

Staying current is another concern. Staffing each operation and stocking it with the latest in technology can be a hefty drag on a bank's bottom line.

Survey results, which cover the 300 largest banks, show that 15% are currently outsourcing all data center operations, a scant increase over 1991.

Outsourcing by line of business, meanwhile, showed stronger growth, including credit cards, mortgages, trust, and automated teller machine support.

This shift in strategy may have to do with the tough lessons of the recent past, when many banks signed long-term contracts with vendors and later regretted it.

"With a lot of outsourcers you get the plain-vanilla version," said Fred Gronbacher, senior vice president of operations at Pittsburgh-based PNC Bank Corp. "Your flexibility is restricted when you outsource anything."

Given that perspective, a bank may be reluctant to sign away control of its data center, even with the prospect of large cost savings. Instead, banks are outsourcing bits and pieces.

One institution that maintains such a mix-and-match strategy is Republic New York Corp.

"For a major financial institution outsourcing everything would be a mistake and would create an uncomfortable situation," said John M. Scopaz, president of Republic Information and Communication Services, the bank's technology arm.

The $37 billion-asset bank is no stranger to outsourcing. Republic has been outsourcing data processing of its retail banking area to Systematics Information Services Inc., Little Rock, Ark., since 1982.

More recently, the bank enlisted Electronic Data Services, Plano, Tex.,to operate its national telecommunications and network management services.

PNC has blazed a similar trail with regard to outsourcing. The $51.1 billion-asset bank has turned over its mortgage processing tasks to Computer Power Inc., Jacksonville, Fla.

"We will only outsource areas we consider to be nonstrategic and noncritical components of the bank," Mr. Gronbacher said.

Customer satisfaction also is a hurdle that some vendors have traditionally had trouble clearing.

While bankers are generally loath to call an outsourcing decision a mistake, they are equally unwilling to express complete satisfaction with their vendor arrangements.

"We're moderately satisfied with our agreements," Mr. Gronbacher said.

The survey indicates that just 10% of those outsourcing were "very satisfied" with the cost savings realized from their agreements, while 7% were "very dissatisfied."

In the area of new enhancements, slightly more banks were dissatisfied than satisfied, with 6% "very dissatisfied" and 5% "very satisfied."

Republic places itself in the satisfied group. While the bank has no immediate plans to hire out other processing functions, Mr. Scopaz said it would probably stick with Systematics and EDS.

"We're not looking to expand the scope of companies in the future," he said.

With a cooler business climate, vendors have had to pay closer attention to the diverse needs of their clients.

"In the last couple of years we've been pretty flexible in making contracts," said Coley Clark, corporate vice president and group executive at EDS. "We've done a lot of readjusting on the fly."

Systematics has taken a similar tack. "We're positioning ourselves to be able to offer a variety of services, from complete to one application at a time," said Doris Krain, a vice president.

Computer Power Inc. also is on the bandwagon. According to Linda Simmons, executive vice president, the vendor has come up with systems that provide for continuous updating, to take advantage of future hardware and software innovations.

There also are banks which have paid little heed to outsourcing's naysayers. Perhaps the best example is Continental Bank Corp., Chicago, which raised eyebrows three years ago when it outsourced all of its information technology processing to Integrated Systems Solutions Corp., a subsidiary of International Business Machines Corp.

Prior to that arrangement, the $22 billion-asset bank outsourced its legal operations, internal auditing, warehouse, courier service, building administration, and cafeteria.

Continental seems to have no problem entering into long-term agreements with vendors either. The bank's contract with ISSC is for 10 years.

"Our search for outsourcing has been for efficiency, better quality of service, and to save money," said Richard L. Huber, vice chairman. "We know that concerns have been raised about the loss of control when you outsource everything but we looked for a firm who could do the job. We matched up cultures and figured out who could do the job."

Hibernia Corp., New Orleans, is another institution which has found reasons to go the outsourcing route. Hard times in 1991 put the bank on the lookout for ways to cut costs and improve efficiency.

The $4.6 billion-asset bank hired ISSC to manage its mainframe systems and handle deposit-account and loan processing. M&I Data Services handles trust processing.

"For us it's a cost issue but the question is do you have the faith that the deliverer of the products will keep it current and deliver you the service that's going to enhance your services or damage your services? We're comfortable," said Kirk Domingos, executive vice president.

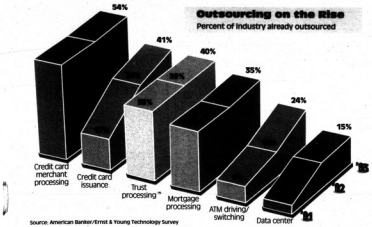
There also are banks looking to get in on the outsourcing action. Survey results indicate that 75% of banks offer some type of outsourcing service.

Los Angeles' First Interstate Bancorp, for example, offers corporate cash management and treasury services to other banks. "We offer these services as a full service bank to our downstream correspondents," said Jan Cloyde, executive vice president.

Also offering cash management services to other banks are Citicorp, Chase Manhattan, CoreStates Financial Corp., and Mellon Bank Corp.

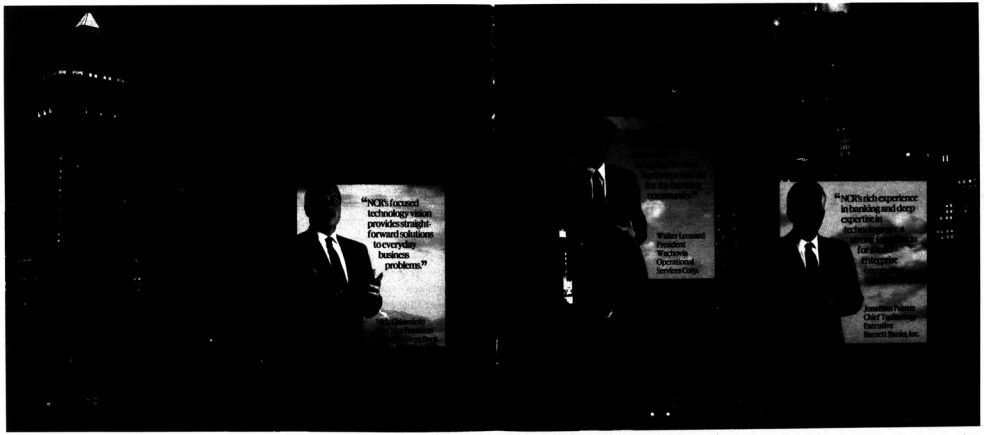
With lean and mean looking increasingly like the shape for the 1990s, banks are likely to continue to tap the skills of third party providers.

"With outsourcing becoming a more attractive means to do what banks need to do, banks should increasingly look for it," said Mr. Gregor. □



NCR's Financial Enterprise Architecture.

Delivering Business Solutions Across The Enterprise.



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The Back Office: Systems

WHAT TECHNOLOGY project will you spend the most on this year?



CHARLES L. PEDERSEN
Executive vice president
Union Bank
San Francisco

UNION BANK'S TECHNOLOGY
spending plans are consistent with those of previous years and reflect increased employment of technology to produce cost, product, service, and risk management benefits. Our consistent strategy is to find increased central and end-user efficiencies to fund technology investments. Increasingly, end-user efficiencies are justifying investments.

Specific investment areas in the next 12 to 18 months include reengineering commercial and consumer loans and deposit-related servicing, using PC/LAN technology; employment of image technologies; and greater investments in telecommunications services, digital telephone services, and a standard customer interface. ■



TED PETERS
Chief executive officer
National Bank of the Main Line
Wayne, Pa.

WE'RE INVESTIGATING A CASH
management system. We've just begun the investigation process, so I don't yet know what the price tag will be.

We're doing this because it's another way to serve our small-business customers. We want to offer sweep accounts and other cash management services that up until now have been available only to larger corporate customers. We perceived a need for this service among small businesses with sales of up to $5 million, and we intend to fulfill that need. ■



GORDON S. CRIMMINS
Senior vice president
NBD Bancorp
Detroit

NBD BANCORP'S LARGEST
technology expenditure in the next year will be upgrading our mainframes. We're just powering up to provide better response time and to anticipate an increase in volume. This will affect the retail areas the most, as we consolidate the primarily retail-oriented banks we acquired last year and standardize our product lines throughout the NBD franchise. ■

How ArgentBank is exceeding customer expecta

EDS

"EDS helps us give our customers services they might not expect from a small community bank," says Randall E. Howard, president and CEO of ArgentBank, formerly First Interstate Bank of Southern Louisiana. "Our customers are delighted. And so are our shareholders. Our stock soared from $48 to $89 per share in its first nine months on the NASDAQ.

"With EDS, we can offer services that customers frequently expect to find only at much larger banks. Services such as overdraft protection, automated deposit validation and a preapproved credit line activated by simply writing a check. EDS has also helped us better manage rapid growth due to mergers, without disrupting customer service. And they continue to help us better manage costs. For example, in one of our departments they provided us with a way to cut labor costs by more than 200 percent.

"Information technology from EDS is definitely one of the most important tools we have."

Information technology can be a powerful tool for your business, too. EDS is the world leader in applying information technology. To learn how we can help you, write to EDS, Financial Industry Group, Marketing, 5400 Legacy Drive, B5-2B-15, Plano, TX 75024. Or call us at (800) 433-4055.

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RICHARD C. TUCKER
Chairman
Tri-State Bank
Denver

WE'RE PUTTING PERSONAL
computers at all our teller stations so that the branch employees can call up customer files directly from the mainframe. We're also upgrading our mainframe.

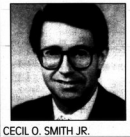
Our technology expenses for the bank this year, including software, will be around $200,000, which is about 7.4% of our entire budget. ■



AL GULA
Executive vice president
Society Corp.
Cleveland

OUR BIGGEST PROJECT THAT WILL BE
completed this year is the automation of our customer service area. We've been developing a customer service system that supports voice response, but also provides the customer service representatives with the historical account information they need to answer customer queries.

All of this is being rolled out under our new "quality" banner. The initial rollout will be on the retail side, but by next year this system will also support trust, commercial, and all our other lines of business. ■



CECIL O. SMITH JR.
Senior vice president
Wachovia Operational Services
Winston-Salem, N.C.

IN 1993, WE'RE CONTINUING OUR
normal trend in making investments in our technology infrastructure and delivery of our technology. Our biggest investment will be in systems development.

These investments, including client-server systems and imaging applications, will be used across all lines of business: trust, corporate, retail, mortgages, bank cards, and operations. ■



PETE DYKEMA
Senior vice president
Norwest Technology Services
Minneapolis

OUR BIGGEST TECHNOLOGY
spending project is platform and branch automation. We are putting more power and more information on the personal computers our tellers, branch employees, personal bankers, and customer service representatives use. We are rolling out new software and getting rid of our old dumb terminals and instead using PCs linked to the mainframe.

The new system will be friendly and helpful to the users. It will assist our branch personnel in increasing sales, because with the information they will have in front of them, they will be able to play what-if games and help the customer figure out what he or she needs. ■

"EDS helps our small town bank

tions and carving out a profitable market niche.

offer customers big city services."

—Randall E. Howard, President, CEO, ArgentBank
A $540 million regional financial institution
Thibodaux, Louisiana

Viewpoint

Make the Vendor Your Partner to Succeed with Outsourcing

BY RICHARD K. CRONE

IN AN EFFORT to reduce costs and improve use of technology, many banks are turning to outsourcing – contracting with an external firm to assist with daily data processing activities. While outsourcing can be of substantial benefit and convenience to a bank, it does not relieve a financial institution of its innate responsibility to manage its information technology.

Successful outsourcing involves a partnership between the bank and the contractor organization. The arrangement should meet the long-term information needs of the bank, but not at the expense of letting the outsourcer dictate the bank's technological direction.

To achieve this balance, the bank's senior management – as well as the operations management responsible for the actual outsourcing conversion – must be committed to a new set of individual performance standards and evaluation criteria.

These should focus on three areas:

- Prerequisites for successfully converting to outsourcing.
- Service level requirements for meeting the bank's data processing needs.
- Development of technological plans that support the strategic business direction of the bank.

Outsourcing is an inherently risky strategy. To mitigate this risk, banks should develop detailed project plans outlining the entire conversion process. Such plans should detail the tasks, resources, work effort, time frame, dependencies, and milestones required to successfully convert to outsourcing.

A product of the conversion planning process should be standard documentation that includes such items as:

- Detailed tasks – duration, work effort, resources, and dependencies.
- Start and stop times for the major phases or functional categories of the conversion.
- Tasks by week – activities that must be started or finished in a given week to keep the conversion on schedule.
- Milestones – benchmarks identified by responsible individuals, including the completion date.

Savvy negotiators develop the detailed project plans before entering contract negotiations, and also insist on linking the conversion plan and its into individual performance plans.

This action will not only motivate staff to complete critical conversion activities, but also provide management with ownership of the conversion inside the bank.

Conversion plan items that would typically be incorporated into the operation manager's individual performance plan include:

- Gaining agreement from the user departments, vendor, and other parties as to the resource requirements, time commitments, and milestones specified in the conversion plan. Adherence to the conversion plan's milestones and critical completion dates can provide measurable criteria for the operations manager's performance plan.
- Collecting from each department an idea of what it expects from the vendor and facilitating the agreement of those capabilities in the contract between the bank and the vendor.
- Reviewing, documenting, and gaining user department agreement on operational changes needed to take full advantage of new system features.

Use of an outsourcing firm does not eliminate the bank's responsibility to meet its service level requirements

critical milestones to tough penalties for inadequate performance. This provides the vendor with a monetary incentive for a successful conversion.

Management should also offer incentives to key members of the bank's conversion team by incorporating those same critical conversion activities



Richard K. Crone

If productivity improvements are anticipated, the quantitative improvements should be specified in the user department and operations manager's individual performance plans.

- Developing training programs for the operational changes necessitated by outsourcing and planning a training schedule. To quantify performance in this area, the measurable items can be the training schedule itself, attendance records for the training sessions, and policy and procedural changes to the organization's set of user documentation.
- Developing and using test scripts, bank control records, and software acceptance tests. These tests are needed to verify system integrity before, during, and after the outsourcing conversion. Again, to quantify performance in this area, the measurable criteria can consist of the published test scripts and audited use of these materials during the development and implementation phase.

The most important measurement, however, is successful completion of the outsourcing conversion.

Achievement of this criterion should be rewarded by a significant bonus for the operations manager, as well as for the staff responsible for the conversion.

The riskiest part of outsourcing is the uncertainty that surrounds meeting the bank's data processing service levels. Outsourcing, by its very nature, implies reliance on the outside supplier. However, use of the outsourcing strategy does not eliminate the bank's responsibility to meet its service level requirements. Management cannot simply point a finger and blame the outsourcer for nonperformance.

As noted earlier, the most successful outsourcing relationships are approached as partnerships. As with any partnership, incentives for performance should be applied to all parties involved in the outsourcing relationship.

Once again, savvy negotiators develop a detailed list of service level requirements and insist that the vendor's preprinted contracts be modified to include them. This same list of requirements can be used to enhance motivation inside the bank, by incorporating major items into the performance evaluation plan of the operations manager.

Elements to be incorporated into the operations manager's individual performance plan include:

- Delivery to the user departments the functional commitments they specified.
- Tracking of such key measures as system up-time, terminal response time, and related matters to ensure fulfillment of contractual service levels.
- Tracking problems and solutions to those problems: keeping a log of problem notification, steps taken to address the problem, and date the problem was solved.
- Responsibility for developing, scheduling, and ensuring attendance at training programs. (As with the conversion, training is important in maintaining operational proficiency for the line staff with the new system.)
- Report production and on-time distribution of reports. This includes the many standard daily reports that the bank relies on for operation, as well as the specification, development, and turnaround time needed to deliver custom ad hoc reports requested by management.

Because successful outsourcing is a partnership, the bank must continually work with its outsourcing vendor in charting the bank's technological future. The best way to accomplish this is to make the operations managers responsible for jointly developing the technology plan with the outsourcing partner.

Examples of observable criteria that senior management can apply to the operations manager's individual performance plan include:

- Scheduling, conducting, and documenting annual technology assessments with the outsourcing vendor. This assessment should be a department-by-department review. The objective is a functional-capabilities audit to determine the level of proficiency with the

The bank must continually work with its outsourcing vendor in charting its technological future

current system, enhancements needed to improve productivity or customer service, and future training requirements. Including the operations manager in the loop will ensure that the audit is completed in a high-quality fashion.

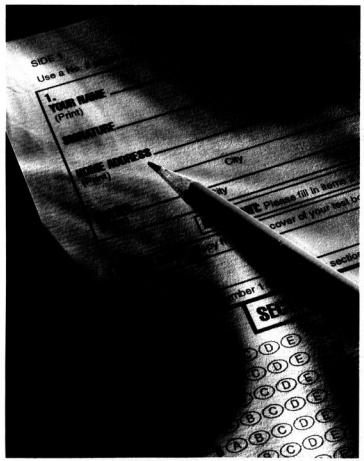
- Conducting an annual user-satisfaction survey. Completing such a survey and reporting the results to senior management is an easy, verifiable way to gauge the operations manager's performance. After all, the ultimate measure of how well the outsourcing vendor is managed is the perception by end-users of the system's worth.

Outsourcing a company's data processing functions requires the same vigorous effort and continued management of any critical outside supplier relationship.

Too often, however, banks will outsource with the intent of fully delegating the responsibility of information technology to an outsider, and will wash their hands of any data processing responsibility. This is a very risky approach that can put the bank at a competitive disadvantage.

The best way to ensure effective use of an outsourcing vendor is to incorporate key performance evaluation criteria into your operations manager's personal annual performance evaluation and review. When operations managers have some skin in the game, they are more likely to act as a motivating partner with the outsourcing vendor. □

Mr. Crone is a senior manager in KPMG Peat Marwick's financial institutions group, in Los Angeles. He specializes in evaluating, selecting, and implementing information systems and outsourcing services for banks, thrifts, and credit unions.



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*[*Service After The Sale]*

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The Back Office: Systems

Industry Picks Up Technology Spending as Outlook Improves

Continued from page 1A

and a number of other systems development efforts, including branch automation, "file folder" imaging systems, and the implementation of artificial intelligence in the lending area.

"All expenses other than equipment are flat to down," said Mr. Gronbacher. "The investment in automation pushed us beyond our normal growth pattern."

Still, personnel remains the single biggest line item in most technology departments. According to the study, 37% of the typical bank technology budget pays employee salaries and benefits, 28% is allocated to hardware, 11% goes to voice and data communications, 10% to software, and 7% to external services.

However, consolidation within the industry may soon change those ratios. That is occuring at Banc One Corp., the Columbus, Ohio-based holding company that is often viewed as the model of the acquisitive institution, taking over banks and converting them to common products and systems.

Reports of the demise of the mainframe, if not greatly exaggerated, were at least premature

"Our central computing resources, CPUs and related storage, are growing at a 20% to 30% annual rate. But there is less staff required as we convert to common systems," said Dale Terrell, senior vice president of information services at Banc One Services Corp., the technology arm of the $70 billion-asset bank.

The demand for both mainframe and desktop computing power continues to grow at financially sound larger banks such as PNC and Banc One. It seems that reports of the demise of the mainframe, if not greatly exaggerated, were at least premature. "Our legacy systems will be around for quite some time," said Mr. Gronbacher of PNC.

Mainframe costs are being mitigated somewhat by changes in the fees that International Business Machines Corp. charges for its mainframe operating systems. Previously, the annual cost of a given operating system license was based on the size of the computer on which it ran.

"IBM has reversed that trend. The pricing is much less onerous and has resulted in a substantial cost reduction," said Mr. Gronbacher.

Personal computers are another story. Prices on PCs, software, and peripherals continue to drop, and banks are adding such equipment at a substantial rate. PNC, with about 7,000 PCs installed, will probably add 2,000 or 3,000 PCs this year, according to Mr. Gronbacher.

At Banc One, the deployment of PCs is often driven by projects within the various business units. Mr. Terrell said PCs and local area networks are currently being added in lending operations, finance operations, and mortgage origination.

"Personal computers and local area networks are almost a hidden cost, because they are not as centrally controlled," said Mr. Terrell of Banc One. He estimates the PC and LAN count within Banc One is growing at a 25% annual clip.

This year, for the first time since 1990, technology spending will outpace inflation

"There is a realization that we need to manage and control that growth," Mr. Terrell added.

As part of that effort, Banc One has begun negotiating enterprise licenses for PC software. Instead of buying hundreds of individual copies of Microsoft Windows or Lotus 1-2-3 through retail channels, the bank pays a single fee directly to the vendor for the use of a given software program.

"You're going to see a lot more of those," predicts Mr. Terrell.

Even with tighter controls, the industry has a problem identifying exactly where its dollars are being spent. The study shows that on a line-of-business basis, 21% of the technology dollars fund retail deposit gathering and accounting.

This year's survey added a new line item, "shared infrastructure/unallocatable." That was the second-most-popular response to the spending by line-of-business question, at 16%, followed by consumer lending, trust, capital markets/treasury, corporate lending, and cash management.

"That figure shows how difficult it is to allocate expenses accurately," noted Greg Schmergel, a Tower Group vice president who worked on the study.

"On a given project, of course, there is an effort to determine who is the sponsor, where the ownership lies," said Mr. Terrell. "In situations where that isn't possible, those expenditures have to be approved by the executive committee and the CEO."

Bankers are also trying to get a better handle on product profitability. More than 40% of all banks surveyed can measure profitability by line of business, 37% measure branch profitability, 32% measure by product, and 24% can measure customer profits.

PNC, for example, has been involved in a joint development effort with one of its applications software vendors, Hogan Systems Inc. of Addison, Tex., to develop profitability analysis system.

"We can analyze the data in a number of ways – by product, by market, by customer – moving it around like a Rubik's Cube," said Mr. Gronbacher. "We can move around our markets and look at them differently."

Another new technology attracting attention is file-folder imaging. Bankers have been discussing the use of imaging for more than a decade, and there are a handful of banks using image-based check processing systems.

But file-folder imaging takes another step closer to the mythical "paperless office." PNC plans to test the concept in one or more lending applications.

"With file-folder imaging, the thinking is, don't create it [paper] in the first place, do everything electronically," said Mr. Gronbacher. "If paper is created, it should only be handled once, to be scanned into the system."

With all signs pointing to a resurgence in bank technology spending and development projects, there are some who feel banks might have loosened the purse strings a bit too quickly.

"I think the crux of the issue is that the pace of change within the industry has been slowed by the narcotic effect of the highest net interest margins in recent history," said Z. Christopher Mercer, president of Mercer Capital Management, a Memphis-based firm that specializes in valuing financial institutions and an author of a book on the subject.

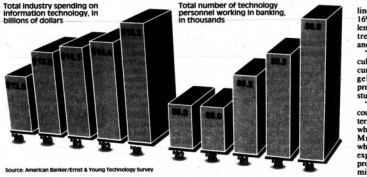
Mr. Mercer recently published an analysis of the financial results of all commercial banks. His findings: Personnel expenses and noninterest operating expenses continue to rise within the industry, meaning that expected gains in efficiency from mergers and "re-engineering" projects have not yet been realized. In addition, most banks have failed to implement what Mr. Mercer calls "an across-the-board focus on profitability."

As a result, he concludes, the fundamental position of the industry has not improved markedly since 1989.

"When I put it all together, I was really surprised at the state of the industry," Mr. Mercer concluded. "I thought it had made more progress."

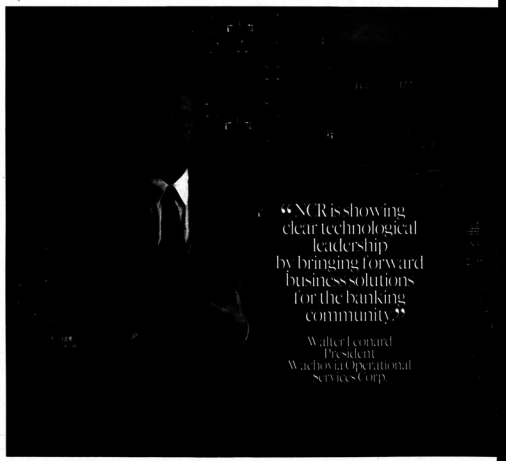
With spending and employment back on the rise, the bank technologists may be feeling more sanguine after the back-office bloodletting that marked the early part of the 1990s. But it may also be a brief respite if the industry is whacked again by a slumping economy. □

Turnaround: Technology Spending And Jobs Picture Healthier



Source: American Banker/Ernst & Young Technology Survey

NCR's Financial Enterprise Architecture.



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Walter Lomard
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NCR System Automates Delinquent-Loan Process

NCR's Data Services Division introduced a Windows-based software system to automate and simplify the collection of delinquent loans for financial institutions.

Designed for community banks, credit unions, and collection agencies, the PC-based system has a one-time license fee ranging from $4,500 for one user to $12,000 for six to nine concurrent users.

Users log all telephone contracts, promises made, and actions into the system. It provides a follow-up mechanism that automatically flags all delinquent customers. For users with modems, the system will automatically dial telephone numbers and indicate in the message area that the collector has attempted a call.

NCR has its headquarters in Dayton, Ohio.

Encryption Unit For Homes Tested

Ised Corp. is currently testing a security encryption device that allows consumers to perform credit, debit, and other transactions from existing home telephones.

The compact unit is designed with a key pad and card swipe. By attaching it to a telephone, consumers can transact business from their homes by swiping the credit, debit, or speciality card through the device and entering a personal indentification number. It can also be used from personal computers.

Initial applications include home banking services such as bill payment, funds transfer, balance inquiry, and credit payments. Eventually, the company expects to incorporate the device into screen-phones and interactive television equipment.

The product is scheduled to be released by the third quarter and will be priced less than $50. Design and engineering are being done for Ised by Nisobrara Research and Development Corp., a Joplin, Mo.-based company that specializes in encryption systems.

Electronic Financial and Information Services, a Clifton, N.J.-based division of Electronic Data Systems Corp., is currently establishing processing standards and procedures. The company will be the initial processor, using open industry architecture.

Based in Howell, N.J., Ised Corp. is active in on-line banking, audiotex, videotex, and telecommunications.

Claims Module By Stockholder

Stockholder Systems Inc., a Nynex company based in Norcross, Ga., released QuickClaim, an electronic data interchange module for its mortgage foreclosure claims software. The program helps lenders prepare, submit, and collect Department of Housing and Urban Development claims electronically.

Brandt Unit Finds Counterfeit Bills

Brandt Inc. introduced a new currency counter that counts and verifies bills in one high-speed pass. The unit uses a combination of adaptive inspection and magnetic ink sensing to identify counterfeit bills.

The Model 8643 currency counter operates as a stand-alone unit or interfaced to Brandt's cash settlement system. It is priced between $2,270 and $2,635.

Brandt Inc., is located in Bensalem, Pa.

Cash Management Aid from BankLink

BankLink Inc., a service bureau subsidiary of Chemical Banking Corp., released a cash management customer support system. The PC-based system provides a bank's back office staff with access to critical customer and service performance data. Representatives can handle customer setup and reporting; support for depository transfers, automated clearing house transactions, stop payments, and internal transfers; customer communications including electronic mail, surveys, and mailing list generation; management information reporting; and customer invoicing.

Software Checks Loan Compliance

RCG Information Technology has released Clouds – a comprehensive loan origination, underwriting, and determination system. Using artificial intelligence, the software can apply thousands of rules to a mortgage application to determine if mortgages are meeting federal and state policies. The key lies in the single point of entry for all data, which can then be manipulated against thousands of set rules and regulations. The system will support more than 600 standard forms and can generate custom reports.

The front end runs on any Windows-based personal computer. On the back end, the software runs on multiple platforms from Netware, Windows NT, Unix, and OS/2.

The automatic credit interface is priced at $30,000; for the artificial intelligence determination system, the price is $75,000.

RCG Information Technology, a $500,000-asset software consulting firm, is a wholly owned subsidiary of RCG International Inc., New York.

Module Measures Profitability

Treasury Services Corp., a consulting and software firm based in Santa Monica, Calif., released a reporting module for its Treasury Services Evaluation and Reporting software system designed to measure the profitability of business units, products, and customer segments. For financial managers, the module combines reporting functions with cost allocation capabilities to link general ledger, statistical, and customer account-level data.

The module is available under Windows and is being adapted for the Windows NT environment and client/server configurations.

Lockbox System's Images Enhanced

ImageScan Inc. has enhanced the image quality of documents used in its wholesale lockbox processing system. The company's Image Optimizer uses gray scale processing, which upgrades the readability of check images, especially ones that use colored ink or graphic backgrounds.

The system operates on Unisys check transports and a network of personal computers. The price starts at $7,500.

ImageScan is based in Lanham, Md.

ACT Digs Software For Workstations

ACT Financial Systems has released a version of its analytical software for traders, asset liability managers, and treasurers that can be used on Unix platforms run on the Sparcstation 10 workstation from Sun Microsystems Inc., Mountain View, Calif. The software had been available only for personal computers.

ACT Financial Systems Inc., a division of ACT Group, is based in London, with U.S. headquarters in New York.

Cash Management Link For Customers

Learned-Mahn Inc., Boise, Idaho, introduced a product that allows bankers to electronically deliver cash management services to customers. Called Bank-on-It, the software system is PC-based. It links banks directly with customers, who can perform a variety of tasks from their personal computers. The modular system includes such services as balance and statement reporting; automated clearing house, wire transfer, and electronic tax payment; and automated account reconciliation. Businesses can choose either a Windows or DOS-based system.

Capture-and-Fax Press Continental

Chicago-based Continental Bank, one of the country's leading treasury management banks, has teamed up with Data Management Products Inc. of Omaha to develop an image-based check capture and fax system.

The system, called Check-Fax, uses a personal computer and an NCR image processor. It automatically scans checks and drafts into the computer, validates the magnetic ink character recognition line, stores both the MICR line and check images, creates a data base of the images, and formats them for display and faxing.

Using Microsoft Windows and a mouse, bankers can call up the stored images on the PC and highlight the ones they want to fax. The system then dials the client's fax number and sends both a cover page and the images.

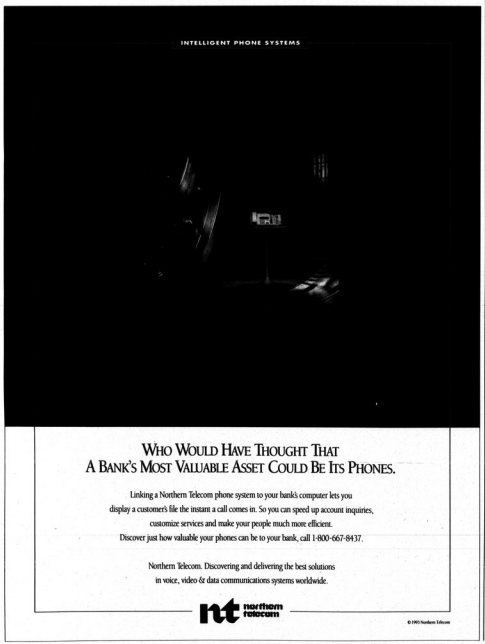
Data Management Products is a subsidiary of First National of Nebraska Inc., a bank holding company with more than $3 billion in assets.

Voice Automation For Credit Unions

Intervoice Inc. of Dallas introduced a turnkey voice automation system specifically designed for credit unions. The system automates member inquiries – for share, money market, CDs, IRAs, loans, and bank card accounts – that are more typically answered by a customer service representative.

Members can obtain account information such as balances, direct and nondirect deposit status, ATM transactions, withdrawals, dividends paid, automatic payments, interest paid to the account and accumulated on overdraft balances. Members can also calculate payments for loans.

Features such as a hearing impaired capability, speech recognition, and fax may be added to the standard system. Pricing for the basic system begins at $30,000. □



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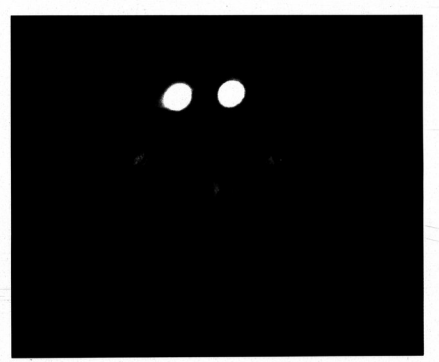

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Contracts

Mellon Chooses System From Worth Information

Pittsburgh-based Mellon Bank has selected customer data base software from Worth Information Inc.

Terms of the agreement were not disclosed.

Using the new system, customer information can be distributed bankwide at $31 billion-asset Mellon. The system does not replace the main customer information files. It combines customer and account data from all of the bank's existing application systems to provide specific information about customer relationships, profiles, and profitability.

The system runs on standalone DOS PCs and on Unix and Novell servers in a distributed network environment.

Worth Information Inc. is based in Minneapolis.

Warwick Savings Going with Bisys

Bisys Group Inc. of Houston signed a multiyear outsourcing agreement with the Warwick Savings Bank, Warwick, N.Y. Bisys will provide data processing services for Warwick, which has $215 million of assets.

Scheduled for conversion this summer, Warwick will install management systems for finance, marketing, sales, reporting, and commercial lending. The bank also plans to implement the Bisys PC-based branch automation system.

Pacific Western, Redwood Ink Pact

Redwood Empire Bancorp signed an agreement to license electronic banking software to Pacific Western Bank, a $1.1 billion-asset institution based in San Jose, Calif.

Under terms of the agreement, Pacific Western Bank will market the software to its corporate customers and Redwood will receive a percentage of the monthly revenue. The software is a cash management tool that allows corporate cash managers or small-business owners to make inquiries about the status of their loans and deposits and transfer funds through their own personal computers.

The software was developed by Redwood Empire Datacorp. Redwood has been using the software in-house for eight years. Redwood Empire Bancorp is the holding company for National Bank of the Redwoods and Allied Savings Bank FSB. The company, based in Santa Rosa, operates throughout Northern California.

Virginia Bankers Give Mellon Boost

The Virginia Association of Community Banks endorsed Mellon Bank's Network Services Group as the ATM processor of choice. Mellon expects the endorsement to triple the size of its customer base in Virginia, where the company currently provides processing for more than 40 community banks, savings institutions, and credit unions.

The association, based in Richmond, will endorse Mellon to any of its 100 members who are evaluating processors for new or existing ATM programs. Mellon already serves 20 banks in the association.

The bankers' group is a lobbying organization and provides educational programs on behalf of its members.

Mellon Network Services Group provides ATM and merchant card processing to more than 700 financial institutions in 30 states. It is a subsidiary of Mellon Bank Corp., Pittsburgh.

Guardian Buys System from SSI

Guardian Mortgage Inc., Richardson, Tex. and Dale Mortgage Bankers Corp., Garden City, N.Y. have purchased optical disk systems from Stockholder Systems Inc. to automate their computerized report facilities. The systems will replace microfiche and computer-generated report distribution, archiving, and retrieval.

Different departments will be able to access centralized reports. Reports that would normally be output to paper or microfiche are instead electronically loaded into a server PC, stored on magnetic or optical disk, and retrieved on the PC screen.

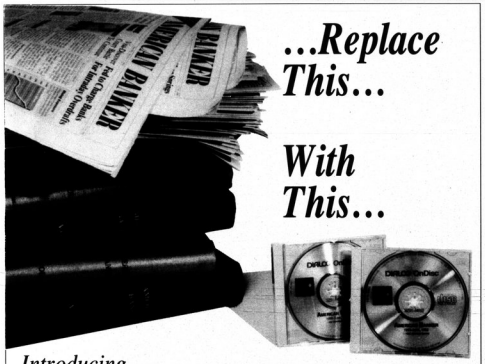
SSI is a Nynex company based in Norcross, Ga.

Arkansas Bank Taps Affiliated

Commercial National Bank, Texarkana, Ark., signed a multiyear electronic funds transfer agreement with Affiliated Computer Services Inc., Dallas.

Commercial National Bank, with assets of $93 million, serves both Texas and Arkansas customers. ACT will provide ATM driving, electronic

Continued on page 24A



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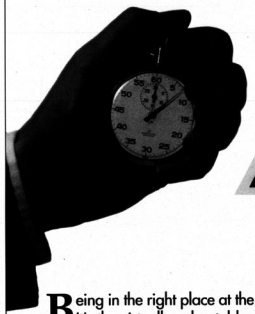

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Contracts

Continued from page 22A

funds transfer, and card services.

Newtrend Wins Service Contracts

Newtrend, a provider of outsourcing and software licenses based in Orlando, signed a handful of service contracts.

A $1.9 million licensing agreement for Newtrend's Infopoint data processing system was signed by Abank Financial Corp., a $3 billion-asset savings bank in Albany, N.Y. The bank will build a data center based on the IBM 9000 series mainframes.

The $175 million-asset First Federal Savings and Loan Association of Thibodaux, La., signed a $1.2 million data processing contract.

Sunburst Bank, a $1.7 billion-asset bank based in Grenada, Miss., signed an in-house contract for the Infopoint collection and professional services system.

Duluth Teachers Credit Union in Minnesota, with $28 million in assets and 8,000 members, signed a software agreement.

Milwaukee-based Aurora Credit Union, with $8 million in assets and 6,000 members, signed a software agreement for the Credit Union Business Environment client-server-based program and a five-year maintenance contract.

2 Missouri Banks Turn to Outsourcer

Outsource Technology L.C. assumes the data processing services of two Missouri institutions: Bank of Jacomo, Blue Springs, and First Missouri Federal Savings and Loan Association, Brookfield. The company will support all deposit, lending, customer information, and financial management functions at both banks.

Outsource Technology, based in West Des Moines, Iowa, is a subsidiary of Financial Information Trust, which sells software for in-house use.

Diebold to Buy Mexican ATM Firm

Diebold Inc. reached an agreement in principle to purchase the majority interest in a Mexican ATM distributor, Hidromex, SA de CV. Terms were not disclosed.

Hidromex, which sells and services ATMs for Interbold, the joint venture between Diebold and International Business Machines Corp., has been Diebold's ATM distributor in Mexico since 1987. The related businesses being acquired also distribute physical and electronic security equipment and Compaq computers.

Diebold said it expects Mexican government approval for the purchase, which should be completed later this year.

Hidromex, based in Mexico City, has annual revenues from ATM sales and services of about $25 million. Over the past three years, the company has sold 3,200 Diebold ATMs in Mexico, capturing more than 80% of that country's total market.

Diebold, based in Canton, Ohio, had revenues of $543.8 million in 1992 and earnings of $41.1 million.

Fleet Installing NCR Line of ATMs

Fleet Financial Group signed a $5 million contract with NCR Corp. for 125 automated teller machines. Fleet is in the process of installing NCR's 5600 series of ATMs in its Massachusetts, Connecticut, and Rhode Island branches. Within the next three months, these ATMs will be installed in Fleet's Maine, New Hampshire, and New York branches.

NCR is based in Dayton, Ohio.

Bank South Picks Brock Activity

Bank South Corp. selected the Brock Activity Manager series to automate its new Teleservices division.

Initially, the system will be used to manage the accounts of the bank's inbound and outbound teleservices. Eventually, applications will include telemarketing and sales modules, which run under the Unix operating system on a 486 processor.

Bank South, based in Atlanta, has assets of $4 billion.

Also headquartered in Atlanta, Brock develops, markets, and supports software products for sales, marketing, and customer service.

CLS Corp. Acquires LeMans Group

CLS Corp., Blue Bell, Pa., has acquired LeMans Group Ltd., King of Prussia, Pa.

CLS is a provider of consumer loan outsourcing and servicing to financial institutions, government agencies, and institutional investors.

The LeMans Group provides leasing software and servicing. LeMans's software products include LeaseMaster II for the processing of consumer vehicle leases and LeasePro II for the management of equipment leasing portfolios.

The merged company will provide outsourcing and servicing, with an emphasis on facilitating the packaging, securitization, and servicing of consumer financial assets. The new corporate headquarters will be in King of Prussia. □

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CRA Overhaul Will Add Bite To Rules' Bark

By CLAUDIA CUMMINS

Reform of the Community Reinvestment Act will create a dramatically different set of rules for banks next year, including a tough new enforcement plan that expands CRA penalties to all banks.

Regulators are preparing to make changes in Community Reinvestment Act enforcement, including one that will make all banks subject to penalties for noncompliance.

As it works now, CRA scrutiny occurs only when a financial institution seeks permission to expand. Regulators – and community activists protesting the application – can delay approval until CRA performance improves.

NEWS ANALYSIS

Speaking to a congressional panel last week, Comptroller of the Currency Eugene Ludwig conceded that this pattern of enforcement has been unfair and uneven.

"Institutions that are not planning to make any corporate applications have, until now, faced almost no consequences for unsatisfactory CRA performance, aside from the public relations," Mr. Ludwig said.

Policy Clarification

To remedy this, new CRA rules will enable regulators to take "credible enforcement action against institutions that have had persistently poor CRA performance," he said.

President Clinton, in conjunction with the release of his community development bank initiative, directed the four bank and thrift regulators last week to reform CRA so that it gives clearer guidance on how institutions will be evaluated, while cutting their paperwork burden.

Three Factors Emphasized

Mr. Clinton asked that examiners put more emphasis on three factors: the volume and geographical distribution of consumer and small-business loans for low-income customers and neighborhoods; the size of investments in community development projects in poorer neighborhoods, and the variety of services and products like counseling and basic banking available to underserved groups.

Mr. Ludwig said he wants the reform process to be a cooperative effort that includes both the banking industry and community groups, in addition to all the regulatory agencies. But the

See **CRA** *page* **17**

INSIDE NEWS

WASHINGTON

THE HOUSE Banking Committee chairman, Rep. Henry B. Gonzalez, is urging Vice President Al Gore to consider combining the bank regulatory agencies. *Page 2*

REGIONAL BANKING

THE RISK of strikes in the auto and steel industries is a wild card in economic prospects for the Midwest, writes economist Diane C. Swonk. *Page 7*

COMMUNITY BANKING

THE MELTDOWN in Alaska's economy changed the banking landscape, leaving four battle-hardened small banks to compete with the giants. *Page 8*

AFTER 3½ YEARS of community reinvestment tie-ups, a group of commonly controlled community banks in Wyoming and Montana plans to merge under one holding company. *Page 8*

MORTGAGES



Barbara Kinney

FANNIE MAE announced guidelines to ease the making of home loans to families with low and moderate incomes. *Page 10*

TECHNOLOGY

CHEMICAL BANKING Corp. will sell its home-banking processing business to MasterCard International. *Page 3*

FINANCE

BANK BONDS are rallying, supported by debt upgrades, strong earnings, and a scarcity of new issues. *Back page*

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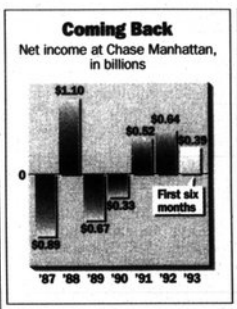


Chase Posts 53% Increase In Earnings

By KAREN GULLO

Chase Manhattan Corp. reported a 53% jump in second-quarter profits on Monday, offering additional evidence of a turnaround in the fortunes of the banking industry.

The New York-based bank company, the nation's sixth largest, said it earned $233 million between April 1 and June 30, its most profitable quarter in 4½ years.

Chase, like many U.S. banks reporting in the past week, attributed the gains to improved asset quality and strong trading profits.

Credit Quality 'Best' News

Nonperforming assets fell $485 million during the first quarter while the bank's provision for possible credit losses was slimmed to $225 million

See **CHASE** *page* **13**

OCC Issues Guidelines On Selling Investments

By BARBARA A. REHM

WASHINGTON — The Office of the Comptroller of the Currency on Monday became the second federal regulator to issue guidelines for bank sales of uninsured investment products such as mutual funds and annuities.

The guidelines, though not carrying the weight of regulations, call on national banks to disclose "conspicuously" that mutual funds are not covered by deposit insurance, that the funds are not guaranteed, and that their principal is at risk.



Like Fed's Instructions

The statement is similar to the instructions that the Federal Reserve Board issued to its regional banks June 17. However, the Office of the Comptroller's guidelines, running to seven pages, go into greater detail yet are more lenient about some aspects of investment product sales.

The agencies have a common goal that banking representatives endorse: to make sure bank customers know what they are buying.

"Banks don't want to jeopardize customer relationships," said Joe Belew, president of the Consumer Bankers Association. "They really want to do this right. The key is making sure people understand what's insured and what's not insured."

The OCC is sending its policy statement to all examiners and the heads of national banks.

The Fed labeled its four pages of guidelines as "interim" and noted that a common policy statement from all the agencies was being developed. It is unclear why the agencies did not wait until they had arrived at a common position. The FDIC has said nothing about its approach to mutual fund sales.

The Fed takes a harder line than the Comptroller's office on which bank employees may sell investment products. Both agencies would bar tellers from giving investment advice, but the Fed said employees who open insured deposit accounts may not sell mutual funds.

The OCC policy permits an overlap but stresses that every bank employee who sells mutual funds must be properly trained and "should disclose this dual

See **OCC** *page* **11**

First Alabama on the Prowl under Mackin

By KENNETH CLINE

J. Stanley Mackin hasn't quite started a revolution, but he has lit a fire under one of the South's most conservative banks.

Since taking over as chairman and chief executive of First Alabama Bancshares Inc. three years ago, Mr. Mackin has coordinated an acquisition binge such as the company hasn't seen since the 1970s. Since 1990, six deals have been consummated, increasing First Alabama's size 45% to $8.1 billion of assets.

Five more deals are pending, including the purchase of a $2 billion-asset thrift that will make First Alabama the largest bank organization – as measured by deposits – in the state.

Growth by Acquisition 'a Line of Business'

"Growth through acquisition is a line of business in this company," Mr. Mackin said.

The Mackin culture reminds some bankers of the company during the 1970s, when it expanded rapidly through acquisitions under the leadership of Frank A. Plummer. Mr. Plummer's successor, Willard L. "Jack" Hurley, slowed the deal flow to a trickle in the 1980s when the bank's data processing systems proved unable to keep up with the pace of expansion.

Mr. Mackin's hard-charging, goal-oriented style

See page **6**



Lewis Kennedy

ONCE STAID First Alabama has experienced 45% asset growth since J. Stanley Mackin took over.

NEWS *briefs*

Electronic Food Stamps Cut Bank Costs

WASHINGTON — Replacing food stamps with an electronic payment system can cut banks' costs substantially, according to results of a two-state test.

The U.S. Department of Agriculture said Monday that the net cost of participating in the food stamp program dropped by $3.17 for each $1,000 of benefits in New Mexico and $5.48 for each $1,000 of benefits in Ramsey County, Minn.

Bank representatives interviewed for the study unanimously said they preferred the automated card-based alternative, known as electronic benefits transfer, or EBT.

"We print more than 2.5 billion food stamp coupons a year," said Agriculture Secretary Mike Espy. "When we move to EBT, we cut down on printing all those coupons, counting all those coupons, and destroying all those coupons. It costs more than $22 million to count, shred, and burn them."

Ahmanson Finishes Selloff of Bad Loans

IRWINDALE, Calif. — H.F. Ahmanson & Co. said it has completed a yearlong effort to clean up its balance sheet by selling $1.2 billion of delinquent and nonaccruing single-family real estate loans.

The parent of Home Savings of America, the nation's largest thrift, said the sale and a $163 million provision for certain real estate development projects will result in a loss of about $290 million for the second quarter.

Richard H. Deihl, chairman and chief executive officer, said Ahmanson will be profitable in the third and fourth quarters and plans to raise $200 million of capital in preparation for future expansion.

After the bulk sale, the $50 billion-asset company's nonperforming assets will equal about 2.04% of total assets, down from a peak of 3.02% in the fall.

Standard Federal to Buy Michigan's Interfirst

TROY, Mich. — Standard Federal Bank said it has completed a definitive agreement to purchase Interfirst Bankcorp of Ann Arbor for $13.65 a share in cash, or $31.2 million.

Interfirst, a thrift company active as a wholesale mortgage bank, has $128 million in deposits and five banking offices.

The $9.8 billion-asset Standard Federal will use Interfirst to expand loan servicing "and enable us to enter into the wholesale mortgage banking business in 25 states," said Thomas R. Ricketts, chairman, president, and chief executive officer.

OTS Approves Capital Plan for Unionfed

BREA, Calif. — Unionfed Financial Corp. said the Office of Thrift Supervision has approved its capital plan and issued a directive that requires recapitalization by Sept. 23.

The directive terminated a cease-and-desist order in place since April 1991 and superseded a capital plan approved by the OTS in September 1992.

Unionfed, parent of the $1.2 billion-asset Union Federal Bank, said it filed a registration statement with the Securities and Exchange Commission to offer up to $45 million of common stock, including a rights offer to current shareholders.

Centerbank Mortgage Buys a Portfolio

WATERBURY, Conn. — Centerbank Mortgage Co. has completed its purchase of the assets of a Beneficial Corp. mortgage unit. Terms were not disclosed.

The Waterbury-based company, a unit of Centerbank, said it acquired a servicing portfolio of 20,000 loans and $1.7 billion, bringing its servicing total to $7.1 billion.

Included in the acquisition was Beneficial Mortgage's correspondent network, which originated $722 million in 1992 and had $108 million in warehoused loans slated for sale in the secondary market.

The briefs were compiled from staff and wire reports.

Gonzalez Urges Vice President To Push for Single Bank Agency

By ROBERT M. GARSSON

WASHINGTON — Rep. Henry B. Gonzalez, chairman of the House Banking Committee, is urging Vice President Al Gore to consider combining the bank regulatory agencies as part of his effort to streamline the federal bureaucracy.

"The current federal bank regulatory system fits right into Vice President Gore's definition of a duplicative, inefficient, and expensive system," said Rep. Gonzalez, a Texas Democrat.

Although Rep. Gonzalez and the chairman of the Senate Banking Committee, Donald W. Riegle Jr., D-Mich., are strong advocates of regulatory consolidation, it is widely assumed that legislation in this area is unlikely to move this year.

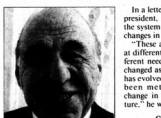
Improving the System

Rep. Gonzalez introduced a bill March 14 that would consolidate the regulation and supervision of banks and thrifts in a single agency.

That contrasts with the current system, in which bank regulation is shared among the Federal Reserve, the Federal Deposit Insurance Corp., and the Office of the Comptroller of the Currency. Savings and loan supervision is handled by the Office of the Thrift Supervision.

Sen. Riegle also has been giving the issue a close look. Earlier this year, he said regulatory consolidation might be the best way to meet the bank industry's objective of regulatory relief. He has not introduced legislation.

Both committee chairmen say they believe that agency consolidation would be more efficient and less costly for banks and thrifts.



Louise Kraft

Rep. Henry B. Gonzalez
Cites greater efficiency

Doubts Remain

Bankers are less sure, however.

"I don't think there are many efficiencies to be gained," said Stephen J. Verdier, a lobbyist for the Independent Bankers Association of America.

Mr. Verdier said the independent bankers group prefers the existing system of multiple regulators, which he said provides "a system of checks and balances."

In a letter Monday to the vice president, Rep. Gonzalez said the system has not kept up with changes in the market.

"These agencies were created at different periods to serve different needs, needs which have changed as the financial system has evolved, but which have not been met with comparable change in the regulatory structure," he wrote.

Cutting Costs

With a single agency, he said, regulators would no longer duplicate each other's efforts or engage in unproductive interagency rivalries.

The result, he said, would be lower paperwork costs for the regulated institutions and more effective enforcement.

Rep. Gonzalez said consolidation also would reduce the administrative costs of regulation, which would save insured institutions money as well.

Common Goal

Rep. Gonzalez told the vice president that his bill, the Regulatory Consolidation Act, has the same broad goal as the administration's National Performance Review.

The common aim, he said, is "cutting the fat out of a bloated bureaucracy and reducing the cost of regulation while also increasing the effectiveness of regulatory administration and enforcement." □

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MasterCard to Buy Chemical Home Bank Unit

By BARTON CROCKETT

Chemical Banking Corp. said it has decided to sell its home-banking processing business, the country's largest, to MasterCard International for an undisclosed sum.

For MasterCard, the deal is a boon, since it will bolster the association's recently announced bid to become a home banking powerhouse through a joint venture with Checkfree Corp. of Westerville, Ohio, called MasterBanking. The aim is to provide back-office processing for bill payments and banking transactions initiated by computer or telephone.

"It's a big move for us," said Glenn F. Santmire, MasterCard's senior vice president of remote banking, who explained that the association wants to build up economies of scale in its MasterBanking service bureau.

And the deal enables Chemical to exit a long-standing business that has failed to bring in acceptable returns, officials said.

"The business was not meeting our return targets," said Ronald A. Braco, Chemical's vice president of electronic banking.

The home banking service bureau that Chemical is selling was started by Manufacturers Hanover Trust Co. in 1985. That year, the bank started marketing to other banks the computer system it had used to support its own personal computer home banking service, called Excel.

MAC Was First to Sign

The first client was the MAC automated teller machine network, now owned by Electronic Payment Systems Inc. of Wilmington, Del., a joint venture of CoreStates Financial Corp., Banc One Corp., PNC Bank Corp., and Society Corp.

MAC markets the Chemical service to banks on the MAC network that want to offer home banking but don't want to run the back-office systems.

Banks that use the service include CoreStates, PNC, Midlantic Corp., and Wilmington Trust Co., according to Jack Small, a director of client relations and sales at MAC.

Manufacturers Hanover later struck a deal to do bill payment processing for BillPay USA, an electronic bill payment service available on the Prodigy computer network, which is used by two million personal computer owners.

Manufacturers Hanover also became Prodigy's recommended service bureau for banks that offer home banking through Prodigy, including Chevy Chase Federal Savings Bank, Comerica Inc., First Interstate Bank of Denver, and Wells Fargo & Co.

The Prodigy network is run by Prodigy Services Co., of White Plains, N.Y., a joint venture of International Business Machines Corp. and Sears, Roebuck and Co.

Mr. Santmire said that the Chemical unit provides back-office processing for home banking transactions made by nearly 70,000 consumers. Nearly half of these people are users of the Excel service developed by Manufacturers Hanover, according to Jupiter Communications Co., a market researcher in New York.

Clients of the processing business are expected to be moved to the MasterBanking systems by yearend.

Bill Payment Services

Additionally, MasterCard will handle back-office processing of bill payment services for Chemical customers. Chemical will continue to process other home banking services for its own retail customers.

Mr. Braco said Chemical will benefit by being able to focus on more strategic home banking areas, namely, the development of new "front-end" technologies, including computerized telephone systems with display screens.

Mr. Braco declined to comment when asked if the service bureau was losing money. But he said that Chemical would have needed to invest large sums of money to keep it technologically competitive.

The fewer than 100 full-time Chemical staffers in the home banking unit will either continue to support Chemical's surviving operation or be transferred to other areas, Mr. Braco said. □



Glenn F. Santmire
Seeks economies of scale

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Comment

By L. Garrett Dutton Jr. and J. Bradley Boericke

Revised OTS Rules Open Door To Cut-Rate Acquisitions

In late 1992, the Office of Thrift Supervision adopted revisions to its regulations governing "voluntary supervisory conversions" from mutual to stock form.

The changes substantially increased the number of institutions that qualify for voluntary supervisory conversion and reduced the burden associated with such transactions.

The thrift agency regulations apply to federal savings associations and, subject to applicable state law, state savings associations.

Under these regulations, a mutual thrift can convert to stock form without seeking the approval of the members (customers) and in many cases without offering stock subscription rights to these members.

In Combination with a Merger

A voluntary supervisory conversion can be effected in conjunction with a merger into an

AN ACQUIRER *need not pay consideration to the acquisition target or its members.*

other institution or an acquisition by a holding company. This combination of elements offers an enticing opportunity to acquire institutions without the payment of any out-of-pocket consideration.

An example was the recent acquisition of New Jersey Savings and Loan Association, a mutual in Asco, N.J., by Covenant Bank, a stock savings bank in Haddonfield.

Covenant added strategically placed offices to its branch network, gained entree to the deposits and loan demand of a community it did not formerly serve, and realized a significant increase in its retail loan portfolio—all without the payment of cash or stock consideration.

Savings on Expansion Costs

By virtue of the merger, Covenant assumed liabilities roughly equal to the assets acquired, on a book value basis, but it expanded by over 30% without incurring the costs of de novo branching or even the payment of consideration to the acquisition target or its shareholders, as would usually be required for a branch acquisition or merger.

Mr. Dutton is a partner and Mr. Boericke an associate at the law firm of Pepper, Hamilton & Scheetz, Philadelphia. They represented Covenant Bank in the transaction mentioned in the article. Charles E. Sena Jr., chief financial officer of Covenant, assisted in preparing the article.

The keys to the transaction were the revised regulations regarding voluntary supervisory conversions and related provisions of New Jersey law.

The principal benefit of the supervisory conversion is that no approval by the members of the converting association is required.

In addition, a conversion combined with an acquisition can often be accomplished without offering to the members of the converting association any rights to purchase the acquirer's stock. Thus, the voluntary supervisory conversion mechanism enables a quicker and less costly acquisition.

To Qualify

Under the revised regulations, any mutual association that is significantly undercapitalized and would be a viable entity following the conversion qualifies for a voluntary supervisory conversion.

If an association is undercapitalized but not significantly undercapitalized, it can undertake a voluntary supervisory conversion if it can demonstrate that a standard conversion – one that would raise enough capital to enable the association to be adequately capitalized – is not feasible, and that it would be a viable entity following a voluntary supervisory conversion.

Prior to the recent revision to the regulations, the voluntary supervisory conversion mechanism was only available if the association's financial condition or its assets, calculated in accordance with generally accepted accounting principles on a going concern basis.

Much More Widely Available

Thus, the revisions to the regulations have made the supervisory conversion mechanism available to a much wider class of institutions.

Furthermore, other developments in the law have opened the door to cross-industry acquisitions, so that the opportunities for conversions of mutual savings associations presented by the supervisory conversion procedures are potentially available to banks and savings banks as well as to other savings associations.

The Federal Deposit Insurance Corporation Improvement Act of 1991 expanded the so-called Oakar amendment to permit virtually any cross-industry combination, notwithstanding the general moratorium that exists on transactions resulting in a movement of deposits from one deposit insurance fund to the other.

The Oakar amendment avoids that moratorium in a

THE PRINCIPAL *benefit of the revised regulations regarding voluntary supervisory conversions is that no approval by the members of the converting association is required.*

case like the acquisition of New Jersey Savings and Loan – an institution insured by the Savings Association Insurance Fund – by Covenant – an institution insured by the Bank Insurance Fund – by providing for the continued treatment of deposits attributable to New Jersey Savings as SAIF-insured deposits.

Cross-Industry Mergers

The 1991 banking reform law specifically provided for the power and authority of federal savings associations to merge with or otherwise be acquired by any insured depository institution. Previously, federal savings associations could generally only enter into such transactions with other savings associations.

A bank interested in acquiring a thrift should be aware, however, of the tax consequences potentially implicated by such a transaction. Loan-loss deductions may be subject to recapture if the surviving institution,

THE OPTION *is now available to a much wider class of institutions.*

as successor to the acquired thrift institution, is not a qualified thrift lender.

The voluntary supervisory conversion regulations specifically contemplate that a conversion might be undertaken in conjunction with an acquisition of the converting institution by merger with another institution or by issuance of stock to an acquiring holding company.

If Stock Is Issued

The conversion and acquisition transactions occur simultaneously in such cases. If stock is to be issued in such cases to the members of the converting association or to the public, it would be the stock of the acquiring institution or holding company.

For regulatory purposes, the conversion and the acquisition transactions are distinct, and separate application and approval requirements must be met with respect to the acquisition aspect of the transaction.

For instance, in the Covenant acquisition of New Jersey Savings, Covenant was required to file a Bank Merger Act application with the FDIC, and a "transfer" application was required with the Office of Thrift Supervision in addition to the application for approval of the conversion.

Under proposed revisions to regulations, the thrift agency would no longer require a separate "transfer" application to be filed with it for acquisitions of thrifts by entities not regulated by the thrift agency. Rather, the agency will require only that it receive a copy of the Bank Merger Application submitted to the appropriate federal banking agency.

Applicable State Law

When state-chartered institutions are involved in the transaction, applicable state law must also be consulted to determine the ability of the institutions to enter into the proposed transaction.

In the case of Covenant's acquisition of New Jersey Savings, state law provided a convenient mechanism for effecting the transaction, available where an institution has less than 2% capital.

These provisions of New Jersey law, like the Office of Thrift Supervision's supervisory conversion regulations, authorize conversion mergers without approval by the members of the mutual to be acquired and without the issuance to such members of subscription rights to the acquirer's stock.

This provision of New Jersey law also authorizes combinations among depository institutions otherwise authorized to combine, such as savings banks and savings associations.

Liquidation Accounts

In connection with conversions from mutual to stock form, a liquidation account generally is required.

The liquidation account provides members of the converting association with priority rights to any distribution in the case of a complete liquidation of the converted institution. Where the converted institution is merged into another institution, the liquidation account carries over to the surviving entity.

The Office of Thrift Supervision regulations regarding voluntary supervisory conversions authorize the waiver of the liquidation account requirement where the converting institution has a negative net worth. However, the liquidation account is necessary in a solvent situation, to meet the "continuity of interest" requirement for treatment of the transaction as a tax-free reorganization.

It is our understanding that the thrift agency has not yet processed a transaction in which the liquidation account was waived.

To sum up, a voluntary supervisory conversion provides a mechanism for troubled thrifts to find a buyer. And as a result of developments in the law, these acquisition opportunities are increasingly available to banks as well as to savings associations. □

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Comment

By Eugene J. Sherman

Community Development Plan Is Redundant



President Clinton's proposals to expand bank lending and community investment are to be applauded for the steps they take to reduce the regulatory burden on banks. That will free the banks' resources to serve and make actual loans to low-income and moderate-income communities.

But the President's proposal to establish a new fund to support community development banks, while well-meaning, would represent unnecessary duplication of facilities that already exist and are working well.

One of these entities is the Federal Home Loan Bank System, which consists of an oversight agency in Washington, 12 regional Home Loan Banks, and 3,905 financial institutions – thrifts, commercial banks, insurance companies, and credit unions – that own stock in the Home Loan banks.

Source of Liquidity

The Federal Home Loan banks are wholesale lenders, providing liquidity and intermediate-term and long-term funds on short notice at competitive interest rates.

THE FEDERAL HOME *Loan System and community development corporations are already providing the local lending that the President's plan would promote.*

Member institutions, which average $332 million in assets, must meet demanding criteria, the most important of which is engaging in residential mortgage lending and holding mortgage-related assets.

By virtue of size, geographical dispersion, and lending activity, these institutions clearly satisfy anyone's criteria for community banks. What can be more "community" than residential mortgage lending?

The story doesn't end here. The Home Loan banks and their members actively engage in two programs that support housing and community – the Affordable Housing Program and the Community Investment Program.

Portion Reserved for the Poor

The affordable housing subsidies are used to finance home ownership by families with incomes at or below 80% of their area's median income, with at least 20% of the housing targeted for very low income households.

The Community Investment Program provides funding for community-oriented mortgage lending. This is defined as making loans to meet the housing needs of families with incomes at or below 115% of the area median as well as to finance economic and commercial development in low-income and moderate-income neighborhoods.

Affordable housing funds are limited in size and availability because they represent subsidies that are charged against the Home Loan banks' earnings. Community Investment Program funds are lent at a mere 5 basis points over Home Loan bank costs and are, therefore, available at any time in much larger amounts.

The Federal Home Loan banks and their customer institutions are making these loans profitably, in the spirit of entrepreneurship as well as community. The delivery system is in place and working.

High Level of Commitment

The projects originate with community groups working together with banks. They are housing and commercial projects that are based on a threshold of some individual or group within the community, not a government bureaucrat. So the ultimate borrowers believe in these projects and are highly motivated to make them work.

Some of the Federal Home Loan banks have segmented their districts and organized regional lending consortiums. The local trade associations cooperate and help coordinate.

The genius of this approach is its reliance on local knowledge and local initiatives. Community banks need to join their district Federal Home Loan bank to access the affordable housing subsidies and low-cost funds under the Community Investment Program.

A second, existing community lending facility is the network of community development corporations, authorized for banks and holding companies in 1971 as a means of promoting joint action and diversifying risk.

Forms of Investment

Financial organizations can make equity and debt investments, provided they are designed primarily to promote community welfare in the form of housing and job opportunities for people with low and moderate incomes, assist small and minority businesses, or provide important community services.

A variation is the consortium – a multibank or nonbank development corporation. Such entities are sponsored by a number of financial institutions and invest in large-scale community development projects in order to spread the risks and broaden participation.

These consortiums generally are organized on a regional basis and are particularly attractive to institutions that do not yet have the expertise or resources to engage in this kind of lending, especially on a large scale.

The consortium approach gives wholesale banks a way to participate in loans originated by community banks. This is a major step forward in community lending since it addresses so many problems that have arisen from both the regulatory and lending standpoints.

In summary, new federal programs are not needed. The tools for solving community investment problems already exist, and they work best at the local level. They simply need to be better used, or freed from overregulation. □

Mr. Sherman is director of research at M.A. Schapiro & Co., an investment banking firm in New York.

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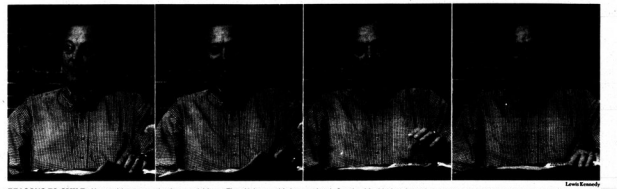


Lewis Kennedy

REASONS TO SMILE: Along with an appetite for acquisitions, First Alabama chief executive J. Stanley Mackin has brought a renewed enthusiasm to the company.

Once Staid First Alabama on the Prowl with Mackin

Continued from page 1

has been welcomed by many First Alabama old-timers, who felt the bank had become complacent during the 1980s.

"The biggest thing Stan has brought is a renewed enthusiasm about the company," said Robert P. Houston, First Alabama's comptroller.

Independent Course

When Mr. Mackin took over in August 1990, many insiders were expecting the company to be sold. In 1987, Mr. Hurley had told analysts and investors he would explore any option that might benefit shareholders. Now retired, Mr. Hurley says he never had any "serious" negotiations with a potential acquirer.

But when Mr. Mackin arrived, he was determined to let his employees know that he would steer the bank on an independent expansionist course. An experienced commercial lender, he had served since 1983 as chief executive of First Alabama Bank Birmingham, the company's largest subsidiary. By the time he moved up to the parent company, he had built the unit from about $300 million up to $786 million of assets.

Five-Year Growth Plan

Once there, Mr. Mackin immediately shut the door on any takeover talk. "We saw no reason to consider disposing of this company," he said.

He quickly developed a five-year strategic plan that raised profitability goals for nearly every department. And he outlined a master growth plan.

Using acquisitions of savings and loans as his chief strategy, he focused on building market share in Alabama and in the Florida Panhandle. He also made incursions into other neighboring states, buying a thrift and two community banks in middle Tennessee.

Over the Top with Secor Deal

In May, his expansion program culminated with an agreement to buy Birmingham-based Secor Bank, Alabama's biggest thrift, which has more deposits in Louisiana than in Alabama.

But the deal, scheduled to close later this year, will help First Alabama edge out Amsouth Bancorp. for the number one share of deposits in Alabama.

It also will satisfy one of the major goals of Mr. Mackin's five-year plan – reaching $10 billion of assets by 1995. But now

Expansion slowed in the 1980s as data processing was unable to keep pace.

that he's about there, he has upped the ante, telling analysts he wants to hit $12 billion.

'A Prime Example'

"Under Stan Mackin, the bank has been more aggressive in expanding, and the Secor deal is a prime example," said Richard L. Stiffinger, a Keefe, Bruyette & Woods Inc. analyst. "I think it's been done in a measured fashion, without sacrificing the basic quality of the company."

Ready for a Breather

Mr. Hurley said he approves of his successor's strategy, though he wonders whether the company is being too optimistic about the benefits it can extract from Secor. The thrift's wide interest margins, like those of most companies in the banking and thrift industries, are likely to shrink, he said.

Mr. Mackin says First Alabama is ready to take a merger breather, at least through the end of 1994. "We have to have a handle on all we've acquired before we go branching out on additional acquisitions," he said.

But he has already used his acquisitions to achieve a major profitability goal of the five-year plan – attainment of a return on equity of 15%. First Alabama has long struggled with putting its high levels of equity to work. Through most of the late 1980s, the company's ROE hovered around 13% – a level that Mr. Mackin deemed mediocre.

The company's fortress-like capital position was the main culprit. Last year, First Alabama's Tier 1 capital ratio of 11.68% was the 21st strongest among the nation's top 100 bank holding companies, according to *American Banker*.

Ahead of Schedule

Mr. Mackin decided early on that strong capital was no excuse for a low ROE, so he developed the acquisition plan hand in hand with his goal of using equity productively. By the end of 1992 – two years ahead of schedule – the company had lifted its ROE to 15.64%, up from 14.27% at yearend 1991. In this year's second quarter, shareholders received a sterling 16.6% return on their investments.

The major factor behind the rise was the addition of $1.3 billion of new assets without a commensurate rise in equity. Most of the growth came through the purchase of insolvent thrifts, which did not require the issuance of additional shares. As a result, average shareholders' equity to average total assets declined to 8.59% last year, from 9.03% in 1990.

As measured by return on assets, First Alabama has long been a strong performer. ROA reached 1.34% at yearend 1992 and climbed to 1.44% in the second quarter this year.

Loans Limited to $25 Million

The numbers reflect a conservative credit culture and the bank's strategic focus on small-business and consumer lending.

The house limit for a loan to a single borrower at First Alabama is $25 million – one-fourth the company's legal lending limit – and fewer than two dozen credits are at the limit, said E.C. "Chris" Stone, an executive vice president in charge of corporate lending.

The strategy focused on thrifts in Alabama and the Florida Panhandle.

Though Mr. Mackin has absorbed the company's conservative culture in his 27 years at First Alabama, he now has a chance to implement some of his own ideas.

Real Estate Background

A Birmingham native, Mr. Mackin graduated from Auburn University and then spent 10 years in the real estate business in Birmingham and Huntsville. He joined First Alabama as a commercial lender in 1966.

Coming from a far more aggressive industry than banking, he said, has helped him reshape the company.

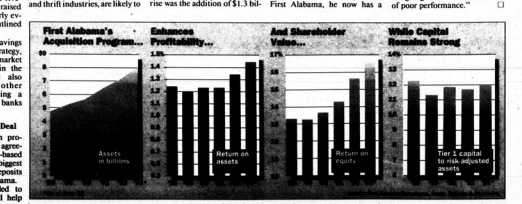
At 60, however, Mr. Mackin is fairly traditional about his personal plans. Though First Alabama has no mandatory retirement requirement, the executive said he fully expects to leave by age 65, devoting time to his eight grandchildren and getting in some deer hunting and fly fishing on the side.

Straight and Steady Course

His company, in the meantime, is likely to pursue a straight and steady course, according to analysts.

With a market capitalization exceeding $1 billion and stock trading at a 184% market-to-book valuation, it is not seen as vulnerable to takeover by even the largest of supercregionals.

"We don't know if anybody's bulletproof in the real long term," said Michael L. Granger of Fox-Pitt Kelton Inc. "But everything First Alabama has demonstrated suggests they're not going to have to sell because of poor performance." □



Strike Risk a Wild Card in Midwest Economic Prospects

By DIANE C. SWONK
Senior Regional Economist
First Chicago Corp.

After a brief pause in the second quarter, the Midwest economy is expected to accelerate again in the second half of 1993.

A combination of strong profits in the manufacturing sector, a moderate recovery in consumption, continued strength in exports, and a deterioration in the value of the dollar against the yen all point to the same thing – gains in Midwest manufacturing.

A pickup in vehicle production is the primary reason behind the slightly more bullish national outlook in the second half of 1993. The auto industry alone is expected to add almost 1% to real gross domestic product growth in the third quarter.

On net, real disposable income is forecast to rise 1.2% in the second quarter and 2.6% in the third quarter, still 0.2% ahead of the national average for the two quarters combined.

Comment

A Question Mark

The forecast for more robust Midwest growth, however, is not without its risks. Current contracts between the United Auto Workers and the Big Three automakers expire in September. Any contract-related strikes would derail much of the momentum expected for the second half of this year.

The steelworkers' unions are also in negotiations. If contracts with three of the remaining top four steelmakers are not settled by July 31, thousands of steelworkers could go on strike. This would disrupt supplier and user production throughout the Midwest.

But barring widespread strikes, the Midwest is positioned to be the fastest-growing region in the country in the second half of 1993.

Autos and Light Trucks

Pent-up demand, a pickup in trade-in values, lucrative incentives, fleet sales, and the delayed gains associated with poor weather conditions in the first quarter pushed auto and light truck sales to their highest level in almost four years in the second quarter.

Moreover, most of those gains were made by the Big Three. In a sharp reversal of the 1980s, aggressive price hikes on the part of the Japanese have given market share back to the Big Three.

Some reduction in record highs is expected for the third quarter, but the underlying trend in sales should remain positive.

Momentum in Production

The slowdown in total sales will not stop the upward momentum in domestic production.

A combination of low inventories, market share gains by the Big Three, and strike-hedging on the part of the Big Three have all contributed to third-quarter gains.

The problem is the fourth quarter. The bet is that the risk of a UAW strike will place an upward bias on production in the third quarter. The Big Three are likely to build inventories, even if sales soften somewhat, to hedge against a possible strike.

Even if a strike is averted, those inventories will have to be drained in the fourth quarter.

The Strike Factor

The largest risk to the forecast in the second half of 1993 is strike risk. The UAW negotiations pose a greater threat to the overall economy than the steelworkers' talks.

In December, First Chicago argued that the risk of a wide-spread UAW strike, particularly against General Motors Corp., was high.



Diane C. Swonk

Strike-hedging on the part of the Big Three, in particular, would produce a pattern in production that would mimic that of a strike in the fourth quarter, even if a strike were averted.

Nothing has changed since December to change that view. If anything, the UAW is digging in deeper than expected. The UAW has vowed to protect health-care benefits – a critical issue for the Big Three – by striking. Other demands already on the table include job security, a ban on plant closures, and an 18% wage hike from Ford Motor Co.

The wage-hike request is of particular concern to the Federal Reserve. An 18% increase in UAW wages over the next three years would be inflationary.

Summing It Up

The Midwest economy will accelerate in the third quarter. The risk of a UAW strike virtually ensures it. The prospects for the fourth quarter are not as good. Strike or not, inventories will need to be drained, which will be a drag on production at the Big Three.

Even with that correction, however, the underlying trend in production will remain positive in the second half. The Midwest will end the year substantially better than it started it. □

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Western Banks on Brink Of Long-Sought Merger

By TERRENCE O'HARA

Mergers

AFTER 3½ YEARS OF community reinvestment tie-ups, a group of commonly controlled community banks in Wyoming and Montana plans to merge under one holding company in September.

First Interstate Bancsystem of Montana Inc., Billings, received federal approval in May to acquire Commerce Bankshares of Wyoming Inc., across the state line in Sheridan, Wyo., ending several years of wrangling with community groups over its lending history in the nearby Northern Cheyenne Indian Reservation.

"It's turned out positively for all groups, I think," said William Wilson, senior vice president of First Interstate. "The only complaints we have ever had are about the confusion and length of time it took to get us here."

Both First Interstate and Commerce are about 80% owned by the Scotts of Billings, a prominent ranching and banking family. First Interstate, not related to the First Interstate Bancorp of Los Angeles, has $711 million in assets and is the third-largest bank holding company in Montana. After the merger, First Interstate will have $1.13 billion of assets.



Gail Small

The merger of the holding companies was first proposed in January 1990. But the Federal Reserve rejected the application in October 1991 on the ground that First Interstate's Bank of Colstrip was rated "needs to improve" in its Community Reinvestment Act exam.

Native Action, an American Indian community action group in Lame Deer, Mont., lobbied against the merger in its comments to the Fed.

It was the first time the Fed had rejected a merger application solely on the grounds of CRA problems.

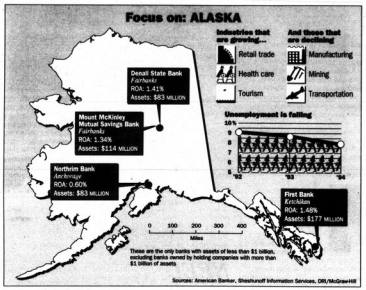
In its order rejecting the holding company merger application, the board of governors found that despite commitments to improve its CRA rating at the Bank of Colstrip, the bank had "deficiencies" in its lending efforts on the reservation and had improperly excluded the entire reservation from its delineated market area.

Native Action again filed a complaint when First Interstate applied to merge its seven Billings-area banks into its flagship First Interstate Bank of Billings.

Dan Hanger, manager of applications at the Minneapolis Fed, said the group's objections were "substantive." But First Interstate's commitment to enhance its CRA efforts at the Bank of Colstrip, including a pledge to make $4 million in loans to reservation residents, led to a compromise that will bring full banking services on the reservation.

Gail Small, director of Native Action, said the bank has already lent more than $1 million inside the reservation, and is discussing the possibility of opening a branch in Lame Deer. She added that what started out as an adversarial relationship has turned into one of mutual trust.

"It's turned out fairly positive because we've sensitized one another to the economic and racial barriers that have separated our two organizations in the past," Ms. Small said.



Survivors of Alaska's Meltdown: 4 Battle-Hardened Small Banks

By TERRENCE O'HARA

Seven years ago, Alaska was one of the hottest community banking markets in the country.

That was when oil prices peaked above $30 a barrel, pumping huge amounts of money into the state's economy.

But today, only four community banks remain.

"It's been sad," said Willis Kirkpatrick, director of the Division of Banking and Securities at the Alaska Department of Commerce. "I wish I was a younger man, because I've seen about every cycle there can be in banking in my last years of service."

Between 1986 and 1992, 16 banks and savings and loans were either closed by regulators or bought up when they ran into trouble. Today, about 90 percent of the state's banking market is controlled by three large institutions.

The only community banks left in Alaska are Denali State Bank, Mt. McKinley Mutual Savings Bank, First Bank, and Northrim Bank. Together they have $457 million in-assets. The banks survived and even prospered by "finding their niche and sticking to their knitting," Mr. Kirkpatrick said.

William Moran, chief executive of the 70-year-old First Bank in Ketchikan, said his bank survived because it dropped out of the lending market altogether in the mid-1980s.

"We sat back and watched the party at the height of its craziness," Mr. Moran said. "Our loan-to-deposit ratio at one point was 25 percent."

First Bank's loan-to-deposit ratio is now at just over 40%, and Mr. Moran said loan demand is slowly rising.

Northrim Bank in Anchorage was founded in 1990 at the end of the state's banking crisis. It lost $1 million in its first year, but was profitable in its second year and now has a 0.60% return on its $83 million in assets.

"Our strategy was to gain market share from the bigger banks," said chief executive Chris Knudson. "When we started, we assumed a flat economy for the first five to seven years of our existence, but it's turned out a little better than that."

The "bigger banks" Mr. Knudson is trying to get business from are the ones that benefited most from the 1986-89 banking consolidation wave after the state's economy plunged, and all of which bought the franchises of failed institutions: Security Pacific Bank (since acquired by BankAmerica Corp.), Keycorp, of New York, National Bank of Alaska, and First National Bank of Anchorage.

First Bank's Mr. Moran said that the consolidation of the state's biggest banks and the entrance of vastly larger out-of-state bank holding companies hasn't hurt his business. □

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1st Virginia Prospers In Auto Loan Niche

By ANAT BIRD

Robert H. Zalokar is smiling, and for good reason.

First Virginia Banks Inc., of which he is chairman and chief executive officer, has turned in yet another stellar performance.

Income in the first six months rose 29% to $58.3 million. The returns on assets and equity improved to 1.72% and 18.55% from 1.42% and 16.33% in the comparable period last year.

It is a triumph of super community banking, as Falls Church-based First Virginia manages a growing empire of 20 banks with 319 offices and $7 billion of assets in Virginia, Maryland, and Tennessee.

Super Community Banking



By ANAT BIRD

Not only are its fundamentals excellent, but First Virginia has excelled in the business of indirect automobile lending. Few bankers have done well in this business, which relies on car dealerships as the lending channel. First Virginia has been doing it since the early 1950s.

"We've trained our dealers well," Mr. Zalokar says when asked about the secrets of his success. "We will not take junk, and they know it.

"We are committed to competing effectively with car manufacturers' captive finance companies and with anyone else who will enter a market, but we will not sacrifice quality," Mr. Zalokar adds.

The people who buy auto dealers' paper have an average 17 years with our company. The manager of the unit was a car dealer for several years. He knows both sides of the business very well."

Entering Rival's Turf

First Virginia does business with more than 100 dealers, providing valuable financing as well as floor planning.

The rates are competitive with those of General Motors Acceptance Corp., Ford Motor Credit Corp., and NationsBank Corp. – three leading forces in the business.

Even after the much bigger NationsBank, First Virginia is opening a car-lending subsidiary in North Carolina.

If NationsBank can be up here, "then we can go down there," says Mr. Zalokar.

First Virginia has developed a loyal dealer network because "we're here to stay," he says. The emphasis is on the relationship.

"Even when times get tight, we will not touch indirect buying," the bank CEO says. "We will curb other loans."

Aside from knowing the automobile business as well as the dealers do," Mr. Zalokar boasts of a solid audit process,



Robert H. Zalokar
"We will not take junk"

collateral monitoring system for floor-plan loans, and a rigorous collection program.

One rule of thumb: If a borrower misses the first payment, the car is taken.

Indirect auto lending is the icing on the cake for a company that "knows who we are, and we are not ashamed of it," says Mr. Zalokar.

Spreading the Risks

"We are a small loan company. We like the retail business and find it diversified and risk effectively."

Net loan chargeoffs are consistently low – they fell to an annualized 0.15% in the second quarter from 0.41% a year earlier.

The performance demonstrates once again the effectiveness of strategic focus and clear product orientation typical of a strong super community organization. □

Merchants N.Y. Becomes Holding Company

NEW YORK — Merchants New York Bancorp said its conversion to a one-bank holding company was effective July 1.

Merchants said the holding company will allow it to own banking institutions across state lines and sell a variety of financial products and services.

Its principal subsidiary, Merchants Bank of New York, has $250 million available for lending to small and midsize businesses and plans to continue lending to quality middle-market borrowers in the region.

— Dow Jones

First Union Buying Bank in Orlando Suburb

JACKSONVILLE, Fla. — First Union Corp. said its Florida subsidiary has entered into an agreement to acquire Enterprise Bank of Winter Park, Fla., for $8.8 million in cash.

Enterprise has one office and $40 million of assets. The acquisition, which requires approval by regulators and Enterprise shareholders, is expected to be completed by yearend. □

Chicago's Indecorp Puts Itself Up for Sale; South Shore Emerges as a Possible Suitor

By ROBERT B. COX

CHICAGO — The nation's largest black-owned banking company, Indecorp, has put itself on the block, with South Shore Bank, the community development lender, emerging as a possible suitor.

The merger, which would create a $500 million-asset institution headquartered on the city's South Side, has sparked debate inside and outside Indecorp over how best to serve the community.

Some Indecorp officials, sources said, are reluctant to sell out to a nonminority-owned institution.

While South Shore's parent, Shorebank Corp., has operated in predominately black neighborhoods of the South Side since its inception, the majority of the bank's management and ownership is not African-American.

Lagging Behind in Loans

"We have had a debate about the direction of the company," said Alvin J. Boutte, Indecorp's chairman and chief executive.

Though Indecorp's remaining a black-owned institution offers a source of pride, there is some feeling that the bank's community might be better off with South Shore's lending expertise.

Indeed, Indecorp's lending record has lagged behind that of its city cousins.

The company's two subsidiary banks had unusually low loan-to-deposit ratios at the end of the first quarter.

Indecorp would cease to be black-owned.

Drexel National Bank had a loan-to-deposit ratio of just 28%, and Independence Bank of Chicago had a ratio of 31%, according to data from Ferguson & Co.

The loan-to-deposit ratio for all Chicago banks under $500 million of assets was 60%.

South Shore, the $244 million-asset institution that President Clinton has pointed to as a model for community development lending, had a roughly 75% loan-to-deposit ratio, and made more than $17 million of multi-family housing loans last year.

By contrast, Indecorp's two banks, with combined assets of $267 million, made only $2.3 million of such loans last year, according to data compiled by the Woodstock Institute, a non-profit Chicago group that tracks lending patterns.

Shopping for a Buyer

Mr. Boutte said Indecorp's board was looking for a suitor that would meet community credit needs, while offering shareholders a hefty premium.

The bank has hired investment bankers William Blair & Co. to assist them in finding a buyer.

South Shore completed a private placement of stock earlier this year, raising close to $9 million from a group of six Chicago banks and three private individuals.

Also in merger talks with Indecorp are two consortiums of African-American private investors, and Seaway National Bank, a black-owned, $202 million-asset Chicago bank. □



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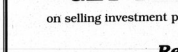

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Fannie Encourages Loans for Less Affluent

By CHRISTOPHER NOBLE

Fannie Mae, scrambling to meet congressionally imposed goals, has announced new guidelines that make it easier for lenders to make home loans to families with low and moderate incomes.

The changes, announced last week at the Western Secondary Mortgage Market Conference in San Francisco, involve more lenient eligibility requirements and loan underwriting guidelines, Fannie Mae said.

"These changes will give people who live in central cities more opportunity to own a home and make it easier for mortgage lenders to make more home loans in city neighborhoods," said Larry Dale, executive director of Fannie Mae's national housing impact division.

Pilot Program in Oakland, Calif.

At the same time, Fannie unveiled a new program in Oakland, Calif., to finance $1 billion in affordable housing over the next five years. The program will serve as a pilot for a "broader effort for central city lending" that Fannie intends to carry out over the next few years, according to a Fannie Mae release.

The agency is reacting to a congressional mandate.

The program, called Housing Oakland, brings together all of Fannie Mae's affordable lending programs, and some new ones tailored to Oakland, under one umbrella for residents of three to six specific neighborhoods in the city. The neighborhoods will be chosen by city officials.

The changes come as the agency strives to meet the so-called 30/30 goals imposed last year by Congress.

Under that law, Fannie must seek to ensure that 30% of the loans it purchases are for low- and moderate-income housing. In addition, 30% of the loans should be for housing in central cities.

There are 544 areas defined as central cities by the federal Office of Management and Budget, based on population, employment, and income criteria.

Both Fannie Mae and Freddie Mac have said they expect to meet the goals but Freddie has lobbied for more time.

The most significant change among those announced by Fannie is the inclusion of entire cities as areas eligible for the Community Home Buyers program. Previously, the program was limited to individual census tracts identified as low- and moderate-income neighborhoods within large cities.

This change makes a vastly larger number of people eligible for the program, Fannie Mae's chief executive said.

"It's a growing of the pie of eligible homebuyers," said James Johnson, Fannie Mae's chief executive, in a speech before the conferees.

Fannie Mae also reduced the maximum income borrowers may have and still participate in its 3/2 Option plan. The new ceiling is 100% of the area median, down from 120%. The plan allows borrowers to put only 3% of their own cash down and use gifts or loans to make up the rest of the 5% minimum down payment.

While that lower ceiling makes the plan more restrictive,



James Johnson
Sees bigger pool of borrowers

a spokesman said it was another part of Fannie's efforts to focus its low-income lending programs on people specified by Congress.

Meeting CRA Requirements

Fannie Mae pointed out that the changes would help lenders meet Community Reinvestment Act requirements.

For borrowers, the changes allow people to establish creditworthiness outside of the usual credit-history reporting system. Potential borrowers may use rent receipts, phone bills, and tax payments instead. Mr. Johnson said the changes acknowledge different lifestyles and savings patterns in minority populations and should make more minorities eligible for home loans.

The new changes also include a "second look" policy under which problem loans are reviewed before a lender is asked to repurchase a loan Fannie Mae has bought.

Homebuyer education for borrowers in the neighborhood lending programs is waived if the family has owned a home before, has 5% of its own cash as a down payment, and has a two-month reserve of all mortgage, insurance, and tax payments.

Mortgage insurance fees were reduced for some buyers and all borrowers living in central cities, regardless of their income, will be allowed to have only a 5% down payment. □

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033267Z27	9.700	09/01/94	$260,000	Prerefunded	09/01/93	102.00
033267Z k4	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
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OCC Issues Guidelines on Investment Sales

Continued from *page 1*

role to customers.

The Fed also said it wants mutual funds sales people to work in areas physically separate from those where insured deposits are taken. The OCC, noting that some banks have limited space and few employees, merely encourages banks to "take steps to separate" retail deposit-taking from nondeposit product sales.

Analyze Customer Needs

The Comptroller said employees selling mutual funds should assess whether the investment suits a particular customer. Employees should ask customers about their investment goals and their financial status.

The regulator also said a national bank may not name mutual funds after itself. But similar names are being permitted. For example, NationsBank may call its mutual fund Nations Fund.

If a bank sells mutual funds to customers through a third party, then bank management should make sure the outside company follows the guidelines, OCC said. Examiners require access to documents kept by these vendors, OCC noted.

The OCC also said bank directors must keep on top of the risks posed of selling uninsured investments.

Self-Regulatory Policies

"Bank directors are responsible for evaluating the risks posed by bank-related nondeposit investment sales," the policy reads. "Bank directors must adopt self-regulatory policies and procedures to ensure compliance."

"The OCC is saying very specifically that this is an area that should receive the attention of bank management and directors," said Robert M. Kurucza, a Washington partner at the Morrison & Foerster law firm.

Susan Krause, senior deputy comptroller for bank supervision, said the policy's elements should be viewed as parts that add up to a whole. For example, if a bank chooses to give a fund a name similar to its own, then disclosures may need to be more deliberate to ensure customers are not confused.

She said she does not believe the guidelines will cause "any significant change" in the way banks do business.

"We are worried here about preventing any kind of competition-driven deterioration in the standards that those banks that have started to offer these products have already imposed on themselves," said William Dehnke, an OCC lawyer who helped write the policy.

"A lot of what they are suggesting here is what banks are already doing," said James D. McLaughlin, head of agency relations at the American Bankers Association.

Ms. Krause said the OCC has uncovered no abuses in the banking industry. The policy was developed in response to the recent big and growing involvement of banks in the mutual fund business.

She admitted that the OCC does not know how many banks sell mutual funds either directly or through a third party, but she said it is clear that banks are increasing their share of the business.

"In the not too distant future, banks could easily account for half the mutual fund sales," said Ed Yingling, the ABA's top lobbyist. □



Susan Krause
Policy's parts make a whole

Dime Pegs Account To the 3-Month T-Bill

The Dime Savings Bank of New York has introduced a money market account with returns pegged to the current yield of three-month Treasury bills. Money market yields are most commonly determined by bank money managers, the Dime noted.

The account, Dimevest, pays investors 100% of the T-Bill's 91-day yield on balances of $25,000 or more, 90% on balances of $10,000 to $25,000, and 570% on balances of less than $10,000. It is insured by the Federal Deposit Insurance Corp.

The account reacts more quickly to market changes because it is tied directly to T-bill yields, said David J. Totaro, the Dime's chief marketing officer.

— Michael O'D. Moore

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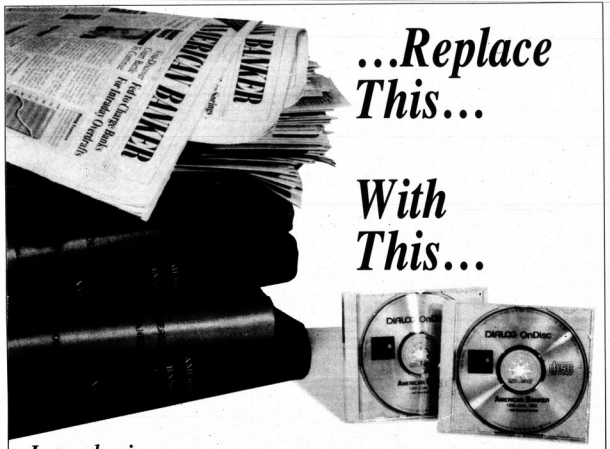

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Chase Profits Rise 53%; Northern Trust Gains 12%

Continued from *page 1*

from $295 million in the first quarter and $360 million in the year-earlier period.

"The earnings were quite good, and the single best piece of news was the credit quality," said Diane Glossman, an analyst at Salomon Brothers Inc.

Net income, which translated to 83 cents a share, slightly bettered analysts' consensus estimate of 81 cents, according to Zacks Investment Research Co., Chicago.

Several analysts boosted their estimates following release of the earnings. Rafael Soifer, of Brown Brothers Harriman & Co., doubled his 1993 earnings estimate to $340 million from $170 million and boosted his 1994 projection to $930 million from $800 million.

In afternoon trading Monday, Chase's stock rose 25 cents to $32.75 a share.

Trading Results Improved

E. Michel Kruse, Chase's chief financial officer, said $54 million of the bank's total trading profits of $187 million came from derivatives trading and $35 million from trading developing country debt.

Overall trading results rose 7% from the first quarter and 87% from the second quarter of 1992.

Analysts said Chase's trading results the rest of the year are unlikely to match the record second quarter, but noted that the company has made significant progress in a historically weak area.

Nonperformers Down

However, they agreed with Ms. Glossman that Chase's apparent mastery over its drawn-out loan problems was the most significant aspect of the company's report.

Chase's nonperforming real estate loans dropped 10.7%, or $114 million, during the quarter to $947 million. The company separately sold $109 million from its "held for sale" realty portfolio, which dropped to $884 million on June 30. Chase also booked a $26 million gain from repayment of assets in the portfolio.

The company, however, lowered the carrying value of the assets in its "held for sale" portfolio to 37% of original loan value from 45% last quarter.

'Pattern of Migration'

"We are seeing a reduction in the drain on our earnings from real estate problems," Mr. Kruse said Monday at a briefing on the earnings report. But he cautioned that the "pattern of migration" of loans from performing to nonperforming status, though slowing, is still "significant."

Foreclosures rose $25 million during the quarter to $763 million, Chase said.

Mr. Kruse separately noted that Chase may be close to selling its Arizona bank subsidiary, an asset that it has long been eager to shed.

Nonperforming assets at Chase fell $485 million.

'In Preliminary Talks'

"We're in preliminary talks with a number of parties, which has given us a sense" of the sale price, Mr. Kruse said in explaining an unspecified charge taken to reflect a writedown of the Arizona bank.

The company's net interest margin fell 84 basis points since March 30 to 4.10% -- a pattern that Mr. Kruse said he expects to continue for the rest of the year.

Fee revenues from trust and fiduciary activities rose 9% to $111 million over the same period last year.

Chase booked a one-time pretax gain during the quarter of $32 million from intended and completed business restructurings and sales. It offset some of the gain with a $34 million charge from writedowns of mortgage servicing assets, reflecting a sharp increase in prepayments related to mortgage refinancing.

NORTHERN TRUST CORP.

The Chicago-based company said its profits jumped 12% from the year-earlier second quarter to $41.6 million. But profitability, as measured by return on assets, suffered a mild decline as net interest margin narrowed.

Its annualized return on assets of 1.06% eased from 1.07% in the first quarter and 1.11% a year ago.

Credit quality improved sharply, as Northern's nonperforming assets fell 20% to $65 million, or a slender 0.88% of gross loans.

Northern's trust assets under administration rose 18% to $448 billion since June 30, 1992.

The company's stock fell $1 to $41 a share in afternoon trading Monday. — **Steve Klinkerman**

CHASE MANHATTAN CORP.
New York
– Dollar amounts in millions (except per share) –

Second Quarter	1993	1992
Net income	$233.0	$152.0
Per share	1.20	0.83
ROA	0.93%	0.61%
ROE	15.0%	10.9%
Net interest margin	4.1%	4.03%
Net interest income	932.0	879.0
Noninterest income	693.0	593.0
Noninterest expense	995.0	940.0
Loss provision	225.0	295.0
Net chargeoffs	339.0	297.0

Year to Date	1993	1992
Net income	$388.0	$283.0
Per share	1.95	1.64
ROA	0.78%	0.55%
ROE	12.26%	10.60%
Net interest margin	4.02%	3.95%
Net interest income	1,868.0	1,730.0
Noninterest income	1,353.0	1,169.0
Noninterest expense	2,286.0	1,852.0
Loss provision	595.0	595.0
Net chargeoffs	642.0	591.0

Balance Sheet	6/30/93	6/30/92
Assets	$88,695.0	$87,429.0
Deposits	69,858.0	67,297.0
Loans	61,238.0	64,705.0
Reserve/nonperf. loans	87.0%	44.0%
Nonperf. loans/loans	3.65%	6.92%
Nonperf. assets/assets	2.32%	4.49%
Leverage cap. ratio	7.97%	6.05%
Tier 1 cap. ratio	7.74%	6.04%
Tier 1+2 cap. ratio	12.10%	10.59%

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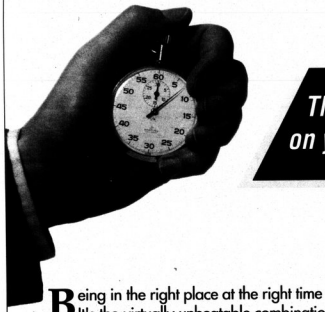

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EXECUTIVE *changes*

Earnings Performance Group Inc. Names Barry W. Blank a Principal

Barry W. Blank has been appointed a principal of **Earnings Performance Group Inc.**, Short Hills, N.J., which provides productivity and profitability improvement services for banks and thrifts.

Mr. Blank was formerly senior vice president in the business banking division for Citizens First National Bank, Glen Rock, N.J.

Before that, he held various senior management positions for First American Bankshares, Washington, Southeast Bank, Miami, Fidelity Union Bancorp., Newark, N.J., and several community banks in Washington.

In his role of regional marketing executive, Mr. Blank will work closely with **Charles S. Forbes**, a principal and marketing director for the company.

S.C. Bankers Add Post For Sally E. Tibshrany

Sally E. Tibshrany, director of communications for the **South Carolina Bankers Association**, Columbia, has been named to the additional post of assistant vice president.


Sally E. Tibshrany

Ms. Tibshrany joined the association in 1992 as director of communications. In her new capacity, she will continue to be responsible for communications, including media, public, and government relations.

She also will coordinate the editing and publishing of the association's magazine, the *Palmetto Banker*.

Ms. Tibshrany previously was a speech writer and press aide to Lt. Gov. Nick Theodore. She also worked for Sen. Ernest F. Hollings on the Senate Commerce Committee.

— **Franklin Smith**

WEST

INTERNATIONAL Savings Bank, San Diego, said **Bill N. Kinter** has joined the bank as vice president and marketing director.


Bill N. Kinter

Mr. Kinter oversees all aspects of the bank's marketing, including public relations, sales, and product management.

He comes to the bank from Homefed Bank of San Diego, where he was chief marketing officer.

MEYER INTEREST RATE Survey, Calabasas, Calif., has hired Barbara A. Saltzberg as assistant director of loan operations.

Ms. Saltzberg will assist in the generation of loan reports that Meyer provides to financial institutions. She was formerly with Gibraltar Savings and the Resolution Trust Corp.

Also, **Marilyn C. Adler** has been hired as a research assistant in the promotional accounts department. **Rosie Berdichevsky** and **Jeffrey Math** have been hired as research assistants in the deposit reports department.

Also, **Dana Bartnicki, Jeffrey Royston, and Victoria Hall** have been hired as research assistants in the loan reports department.

Additionally, **Stephany J. Leonard** has been promoted to director of loan operations.

THE NEVADA BANKERS Association, Reno, has elected **Edwin Skonicki** as president of the association for 1993-94. He is president and chief executive of **Citibank Nevada.**

He succeeds **William E. Martin**, president and chief executive of **Pioneer Citizens Bank** of Nevada.

President-elect of the association is **Andrew,P. Studdert,** area president for southern Nevada of **First Interstate Bank of Nevada, Reno.**

Leo V. Seevers has been elected treasurer of the association. He is executive vice president and senior lending officer of **Pioneer Citizens Bank.**

WHITE & CASE, an international law firm, said **Neal S. Millard** has joined its Los Angeles office as a partner.

Mr. Millard was previously with Jones, Day, Reavis & Pogue and was that firm's national coordinator of the corporate group's lending practice.

At White & Case, Mr. Millard will continue to specialize in financial transactions for foreign and domestic clients.

White & Case is headquartered in New York.

NEW ENGLAND

FRAMINGHAM SAVINGS Bank, Framingham, Mass., has named **James Petkewich** assistant vice president-branch administration.

MIDDLE ATLANTIC

ATLANTIC Stewardship Bank, Midland Park, N.J., has appointed **Cynthia A. Perrotta** a commercial lending officer.

She has 15 years' experience in commercial lending with banks in the Bergen-Passaic county area of New Jersey.

SOUTHEAST

FRANKLIN STREET Partners Inc., an investment firm in Chapel Hill, N.C., said **G. Mackay Salley** has joined it as an equities portfolio manager.

He was formerly a senior vice president and manager of special investment products at Wachovia Trust Services Inc., a unit of Wachovia Corp., Winston-Salem, N.C.

MIDWEST

NORWEST BANK Fort Wayne in Indiana has promoted **Sue Ellen Landadio** to assistant vice president in the private banking department. ☐

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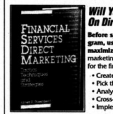

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AUCTION NOTICES

E.F. Fazio Auctr. Lic. #798972 Sells 9am on 7/28/93 at 670 Sutton. Blvd. (Bet.) 79 Chevy Van #CGL2394128672 Re: S.J. Geddes; 9:30am at 412 W. 126th St. (NYC) 89 Toyota 4Runner #JT4RN62D6K0247-473 Re: A.R. Figueroa &/or Go/Cal, 85 Cady Seville #1G6KS6698XFE809423 Re/O. Mesa; 10:30am at 2724 Knightsbridge Terr. (Bx) 83 Datsun 200SX #JN1R5065-4DH006094 Re: F.S. Burgos, 63 Mcfle 4dsd #060168 Re: A.Y. Gonzalez; 11am at 129-10 14th Ave. (Qns) 89 Honda Civic #1HGED36558A109969 Re: L. Pollack; 11:15am at 129-16 14th Ave. (Qns) 86 Chevy Van #1GCEG25H6G1745735 Re: Y. Chacon; 12pm at 72-30 Queens Blvd. (Qns) 85 Toyota Celica #ET2BA64C7F62-66460 Re: A.L. Cuban; 1pm at 3686 Main St. (Stadium) 91 Toyota 3Q1 #JT3EL10D1-55M7376NY015185 Re: Church of Praise & Prosperity; 2pm at 103-02 Rockaway Blvd. (Qns) 87 Dodge Colt #JB3BG39D2-H2550645 Re: C.M. Mayo, 85 Renault Alliance #1XMAC9569FK176700 Re: C. Jones; 2:30pm at 161 Sheffield Ave. (Blyn) 87 Chevy Van #1GCGG25K1-H7122312 Re: C.D. Harrison. 83 BMW 4dsd #WBADK8305E9D76146 Re: Almatec Inc. &/or Go/Cal, 85 Datsun, 84 BMW 325E #WBAAB5402E9505866 Re: Hartford Ins. &/or A.E. Ethan; 3:30pm at 4923 2nd Ave. (Blkyn) 77 Toyota Celica #JT4RA26B032023662 Re: Assistant at 324 W. 19th St. (NYC) 87 Chevy Camaro #1G1FP23S8HN136289 Re: J.A. &/or J.C. Bonaventura; 4:30pm at 466 10th Ave. (NYC) 86 Dodge Colt #JB3BG36A8L1-GU084039 Re: J. L. Shaw. 5pm at 618 W. 47th St. (NYC) 85 Mercury Topaz #1MEBP7132FB218713 Re: C. A. Samonas &/or L. Lehman. Publ. 7/13 & 7/20/93.

C Lisadio & ASSOCS. Inc. DCA#0696654 nue7's sell Aug. 4 1993 at 9 AM at 121-08 14 Rd., Qns. 1981 Cadillac VIN #1GBA-B6991BH148143 Acct. K&K Gasnic Pool Builders Inc. 10 AM at 70-28 Austin St. Ave., Qns. 1986 Ford 4 dr. #2FABP22-9AGB121693 Acct. R. Mejia. 1986 Hyundai 4 dr. #KMHLA11JXGU101908 Acct. L.E. Rosenstein. 1988 Mazda 2 dr. #JG2JD11K2J7310880 Acct. B.A. Rutland. 12 Noon at 70-11 50 Ave., Qns. 1981 Chevy 2 dr. #1G1AP87K8BL159931 Acct. R.D. Peace. 1993 Mazda 3dr. #JM1BF4321-3N0136664 Acct. D. Clark; 1:30 PM at 96-14 Northern Blvd., Qns. 1986 Benz. 2 dr. #1G2PF3706GP256448 Acct. E.A. Selmon and/or R. Aquino. 1983 Chevy 4 dr. #1GCBV36V9DB114929 Acct. A. Williams; 1985 Subaru 4 dr. #JF1AC46B-3FA213369 Acct. A.Rosa. and/or A. Gasiano. 1987 Honda 4 dr. #1HGCA5633-H0408990 Acct. E.S. Bruno. 1988 Mercury S/W #1MEBM58U4JA603559 Acct. J.B. Robinson. 1988 Mazda 2 dr. #JT-VGD31A3J1201138 Acct. E.D. Sumonte; 1989 Olds 2 dr. #1G3WH14T9KW826339472 Acct. L. Lynah and/or L. Lynch; 4:30 PM at 30 Goode Pl., Pelham Manor, NY 1989 Ford M/C #2S1VX71A9G2106456 Acct. R.P. Nolan. Published July 20th & July 27th, 1993.

E.F. Fazio Auctr. Lic. #798972 Sells 10am on 8/4/93 at 11 W. 115th St. (NYC) 84 GMC 4wd #1GTDT03Z5E8532102 Sells NYC Sanit. Dept. 10:30am at 670 Sutton Blvd. (Bx) 85 Honda Civic #1HMAF52-23F5032045 Re: V.P. Matos &/or A. Serrano, 82 Datsun 2dsd #NHGB01139C-W126493 Re: E. Rivera; 11:30am at 24 Dodewards St. (Blkyn) 87 Datsun 350 #JN1HT05S1BBX130368 Re: F. Reyes; 12:30pm at 4923 2nd Ave. (Blkyn) 82 Chevy M.C. #1G1AZ37J3C8178724 Re: G.B. Haywood, 86 Olds Cutlass #1G-3AZ27S8GD344918 Re: S.J. Pand; 1:30pm at 333 W. 27th St. (NYC) 81 Honda Prelude #1HMSN3220BC035521 Re: S. A. Scott; 2pm at 666 10th Ave. (NYC) 86 Ford Aerostar #1FMCA11S9GZA46615 Re: L. Bennett; 2:30pm at 236 W. 60th St. (NYC) 83 Kawasaki Mtr. #JKAZN4A15DA005832 Re: D. Edwards. Publ. 7/20 & 7/27/93.

L. Penner lic #8470381 sells for cash 8/04/93 at 10AM at 950 Front Street Uniondale 84 Chevr Celebrity #1G1AW35UXE1123313 Re: H. Francis; 10:30AM at 231 West Lincoln Ave Mt. Vernon 85 Dodge Van #2B7JB3373FK297263 Re: Fourteen Leasing Inc.; 11AM at 64 School St. Yonkers 84 Olds Cutlass #2G3AR47A3E234-3357 Re: F. Campbell; 12PM at Hunting ton Plaza, Box 1011 New Rochelle 68 AE/CR 12799 Reg NY500IPB Re: R. Githam.

CRA Enforcement Will Get Tougher

Continued from page 1

compliance examiners may have a clear set of goals in mind and is eager to quickly move forward, focusing on five areas:

- Developing performance-based standards that are more quantitative and objective, but still leave room for flexibility.
- Rewriting all of the agencies' examination procedures to make greater use of these quantifiable measures and reduce paperwork.
- Involving the public by meeting regularly with community groups and streamlining the process by which CRA records are made public.
- Developing expanded training programs for examiners; the OCC until now has not had specialized consumer compliance examiners.
- Strengthening enforcement, moving it beyond the application review process.

"The shift in emphasis will benefit everyone," Mr. Ludwig said, adding that the changes will "bring a much closer tie to the original intent of the Community Reinvestment Act."

The comptroller, Federal Reserve Board, Federal Deposit Insurance Corp., and Office of Thrift Supervision will formally begin working together this week to rewrite the regulations. The agencies have until Jan. 1 to finalize the new policies.

Competing Interests

Both industry officials and public advocates have applauded the President's desire to reform CRA. Nonetheless, both sides remain wary. Bankers don't want guidelines that are too rigid, and community groups don't want banks to be let off the hook completely in documenting their work.

"No one is in favor of leaving this law the way it is," said American Bankers Association president William H. Brandon. "We're pleased the President recognizes the problem and has targeted it for reform."

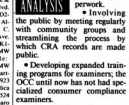
But "gauging performance is very difficult," the association head added. "If they're not careful, they could end up on the road to credit allocation."

Irvin Henderson, chairman of the Community Reinvestment Coalition, said: "Our only concern is the suggestion that reducing the alleged paperwork burden now required of lenders might be beneficial."

"How will the public, regulators, and others be able to accurately measure the true commitment of any lender in a given area without the necessary documentation?"

Concerns About Enforcement

And despite a new tenor among bank regulators on community issues, some activists remain concerned about the agencies' willingness to enforce CRA vigorously.



William H. Brandon
Against credit allocation

"Improving regulatory enforcement of CRA will not be easy, given the poor track record of the banking agencies in this area," said Allen Fishbein, general counsel of the Center for Community Change.

In revamping CRA standards, the regulators face the challenge of adding objectivity while recognizing the variety of lenders and communities that exist. Some industry officials question whether this will be possible.

"Lending varies today community by community, and trying to establish consistent standards for community lending wouldn't work," said the ABA's Mr. Brandon. The association has better things to do than trying to determine the credit needs of every community in the country."

Need for Flexibility

Mr. Ludwig said the regulators are fully aware of that issue and will be sufficiently flexible to accommodate area differences.

"How any particular institution meets its CRA obligations will depend on a variety of factors, including its overall business strategy, its financial resources, corporate structure, location, and the needs of the community in which it operates," he said.

Lenders and their critics agree that the announcement that CRA reform brings them together more frequently on specific terms – as opposed to fostering only adversarial exchanges during bank application reviews – the regulatory reform will most certainly make the law more effective.

"One of the principal goals of the President's reform initiative is to achieve a CRA rating system that commands respect from all parties," Mr. Ludwig said.



Eugene Ludwig
Aiming for cooperative effort

Regulators Still Awarding High CRA Exam Scores

By CLAUDIA CUMMINS

WASHINGTON — Banks and thrift regulators seem to be tougher talkers than graders when it comes to Community Reinvestment Act examinations.

During the first half of this year, 93% of CRA ratings released by the four federal regulators were "outstanding" or "satisfactory" – the top two of the four grades.

Only 10 of the 2,606 lenders, or 0.4%, got the lowest score, "substantial noncompliance."

1% Receive Lowest Rating

In 1992, 90% were outstanding or satisfactory, and 58 of 5,602 institutions examined, about 1%, got the worst rating. The compilation was done by *CRA/HMDA Update*, a Bethesda, Md., newsletter.

Each agency's CRA ratings improved in the first six months of 1993. The FDIC gave out the highest grades, awarding "outstandings" or "satisfactories" to 95% of the banks it examined.

Also in those categories were 92% of banks examined by the Federal Reserve and 90% of those regulated by the Office of the Comptroller of the Currency.

The Office of Thrift Supervision gave the top two grades to 87% of the 358 thrifts it examined, and none was in "substantial noncompliance."

Ratings were highest in Wisconsin and Iowa, with 99% of lenders in the top two groups. The lowest were in Maryland, where 33% received one of the two lowest CRA grades, and New Jersey, with 27% in those categories.

Citibank New Zealand Issuing Bonds

Reuters

WELLINGTON, New Zealand — Citibank New Zealand said it is funding an expansion of mortgage lending through three issues of retail bonds.

Bonds with one-year and three-year maturities are paying 6.75% annually, while a five-year bond offers 7%. Interest is payable quarterly.

The one-year bond will be limited to $5.5 million, while the other issues will be open, Citibank said.

Into the Mainstream

A $27.5 million wholesale component of the issue was tendered last week to institutions and was oversubscribed, the Citicorp affiliate said. The lead manager of the issue is CS First Boston.

Citibank New Zealand is seeking to broaden what has been a niche market into a mass business. "This should take us into the mainstream of New Zealand banking," said Brian Clayton, chairman of Citibank Australia.

Citibank's mortgage business in New Zealand has grown 300% over the past 2½ years, said New Zealand chief executive Richard Wilks. He said the bank expects to continue relying on an agent network and will not be using the new funds to open retail branches. □

Niagara Asset Corporation
Loan Sale Opportunity

Niagara Asset Corporation, a service corporation managing and selling loans for the FDIC, as Receiver of Goldome, intends to offer the following performing commercial mortgage loans for bid through a Bulk Loan Sale:

Commercial Mortgage Loans	Approximate Principal Balance	Bid Date
Package #000196	$5.2MM	August 18, 1993
Strip Plaza/Shopping Center	$3.5MM	August 18, 1993
Multi-family	$3.5MM	August 18, 1993
Office Building	$ .3MM	August 18, 1993

Properties located in TX, OH, OK, MI, and FL.

Each loan must be bid upon separately. There are 8 loans ranging in size from $.3MM to $2.3MM.

For details regarding this sale and bid packages, please contact:

Joanne M. Campagna, Vice President
at (800) 846-6164 or write to:
Niagara Asset Corporation
Waterfront Village Center
60 Lakefront Blvd., Suite 316
Buffalo, New York 14202-4392

Please respond by August 5, 1993.

FINANCE

BANK BONDS
Debt Upgrades, Strong Earnings, And Scarcity Fuel Rise in Prices

By DAVID SIEGEL

Bank bonds are rallying, supported by debt upgrades, strong earnings, and a scarcity of new issues.

Yield spreads to Treasury securities on banks' 10-year subordinated debt have come in by two to five basis points in the last week.

In addition, the average yield spread of the Keefe, Bruyette & Woods bank bond index has tightened by four basis points this month, to 80 basis points over the 10-year U.S. Treasury note on July 16, the tightest spread ever, said Brian Furbish, a Keefe vice president.

Forces Work to Tighten Spreads

"The expectations that earnings would be strong, that asset quality would improve, and that the broad trend in ratings would be toward upgrades have all worked to tighten spreads," said Allerton Smith, bank debt analyst with First Boston Corp.

In addition, there has been a lack of new supply of bonds while demand remains strong, said Michael Leit, bond analyst with Bear, Stearns & Co.

Citicorp and Shawmut National Corp. have been the star performers this month.

The spread on Citicorp's 10-year subordinated debt has tightened 15 basis points since July 1 to 95 basis points, said Catharine R. Brady, analyst with Salomon Brothers.

Moody's Investors Service last week upgraded Citicorp's subordinated debt to Baa2 from Baa3, senior debt to Baa1 from Baa2, and cumulative preferred stock to an investment grade Baa2 from a junk Ba1 rating.

Ms. Brady noted that the upgrades surprised the market because Citicorp's long-term debt had not been on review for upgrade.

"I think in general the market had not expected the debt upgrade that soon, which is why the bonds moved," she said.

Shawmut subordinated debt tightened 112 basis points from 120 at the start of the month, according to First Boston.

Ms. Brady said the bank's bonds rallied on news of its successful bulk sale of real estate assets and reduction of nonperforming assets.

The bank in the second quarter completed the sale of two packages of real estate assets with a carrying value of $309.8 million.

Split on Strategy

Analysts differ over whether spreads are so tight that investors should trim their holdings.

"We've talked to a number of investors lately, and no one's selling, but everyone questions whether [spreads] can get any tighter," said William Kyle, analyst with Merrill Lynch & Co. "One reason the selloff hasn't happened is that investors don't have that many alternatives in terms of spread over Treasuries that bank bonds provide."

Bear Stearns has been recommending a slight underweighting of the bank sector since mid-June because of the "all-time tightness in spreads," Mr. Leit said.

Spreads Narrow
Yield spread over Treasuries for 10-year subordinated debt in basis points

	July 16	Prior Month
Morgan	38	43
Bankers Trust	63	65
PNC	75	76
Banc One	67	71
First Union	80	83
BankAmerica	86	88
NationsBank	77	81
Wells Fargo	98	100
Chemical	84	85
Citicorp	95	106
Shawmut	112	120
Midlantic	176	185

Source: First Boston Corp.

Citicorp and Shawmut have been the star performers this month.

Who, What, When, Where, Why, How.

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BANK AND THRIFT STOCKS

Highlights for Monday, July 19

TOP 10 GAINERS %

City Holding Company	11.3
Financial Trust Corp	6.8
Security Capital Bancorp	5.8
First Commercial Corporation	5.6
First National Bankshares	5.2
UST Corp.	4.6
Provident Bankshares Corp.	4.2
Grenada Sunburst System Corp.	4.2
Cathay Bancorp	3.6
United Carolina Bancshares	3.5

TOP 10 LOSERS %

Trans Financial Bancorp, Inc.	-6.4
Intercontinental Bank	-4.6
Bancorp Connecticut, Inc.	-4.5
First Colonial Bankshares	-4.4
Commercial Financial Corporation	-4.2
Trustmark Corporation	-4.0
California Bancshares	-4.0
Seacoast Banking Corp Florida	-3.9
City National Corporation	-3.5
Republic Bancorp Inc	-3.0

MOST SHARES TRADED

Citicorp	2497400
Chase Manhattan Corporation	1316100
Norwest Corporation	891600
Chemical Banking Corp.	660800
Shawmut National Corporation	582900

VOLUME AS % OF AVERAGE

First United Bank Group	729.1
TrustCo Bank Corp NY	709.4
Bank of Granite Corp.	655.7
First Financial Corporation	638.2
Whitney Holding Corp.	622.8

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes
Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.20	0.31	0.38	0.20	-1.46	5.03	0.23	0.61	7.27

TOP 225 BANKS

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg.
35¾	23¾	1stGeorgeInvN	10.8	146.2	22¾	-½
27¾	18¾	AMCORE Fnl.	11.5	129.7	24¾	-½
17¾	8¾	AmericaFirst	10.6	15.0	9¾	-¼
35¾	26¾	AmSouthBancorp	10.9	149.9	31¾	-¼
30¾	20¾	AmTrustCorp	10.3	87.2	28¾	-¼
35¾	27¾	BB&T FinCorp HC	11.9	153.1	33¾	-¼
37¾	32	BBV-ADR	12.7	256.1	37¾	-¼
33	21¼	BT FinCorp PA	11.1	137.0	30	-¼
9¾	5	BaltimoreBcp-MD	8.7	7.2	9¾	-¼
31¾	24¾	BankPovidCorp PR	9.8	120.7	28½	-¼
42¾	31¾	BanchoSouthInd	12.0	259.1	41¾	-¼
53½	43¾	BancorpHawaii	9.9	148.0	49	-¼
30¾	22¾	BancorpSouth MS	10.6	72.4	29¾	-¼
41¾	31¾	BankAmericaCorp	9.8	121.4	38¾	-¼
35½	26	BankCentreCorpOK	10.7	364.4	29¾	-¼
31¾	24¾	BankOfBostonCp	10.6	143.2	27	-¼
77¾	59	BankersTrustNY	9.0	175.6	77	-¼
27¾	19¾	BankersCorpMD	10.3	127.2	26¾	-¼
28¾	18¾	BanklerBostonMA	9.4	110.0	22¾	-¼
31¾	23¾	BarnettBanks	10.6	143.2	27	-¼
50¾	34¾	BarnettBanksInFL	18.2	175.5	46¾	-¼
34¾	24¾	CB&T FinCorp WV	10.4	34.6	30¾	-¼
34¾	29¾	Bashmer-WolfcenMD	11.9	156.6	61	-¼
42¾	32¾	CBI FinCorp NC	11.9	147.6	39¾	-¼
31¾	23¾	BrentonBankIn	10.4	135.7	26	-¼
34¾	24¾	CB&T FinCorp WV	NM	34.6	30¾	-¼
35¾	26¾	CBT Corporation KY	12.0	146.2	34	-¼
42¾	33¾	CSB FinCorp NC	11.9	147.6	39¾	-¼
34	23¾	CNB BancshresIN	10.7	134.2	29½	-¼
14¾	10¾	CNB Fnl Corp	9.1	14.5	13¾	-¼
17¾	12¾	CNB FinCorp CA	10.5	14.5	14¾	-¼
14	9¾	CalFirstBancorp CA	14.5	104.6	12	-¼
25	15¾	CalBancorp CA	10.6	145.3	14¾	-¼
28¾	19	CentralBcshs AL	11.3	179.2	25¾	-¼
28¾	22¾	CentralBancorp OH	10.4	185.1	29¾	-¼
24¾	18¾	CentralJersey NJ	14.8	151.7	21½	-¼
24¾	18¾	CentralBancShr KS	10.4	157.7	21	-¼
37¾	25	ChaseManhattanNY	9.7	100.4	32¾	-¼
47¾	34¾	ChemicalBkgCorp	10.8	118.7	39¾	-¼
47¾	31¾	ChemicalFinCorp	13.8	172.8	44½	-¼
22¾	16¾	CitizensBancp VT	12.0	111.2	20¾	-¼
32	14½	CitizensFnl NY	14.8	137.9	32	-¼
28	15¾	CitizensBancorp MD	14.2	128.6	24½	-¼
23½	18¾	CitizensBanking MI	12.2	132.2	22¾	-¼
27¾	19¾	CitizensFnl Corp	13.3	153.5	25¾	-¼
21	17¾	CitizensFnl Corp FL	NM	139.7	19¾	-¼
23¾	17¾	CityNational CA	11.1	139.7	21¾	-¼
23½	17	CoastalBcpTX	10.3	153.3	23¾	-¼
34¾	27¾	CommerceBcshs MO	12.7	153.3	29¾	-¼
34¾	27¾	CommerceBcp NJ	12.1	1593.3	57¾	-¼
40¾	21	CollinsFoodCorp IA	13.3	153.5	41¾	-¼
40¾	21	CulbroFnl TX	10.3	164.4	35	-¼
27¾	20¾	DauphinDeposit PA	11.7	158.1	24	-¼
35½	20¾	DepositGuaranty MS	9.8	144.0	29	-¼
23¾	17¾	DimeBancorp NY	11.6	148.2	21¾	-¼
17¾	12¾	DimeFnl Corp CT	13.6	148.2	21¾	-¼
19¾	9½	FNB Corp PA	10.8	109.1	13¾	-¼
34	24	FarmersCapital KY	11.6	114.4	27¾	-¼
58¾	40¾	FifthThirdBcp OH	17.7	298.0	53¾	-¼
35¾	27¾	FirstAlabamaBcshs	10.3	138.3	29¾	-¼
55¾	33¾	FirstFedNE	14.2	225.4	53¾	-¼

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg.
35¾	24¾	FirstHawaiianNA	12.2	324.1	33¾	-¼
19¾	10	FirstMiss Cp TX	9.8	156.2	19¼	-¼
24¾	16¾	FirstMiss Corp PA	14.4	161.3	24¾	-¼
20¾	15¾	FirstNiagara Cp	11.3	160.0	49½	-¼
37¾	27¾	FirstNorthAmerica	10.7	174.4	30¾	-¼
45	29¾	FirstChicago IL	116.1	121.7	44¾	-¼
63¾	45¾	FirstCommerce LA	10.4	134.4	45¾	-¼
18¾	14¾	FirstCommFL	15.4	125.3	16¾	-¼
22	16¾	FirstCommBcp SC	10.0	187.5	20¾	-¼
74¾	40	FirstCommerce KY	10.7	159.0	73½	-¼
30¾	27¾	FirstCommMich PA	12.1	170.2	30¾	-¼
31¾	25¾	FirstCommMich PA	12.1	159.8	29¾	-¼
31¾	24¾	FirstCommNC	11.2	159.8	29¾	-¼
51¾	34	FirstFedFin MI	11.1	167.6	48¾	-¼
51¾	34	FirstFedNY	11.1	167.6	48¾	-¼
56	36¾	FirstFedCorpFL	12.4	149.2	54½	-¼
39¾	27¾	FirstHawaiianIN	11.3	153.7	39¾	-¼
65	36¾	FirstInterstate CA	10.3	167.0	64½	-¼
27¾	19¾	FirstMichBankCpNE	13.3	180.7	27¾	-¼
18¾	14¾	FirstMidwest IL	15.6	151.2	23¾	-¼
24¾	16¾	FirstMidAmerica CA	12.5	NM	20¾	-¼
30¾	21¾	FirstSecurity KY	12.1	167.4	28¾	-¼
47	33¾	FirstTennessee TN	11.2	178.6	46¾	-¼
51¾	35¾	FirstUnionCorp NC	10.3	189.1	46¾	-¼
39¾	17	FirstUnionRealEst	12.5	132.4	39¾	-¼
23¾	17	FirstUnitedMD	13.0	182.7	21¾	-¼
29¾	20	FirstVirginiaBcp-MI	11.5	156.9	29¾	-¼
39¾	30	FirstVirginiaBk	10.5	178.3	35¾	-¼
31¾	23	FirstWisconsin	11.3	171.1	30¾	-¼
43¾	30¾	FirstWisconsinMI	10.4	171.1	37¾	-¼
43¾	30¾	FirstNorwestMI	10.4	155.9	37	-¼
44¾	32¾	FirstTennesseMI	15.8	155.9	33¾	-¼
44¾	32¾	FortWayneNatCpIN	13.1	189.1	39¾	-¼
24¾	17¾	FourthFinCorp	12.4	174.7	20¾	-¼
26	20¾	FranklinCorp MI	10.6	153.3	26¾	-¼
30¾	23¾	FranklinFnl Corp	11.3	146.3	27	-¼
33	24¾	FulltonBancGrp PA	12.1	185.1	30	-¼
34	18¾	FulterFinCorp PA	11.7	171.8	23	-¼
17¾	13¾	GBC Bancorp CA	7.5	123.3	14¾	-¼
25¾	15¾	GreatSouthBcorpMO	11.2	147.1	24¾	-¼
35¾	24¾	HancockHldgCo MS	10.5	183.9	31	-¼
34¾	24¾	HancockHldgCo LA	10.5	183.9	31	-¼
19¾	12¾	HawkeyeBancorp IA	11.4	153.1	17¾	-¼
34¾	24¾	HeritageFnl MO	10.8	159.5	33¾	-¼
30¾	20¾	HibernaCorp NJ	10.0	259.5	22¾	-¼
34¾	24¾	HuntingtonBcshs IN	10.8	153.8	29¾	-¼
15	6¾	ImperialBancpCA	11.5	61.9	9¾	-¼
25¾	15¾	IndependentBk MA	85.5	131.5	24¾	-¼
49¾	32¾	IntegraFinCp PA	10.8	193.5	46¾	-¼
29	17¾	InterWestBcshs NV	12.5	142.0	15¾	-¼
47	38	InvestmtBnkHldgs IN	10.9	124.5	40¾	2¼
34¾	25	IowaFirstBancp IA	9.3	218.1	34¾	-¼
74¾	58¾	JP Morgan NY	10.2	184.1	72	-¼
46	30¾	JeffersonBkshs TN	10.4	173.9	22	-¼
46	30¾	KeyCorp NY	11.4	195.8	40¾	-¼
34¾	24¾	KeystoneFnl PA	12.7	183.0	29¾	-¼
34¾	24¾	LakeShore IL	14.0	185.1	22¾	-¼
34¾	24¾	LaSalleNational IL	10.8	153.8	29¾	-¼
34¾	24¾	LibertyBancorp OK	10.8	153.8	29¾	-¼
29¾	15¾	MBNACorp DE	15.1	387.6	27	-¼
19¾	14¾	MNC Financial MD	10.1	132.4	14¾	-¼
19¾	12¾	MagnaGroup MD	11.8	121.4	17	-¼
29	17¾	MarshallBnkshs WI	14.5	212.6	26	-¼
25¾	19¾	MarshallMilsInc WI	14.2	199.2	23½	-¼
49¾	40	MellonBankCorp PA	9.7	847.9	49¾	-¼
36¾	24¾	MercantileBcp MO	11.7	143.6	47¾	-¼
35¾	27	MercantileBcshs MO	12.7	148.8	30¾	-¼
62	44¾	MerchantsBancp MY	20.4	188.6	56¼	-¼

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg.
89	72	UnitedCounties NJ	8.1	124.9	85¾	-¼
34¾	24¾	UnitedJersey Bks NJ	10.1	120.9	28	-¼
32½	17	UnitedNatlBcpn NJ	12.7	143.1	32½	-¼
43¾	31¾	UnitedNatlCorp DE	13.7	179.3	44¾	-¼
28	18¾	VaNatlBkshs KS	13.0	261.8	25	-¼
27¾	20¾	VictoriaBkshs TX	7.0	118.7	23	-¼
40¾	29	WachoviaCorpNC	13.1	203.6	34¾	-¼
120	81¾	WellsFargo CA	26.2	1802.7	107¼	-¼
32	21¾	WestBancoAR	15.3	173.0	31¾	-¼
56¾	38¾	WestCoastBancpOR	12.2	156.0	56¾	-¼
30¾	18¾	WestamericaBancCA	10.6	138.1	29¾	-¼
30¾	20¾	WesternBancpAZ	10.9	183.6	30¾	-¼
36	21¾	WhitneyHoldingLA	14.5	179.7	36	-¼
27¾	20¾	WilmingtonTrCorp DE	10.7	178.3	27¾	-¼
27¾	20¾	WorthenBankingAR	9.0	149.0	24¾	-¼
27	20	WyomingBancp KY	10.8	150.6	26¾	-¼

TOP 25 THRIFTS

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg.
24	12	ALBANYFinancial NY	11.1	86.4	19¾	-¼
21¾	13¾	Amerancon-CA	15.7	90.2	19¾	-¼
23¾	6¾	CalFedBancFSB CA	NM	35.6	7¾	-¼
34¾	22¾	CharterOneFin OH	7.7	130.9	30¾	-¼
18¾	6¾	CoastSavingsFin CA	7.7	68.8	13¾	-¼
35¾	18¾	CollectiveBcp NJ	9.0	186.1	32¾	-¼
30¾	20¾	CommunityFed MD	10.1	87.2	28¾	-¼
30¾	22	DimeFinancial DC	12.0	96.2	28¾	-¼
19¾	11¾	DreamCleanings CA	5.6	39.2	18¾	-¼
15¾	7¾	FedFacCorp CA	9.1	48.5	15¾	-¼
34	17¾	FirstFedMichMI	11.1	72.6	31½	-¼
30	20¾	GalileoFinancial	11.5	87.2	28¾	-¼
19¾	13	GreatWesternFin CA	77.8	103.5	17¾	-¼
19¾	13¾	GuarantyFed TX	9.3	69.2	18¾	-¼
18¾	11¾	NetroFinCp MA	9.8	107.8	16¾	-¼
31½	18¾	NBB BancorpMD	9.1	87.2	28¾	-¼
32¾	21¾	NSBancorp IL	8.7	115.7	31¾	-¼
24¾	14¾	NewcastleHldgs MD	11.5	108.1	18¾	-¼
13¾	6¾	Sovereign PA	11.9	185.8	11¾	-¼
24¾	16¾	SouthFinancial SC	9.1	87.2	23¾	-¼
25¾	17¾	StandardFedBk MI	7.9	121.9	25¾	-¼
25¾	17¾	StandardFedBk MI	7.9	121.9	25¾	-¼
30¾	20¾	SterlingBancpNY	11.3	157.3	30¾	-¼
35¾	22¾	WashingtonFedCO	11.2	207.2	35¾	-¼
24¾	16¾	WashingtonMutBnk	10.3	1137.7	24¾	-¼

Bank Stock Table Explanation: The table lists the 225 largest publicly traded commercial bank stocks and the 25 largest publicly traded thrifts as measured by the market value of outstanding common stock as of July 16, 1993. The market value (cutoff for banks was $175.09 mil. and for thrifts was $86.4 mil.) is listed in the Mkt Cap. column. The change in price for the week is in the Chg. column. PE is the price-to-earnings ratio. The 52-week stock price divided by the trailing four-quarter earnings per share. Earnings per share are primary earnings per share, except for companies with less than four quarters of data. MM, for bank, the ratio of the most recent bank's closing price to the stock's book value, expressed as a percentage. The data is adjusted for stock splits and dividends. Footnotes: (a) — Stock traded on the over-the-counter market. (b) — Stock traded on the Amex. (c) — Stock traded on the Nasdaq National Market System. (d) — Stock traded on the New York Stock Exchange. (e) — Stock traded on the Pacific Stock Exchange. (f) — Stock traded on the Boston Stock Exchange. (g) — Stock traded on the Chicago Stock Exchange. (h) — Stock traded on the Cincinnati Stock Exchange. (i) — Stock traded on the Philadelphia Stock Exchange. (j) — Stock traded on the Toronto Stock Exchange. (k) — Stock traded on the Midwest Stock Exchange. (l) — Stock traded on the Spokane Stock Exchange. (m) — Stock traded on the Salt Lake City Stock Exchange. (n) — Stock traded on the Intermountain Stock Exchange. (o) — Stock traded on the Vancouver Stock Exchange. (p) — Stock traded on the Montreal Stock Exchange. (q) — Stock traded on the Calgary Stock Exchange. (r) — Stock traded on the Alberta Stock Exchange. (s) — Stock traded on the Winnipeg Stock Exchange. (t) — Stock traded on the Honolulu Stock Exchange. (u) — Stock traded on the Boston Stock Exchange. (v) — Stock traded on the Cincinnati Stock Exchange. (w) — Stock traded on the Philadelphia Stock Exchange. (x) — Stock traded on the Toronto Stock Exchange. (y) — Stock traded on the Midwest Stock Exchange. (z) — Stock traded on the Spokane Stock Exchange.

Stock Standouts
Largest price and volume changes of banks and thrifts during the week ended July 16

LARGEST PRICE GAINERS*	% increase	7/9/93	7/16/93
Simi Valley Bancorp	27%	$27¾	$35¼
First Financial Bancorp.	5.848	42%	45%
Bank of Granite	5.660	38%	28
Amcore Financial Inc.	5.310	23%	24¼
First Commerce Bancshares	4.500	71	74½
LARGEST PRICE LOSERS*	**% decrease**	**7/9/93**	**7/16/93**
Ingersoll Bancorp.	11.364%	$11	$9¾
Signet Banking Corp.	9.514	58%	52¾
First Union Corp.	7.368	48%	43¾
Crestar Financial Corp.	6.534	44	41¼
Coast Savings Financial Inc.	6.087	14¾	13¾
HARDEST CHANGES IN VOLUME†	**Multiple**	**Average Last week**	
Westbanco Inc.	6.248	12,628	78,900
TrustCo Bank Corp. NY	4.135	13,700	137,200
Signet Banking Corp.	3.782	518,950	1,962,800
Mid-Am Inc.	3.684	10,650	49,900
Chemical Financial Corp.	3.123	5,700	17,800

Table described: From the 250 bank and thrift stocks listed above, the five institutions with the largest price gain, the five with largest price decline, and the five with largest increase in their average volume for the previous week are identified. (†)— **Multiple of last week's trading volume** is the ratio of the volume for the previous week to the volume for the preceding week's close. (*)— **The multiple of last week's trading volume** is the average volume over the previous 10 months.
Data Source: Salomon Brothers Inc. New York.

Key Rates

	7/19	7/16	7/12	7/20/92
			(July 17, 1993)	
Federal Funds domestic range:	3⅛–3¼%	2¾%–3	3⅛–3¼%	3¼–3½%
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit*				
3 Month Posted	2.73	2.73	2.78	2.90
6 Month Posted	2.92	2.92	2.97	3.05
1 Year Posted	3.15	3.15	3.15	3.25
Eurodollar deposits*				
3 Month	3⅛	3⅛	3⅛	3¼
6 Month	3⅛	3⅛	3⅛	3⅛
1 Year	3⅛	3⅛	3⅛	3 11/16
Banker Commercial Paper*				
1 Month	3.08	3.08	3.15	3.41
3 Month	3.15	3.20	3.20	3.41
6 Month	3.26	3.28	3.32	3.48

(*)— Late afternoon quotes, New York market. (†)— Highest offering rates (annual % yield) at selected NYC money center banks. (‡)— Late London bid. (Nm)— Rate and/or the equivalent.

STOCKS

West One Takes to High Road On 'Buy' Ratings from Wall St.

By GORDON MATTHEWS

West One Bancorp shares are gaining on the strength of good second-quarter earnings and analysts' "buy" ratings.

The latest nod was from Piper Jaffray Inc., the Minneapolis securities firm.

The Boise, Idaho, bank "is in the fastest-growing region of the country," noted Steven Schroll, a Piper Jaffray analyst.

That has meant "very high loan demand, which is helping West One maintain its net interest margin and increase its asset base."

The growth trends also "have a positive impact on credit quality and core noninterest income," he said.

Earnings Estimates Raised

Mr. Schroll raised his investment rating to "buy" from "accumulate" and raised his 1993 earnings estimate to $4.70 a share from $4.35. He lifted his 1994 earnings forecast to $5.15 a share from $4.85.

West One shares were up 37.5 cents to $51.50 in late trading Monday after a gain of $1.125 on Friday. Volume on Monday was about double the average daily pace of 56,400 shares.

In the second quarter, the bank earned $1.20 a share, up from $1 a year earlier. It also announced a 2-for-1 stock split, effective Aug. 13.

Mr. Schroll's endorsement is the latest of several recent ones from Wall Street.

Last month, Joseph K. Morford of Seattle, Bruyette & Woods Inc. noted that the region where West One operates is "in the midst of a residential real estate construction boom, and there is no evidence yet of supply exceeding demand."

Idaho and Utah, he said, continue to experience "a steady immigration of families and businesses, primarily Californians attracted to the lower cost of living and high quality of life."

Mr. Morford said economists are "optimistic about the outlook for future growth in the region, especially considering that the economy is much more diversified than in the past."

Solid Track Record

The analyst said West One "has a proven track record of re-



Piper Jaffray cited "very high loan demand" in a fast-growing region.

warding its shareholders with above-average returns."

He expects earnings per share to increase more than 10% in each of the the next two years.

Mr. Morford projected that the stock would hit $60 in 12 to 18 months.

West One has assets of $7.1 billion. While centered in Idaho, the bank operates in Utah, Oregon, and Washington State.

The bank strengthened its Washington operations last September by acquiring, at a modest premium, assets from Bank-America Corp. after its acquisition of Security Pacific Corp.

Possible Takeover Target

Analysts also view West One as a likely takeover target. The growing region is attractive to large superregional banks, but there are few banks left to buy.

West One's "attractiveness as a takeover candidate will grow," said Norman Jaffe of Fox-Pitt Kelton Inc. He has a "purchase" recommendation on the shares.

Mr. Morford suggested that West One would be particularly attractive to such potential buyers as Banc One Corp., First Bank System Inc., or Keycorp. □

MONDAY'S MARKET

Citicorp was the most active bank stock on Monday, rising 25 cents to $32 on volume of 2.5 million shares in advance of second-quarter earnings being reported today.

The stock also got a nod from Stephen Berman of Natwest Securities Corp. He upgraded the stock to "buy" from "accumulate," saying he expects "a surprising earnings breakout" in the next six to nine months.

Chase Manhattan Corp. gained 25 cents to $32.75 on volume of 1.3 million shares. It reported better-than-expected second-quarter results.

Other major bank stocks were mostly mixed in relatively quiet trading on Monday as the overall stock market appeared to be searching for direction.

THE MARKETS

Jump in Oil Prices Causes Bond Yields to Edge Up

A rise in oil prices unsettled the government securities market on Monday.

In late trading, the yield on the 30-year Treasury bond was at 6.54%, up from 6.53% on Friday. Ten-year notes rose 1 basis point in yield to 5.69%. Two-year notes increased 4 basis points to 3.99%.

The Organization of Petroleum Exporting Countries said it will hold an emergency meeting at the end of this month. The cartel then is expected to increase oil prices.

Below $16 a Barrel

Until that announcement, the price of oil had fallen below $16 — the lowest level since the Persian Gulf War – in anticipation that the United Nations will temporarily lift the embargo on Iraqi oil sales.

On Monday, the price of oil surged to $17.36 a barrel.

An increase in commodity prices also fed the selloff in the Treasury market.

The Commodity Research Bureau index, measuring 21 futures prices, rose 2.83 points, or 1.3%, to 218.01.

Soybean Prices Rise

The rise was attributed mainly to higher soybean prices, spurred by flooding in the Midwest.

The bond market is today expected to focus on the first part of Federal Reserve Board Chairman Alan Greenspan's semiannual Humphrey-Hawkins testimony to Congress.

"What's the best way to deal with the real estate that we have – and will have?"

That's a question we were asked recently by a major bank. Many financial institutions have found that real estate is becoming an increasingly larger part of their portfolio. As a result, they face growing numbers of loan write-offs, greater volume of Other Real Estate Owned (OREO) and the scrutiny of regulators, securities analysts and rating agencies.



Dick Behrens

Based on Price Waterhouse's experience with numerous financial institutions, our top professionals – Dick Behrens, Debbie Rogers and Mordy Soloff – have identified several approaches to meeting the demands and opportunities of the high-profile real estate portfolio.

Four Ways to Optimize Your Real Estate Assets

1. Manage your risk by portfolio diagnosis. Your attention should be focused on stabilizing the assets with the most risk while you leverage those with the greatest upside potential. It's also essential to diagnose the status of risks inherent in a real estate loan and/or OREO portfolio.

Begin the diagnosis by classifying the portfolio's properties by existing risk ratings, property types, location and credit type. This will provide a rapid, independent assessment of the status of the overall portfolio. You should also analyze the effectiveness of existing management strategies, procedures and policies in light of the condition of the assets in the portfolio.

2. Protect your interests by servicing the loan. Often, the first point of contact you'll be able is a breakdown in timely communication, followed by a late or missed payment. You must develop proactive approaches to loan monitoring and administration, and then utilize borrower request for forbearance as opportunities for:

- Strengthen collateral positions,
- Perfect agreements, and
- Secure direct access to cash flow.

Based on your best interests and your ability to protect those interests, your institution must implement the most appropriate actions relating to negotiations, forbearance or foreclosures and ultimately, asset management.

3. Utilize information systems for efficient portfolio management. Developing effective management systems is critical to the success of problem real estate management. At the macro level, those systems should provide you with early warning. At the micro level, they should ensure appropriate monitoring of on-site property management functions in addition to revenue and expense control.

4. Consider securitization of your real estate assets. Public securitization is becoming an increasingly important and desirable means for ensuring a consistent supply of capital to the real estate market. It provides investors with liquidity, opportunity for diversity, efficient



Mordy Soloff

methods for reducing risk and consistent performance measurement. Your approach should take into consideration innovative design of new entities, structuring of complex transactions and due diligence of specific assets as well as entire portfolios. You should assess the benefits of securitization for your real estate assets.

Work with Experienced Professionals

If managing the real estate you have – and will have – is a growing concern, you should talk with one of the real estate professionals at Price Waterhouse. Based on our experience with numerous financial institutions and our knowledge of real estate markets across the country, we have developed an array of focused real estate services to assist financial institutions with the challenges of their increasing responsibilities.

For more information call:
Dick Behrens
(214) 754-7965 in Dallas,
Debbie Rogers
(213) 236-3370 in Los Angeles or
Mordy Soloff
(212) 527-8530 in New York.

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AMERICAN BANKER

VOL. CLVIII NO. 138 Wednesday, July 21, 1993 158th year

Bankruptcies A Big Problem Despite Falloff

By MICKEY MEECE

On the face of it, the recent decline in bankruptcy filings is good news for bankers. Bankruptcies cost banks billions of dollars a year in chargeoffs by credit card operations.

Even though the news is encouraging – filings fell to $71,919 for the 12-month period ended March 31, from $93,259 the previous year – the numbers are still very big.

Bank card issuers lose an estimated $3.5 billion a year from bankruptcies, with much of the loss attributed to fraud or abuse of the legal system. While banks and credit card associations have launched campaigns to discourage unwarranted filings, results have been slow to materialize.

Perhaps the best news is that annual filings never reached the 1.4 million mark, to which they seemed to be moving inexorably through the 1980s.

The recent decline is encouraging, said Philip Corwin, director of retail banking for the American Bankers Association. "But the average annual rates are still running at very high levels."

Not Necessarily a Trend

James A. Comiskey, president of the Bank of Louisiana, had a typical experience. Louisiana's coming back strong. We took the hit back in the late 1980s when a decrease. That would be good news to us. But the fact that it's small may not signal a trend."

People in the industry say bankers deserve some credit for the decline in bankruptcies.

"Bankers, for the first time, are recognizing the problem and abusing the system," said Kenneth Crone, who spearheaded a bankruptcy committee for the Visa U.S.A., where he is vice president of issuer risk.

Tougher Standards

"Consumer credit grantors in general have been toughening up their credit standards because they have been burned by bankruptcies," added Mr. Corwin of the ABA.

Robert W. Johnson, senior research associate at the Credit Research Center at Purdue University, said "savvy creditors are learning how to weed out potential bankruptcies through their scoring systems."

Mr. Johnson was referring to systems such as those developed by MDS of Atlanta and Fair

See **BANKRUPTCIES** *page* **19**

INSIDE NEWS

WASHINGTON

IN THE AFTERMATH of Mississippi River flooding, lawmakers are taking renewed interest in legislation intended to increase lender compliance with flood insurance laws. *Page 2*

COMMUNITY BANKING

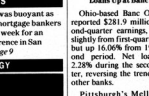
A PROPOSAL to turn failed thrifts into community development banks will be studied by the Resolution Trust Corp. *Page 8*

WATER FILLED the basement, and the computers were down at Savanna Savings Building and Loan Association in Savanna, Ill. But try as it might, the muddy Mississippi could not close the S&L. *Page 8*

MORTGAGES

THE MOOD was buoyant as the nation's mortgage bankers gathered last week for an annual conference in San Francisco. *Page 9*

TECHNOLOGY



Michael Snyder

GEORGE A. SCHAEFER JR., president and chief executive of Fifth Third Bancorp, said the addition of President, Bank to Jeanie, his company's ATM network, would make Jeanie the Midwest's "premier network." Others are skeptical. *Page 3*

FINANCE

MBNA CORP. shares, having closed off in recent weeks, got a lift from Goldman, Sachs & Co. *Back page*

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Citicorp Profits Up 212% In Quarter to $446 Million

An American Banker News Roundup

Fueled by fat trading gains at big New York banks, strong loan growth at several companies in the Southeast and the Midwest, and signs of a credit rebound in the West, banks released another round of strong second-quarter earnings Tuesday.

Citicorp, the nation's biggest company, netted $446 million in its second quarter, a 212% jump from the year-earlier period, on spectacular trading revenue of almost $575 million and improved credit quality. Chemical Banking Corp.'s profits surged 59% on similarly strong trading results to $381 million.

In North Carolina, Nations-Bank Corp. earned $306 million in the second quarter, up 22%, reflecting largely the strong loan growth and improved asset quality.

Loans Up at Banc One

Ohio-based Banc One Corp. reported $281.9 million of second-quarter earnings, off only slightly from first-quarter results but up 16.06% from 1992's second period. Net loans grew 2.28% during the second quarter, reversing the trend at most other banks.

Pittsburgh's Mellon Bank Corp. boosted second-quarter earnings by $10 million, reflecting some big interest-margin gains from its purchase of the Boston Co.

Earnings at a Glance

Second-quarter net income, in millions, versus year-earlier period

	Net income	Percent gain
Banc One	$282	16%
Chemical	381	59
Citicorp	446	212
First Interstate	136	113
Mellon	99	10
NationsBank	306	22
Wells Fargo	149	82

Two major California bank companies issued one of the strongest signals yet of a banking recovery in the recession-bound state. Wells Fargo & Co. said earnings climbed 82% from a year ago, to $149 million, thanks mainly to a sharply lower loan-loss provision.

At First Interstate Bancorp, net income rocketed up 11% to $136 million, fueled by a combination of reduced credit costs, lower expenses, and modest revenue gains.

Despite the good earnings news, most bank stocks fell moderately on Tuesday after comments made to Congress by Federal Reserve Board Chair-

See **CHEMICAL** *page* **6**

IBAA Chooses Boston Firm For Fund Sales

By MICHAEL O'D. MOORE

Massachusetts Financial Services has clinched a coveted deal to market mutual funds through more than 5,800 community banks.

The Boston-based mutual fund company beat its rivals to snare the three-year partnership with the Independent Bankers Association of America, a Washington-based trade association.

For the small banks that make up the IBAA, the deal will provide a solid toehold in the booming business of selling mutual funds.

New Frontier

Community banks are widely seen in the mutual fund industry as the next frontier for sales growth. With customers shunning low-yielding bank deposits, hundreds of bigger banks have paved the way into the fund business.

Massachusetts Financial topped some of the mutual fund

See **IBAA** *page* **16**

Greenspan: Efforts to End Credit Crunch Not Working

Fed Expects Inflation To Be 3% This Year

By CLAUDIA CUMMINS

WASHINGTON — Federal Reserve Chairman Alan Greenspan said Tuesday that despite some indications of renewed small-business lending, tight bank credit continues to constrict the economy.

In his semiannual monetary policy report to Congress, Mr. Greenspan said overall lending remains flat even though regulators have "pushed and pushed" banks to loosen up.

"I would accurately argue that the so-called credit crunch phenomenon is over," he said. "It is not."

Senate Appearance Next

"Some of [what the regulators have done] has been helpful, but fundamentally this is a psychological problem," Mr. Greenspan told the House Banking Committee in the first of two congressional appearances mandated by the Humphrey-Hawkins Act.

Mr. Greenspan will go before the Senate Banking Committee

See **EFFORTS** *page* **22**

Riskier Equity Funds Led Pack Of Bank Mutual Funds in Quarter

By DEBRA COPE

Banks that manage aggressive equity mutual funds had something to brag about in the second quarter of 1993.

Mutual funds that invest for maximum capital gain in small companies and international stocks turned in the best performance among bank-run funds during the second quarter, according to a survey for the *American Banker.*

The returns notched by the top three funds ranged from 7.14% to 9.82%, easily beating the 0.4% average return on stocks that make up the Standard & Poor's 500 index.

Against the Grain

The results could help counter the image of bank funds as stodgy underperformers. But as a practical matter, they may not have much impact on banks' efforts to market aggressive funds because bank customers consistently favor conservative investments.

For instance, the top-performing fund – Bank of Oklahoma's American Performance Aggressive Growth Fund – had just $13.3 million in assets on June 30, making it tiny even by bank standards.

"It has done well for us, but

See **EQUITY FUNDS** *page* **13**

Brightest Stars

Top five bank-run equity mutual funds in second quarter

	Return
American Performance Aggressive Growth Bank of Oklahoma Goal: Maximum capital gain	9.82%
Excelsior Small Capitalization C Bank of America Goal: Small company growth	7.63%
Sierra Trust Strategic Diversified Growth Great Western Bank Goal: Diversified equity	7.14%
Galaxy Small Company Equity Fleet Financial Group Goal: Small company growth	7.07%
Pacific Horizon Aggressive Growth Bank of America Goal: Maximum capital gain	5.97%

GRAPEVINE/*Edited by Karen Gullo*

Changes at Chase

Wholesale banking executives at Chase Manhattan Corp. should be buzzing this morning about a major restructuring of their units.

Sources say Chase president Arthur Ryan was set to convene a previously delayed meeting of senior managers on Tuesday to explain the effects of Chase's corporate-wide "segmentation" program in corporate finance, trading, and other global banking businesses.


Arthur Ryan

A year in the making, the segmentation strategy centers on a small group of managers who coordinate sales and marketing specific groups of customers, cutting across product lines.

They wield power because they have profit and loss responsibility, which had previously been with managers who oversee geographic regions.

The first wave of segment executives was announced in Chase's consumer banking sector last month.

The politically sensitive wholesale strategy, originally scheduled to be unveiled last month, was delayed to allow Mr. Ryan time to fine-tune the structure, sources said.

* * *

In the Money

Never let it be said that mortgage banking is a stepchild of commercial banking.

The two co-founders and top executives of Countrywide Credit Industries each earned $2.5 million in cash compensation last year, outpacing the lofty salaries of banking kings such as J.P. Morgan & Co. chairman Dennis Weatherstone and Bankers Trust New York Corp. chairman Charles Sanford.

Angelo R. Mozilo, vice chairman of Countrywide, took home a cash bonus of $1.8 million to supplement his salary of $720,371 in fiscal 1993, according to a proxy statement released last month by Countrywide. That represented a 3.3% increase from his previous year's take.


Angelo R. Mozilo

The company's fiscal year ended Feb. 28.

Mr. Mozilo's partner – chairman and president David S. Loeb – pocketed a bonus and salary worth $2.7 million, up 47% from his $1.8 million cash compensation the previous year.

The California-based mortgage firm, the nation's biggest home lender, reported net income of $140.1 million, up 133% on big refinancing volume, in fiscal '93.

Bankers Trust's Mr. Sanford and Morgan's Mr. Weatherstone each made $2.4 million in cash compensation last year, while their second-in-commands took home $2.1 million.

— Jed Horowitz

* * *

Flood Foibles

For more than a week, a skeleton crew at the Iowa Bankers Association has been struggling to provide services amid the devastating flooding affecting their state.

Though the trade group's downtown Des Moines offices – like others in the city – have been declared a fire hazard, the staff has been skirting the law in an attempt to help their constituents.

Surging floodwaters contaminated a municipal water plant, forcing Des Moines to shut off running water, including fire sprinklers, in downtown buildings.

But several association staffers have been sneaking into their offices, avoiding eviction by dimming the lights, and keeping a low profile.

"If we use too much electricity, they'll kick us out," said Vicki Steward, editor of the association's biweekly newsletter.

Ms. Steward said six of the trade group's staff of 35 people have made it in to work.

She said the crew is running a toll-free number established by the association to tell flood victims where they can obtain emergency, low-interest loans.

Production of the association's newsletter is also continuing on schedule.

But the ordeal is severely testing the staff's internal fortitude. The nearest bathroom is a portable outdoor model four flights down from the office and two blocks away.

Running water was expected to return to Des Moines this week, though drinking water may not be turned on until later this month.

— Barton Crockett

Tougher Rules on Flood Insurance Sought by Midwest Congressman

By ROBERT M. GARSSON

WASHINGTON — In the wake of Mississippi River flooding, lawmakers are taking renewed interest in legislation intended to increase lender compliance with flood insurance laws.

Legislation introduced in the House by Rep. Doug Bereuter, R-Neb., would require flood insurance on all new mortgages on properties in a floodplain and would permit lenders to "force-place" the insurance when borrowers let policies lapse.

It also would set fines of up to $100,000 a year for lenders with a "pattern and practice" of failing to require flood insurance.


Rep. Doug Bereuter
Would let lenders "force-place"

Some Checking Required

The Bereuter bill does not require lenders to comb through their portfolios to ensure that all affected mortgages have policies in force, an approach included in a bill the Nebraska lawmaker sponsored last year.

But it does require lenders to check the status on properties whose mortgages are sold, extended, or modified five years after origination.

File Search 'Very Expensive'

Rep. Joseph Kennedy 2d, D-Mass., shares Rep. Bereuter's concerns and plans to consider legislation in his House Banking subcommittee on consumer credit and insurance. In the Senate, John Kerry, D-Mass., is working on legislation.

Bankers are particularly concerned about the prospect of being required to go back through their portfolios to check flood insurance coverage.

"Going back through files to retroactively determine who should have insurance is very expensive," said Edward L. Yingling, director of government relations for the American Bankers Association.

"The system for determining who must have it is incredibly complex. The maps are out of date, they change constantly, and they are difficult to read."

Could Leave Loophole

Other bank industry representatives complained that utilizing lenders to increase flood insurance use was shortsighted.

"Only 60% of all property is mortgaged, so at best it's a 60% solution," said Stephen J. Verdier, a lobbyist for the Independent Bankers Association of America.

The Bereuter bill might also leave a loophole that would make it possible for some property owners with mortgages to drop flood insurance after the loan closes. The bill would require lenders to set up a monthly escrow for flood insurance payments, but only if they escrow funds for another purpose.

However, about 22% of new mortgages do not require that funds be escrowed for insurance and taxes, according to Sharon Canavan, a lobbyist for the Mortgage Bankers Association.

'More Legislative Muscle'

Although mortgage brokers are not directly covered by the law, most of that industry is already in compliance, Ms. Canavan said.

All loans sold to U.S. government agencies such as the Federal National Mortgage Association must have flood insurance, she said, and virtually all the loans originated by brokers are sold to one of the secondary-market agencies.

Still, Ms. Canavan said, prospects for legislation may have improved. "There's a lot more legislative muscle because of the flood," she said. □

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Fifth Third Network Adds Provident Bank

By MATT BARTHEL

Fifth Third Bancorp's regional automated teller machine network, combating speculation that it is an acquisition target, has added a bank member and will possibly expand its ownership.

The network, whose 1,100 ATMs are in Ohio, Kentucky, Indiana, West Virginia, and Tennessee, will add Provident Bank of Cincinnati to its roll of about 200 members.

In addition, Provident, the lead bank of the $4-billion-asset Provident Bancorp, retains the option of owning a piece of the network.


George Schaeffer
"Strategic alliance"


Michael Snyder

Region's 'Premier Network'

Executives of the network, known as Jeanie, indicated that a partnership with Provident in an important step to help preserve the network's dominance in the face of ATM network consolidation in the Midwest.

"Through the strategic alliance with Provident Bank, Jeanie is now assured to be the premier network in this region for years to come," said George A. Schaefer Jr., president and chief executive of Cincinnati-based Fifth Third, currently Jeanie's only owner.

By most measures, Jeanie ranks among the top 20 ATM networks in the country. It is run by Midwest Payment Systems, a subsidiary of the $11-billion-asset Fifth Third.

But observers said that, despite Mr. Schaefer's comment, Jeanie is unlikely to be the dominant force in the Midwest. Indeed, some experts question whether the network will exist at all in a few years.

The 200-member system has 1,100 ATMs in five states.

Their reasoning is based on the fact that Jeanie's home market is shaping up to be a battleground between two electronic banking powerhouses, one or the other of which is likely to absorb the network eventually.

Major Players

The first of these technology companies, Electronic Payment Systems Inc., based in Wilmington, Del., operates under the MAC logo and is looking to add Midwest banks to its membership.

Jeanie's major Midwest competition could come from a group of 15 of the region's largest banks, now negotiating to form Electronic Transactions Inc. Jeanie's members would be hard-pressed to resist joining.

Provident is among the 15 institutions involved in the Midwest joint venture talks. Until Sept. 1, when the Jeanie agreement takes effect, Provident belongs to the Owl network, which is owned by Electronic Payment Services.

Gaining a Stake

Provident officials said their main motivation in joining Jeanie was to own a piece of the network in which they participate. Provident is at a negotiating disadvantage in the Midwest group's talks, bank officials said, because it is the only institution in the Midwest group that does not have an equity stake in a ATM network.

The bank has not disclosed what share of Jeanie it is entitled to under the recent agreement.

Industry observers said another reason for Provident's joining Jeanie was to avoid becoming part of Electronic Payment Systems, which is in the process of changing the logo on all Owl network ATMs to the MAC trademark.

Seen as Preferable to MAC

Electronic Transactions joint venture "is still four to five months away, so if Provident wanted to avoid putting MAC on all its cards, it had to find someplace to go in the interim," said Richard Speer, chairman of Speer & Associates, an electronic banking consulting firm based in Atlanta.

Provident officials indicated that a network the size of Jeanie was preferable to MAC membership.

Provident Bank will add 91 ATMs to Jeanie. The bank's relationship with the network may also encompass debit card point of sale, telephone banking, and automated bill payment services in the future.

Provident's 100,000 ATM cardholders will receive new cards with the Jeanie logo.

Meanwhile, the Electronic Transactions group, which in addition to Provident includes First National Bank of Chicago, Comerica Inc., NBD Bancorp, Norwest Corp., and Huntington National Bank of Columbus, Ohio, has been talking with other institutions about joining the formal merger talks.

These prospective members include Harris Bankcorp, Chicago; Boatmen's Bancshares, St. Louis, and Old Kent Financial Corp., Grand Rapids, Mich. □

Chase Taps Siriano to Head New Group

Unit's Goal Is Speeding Up the Development of a Range of Products

By JEANNE IIDA

Chase Manhattan Bank has appointed Albert Siriano, the former technology chief of Xerox Corp., to head a new information-technologies group for its fee-based services business.

The unit Mr. Siriano will head at Chase is designed to speed the development of products and systems based on new technologies, such as "client-server" computing, where networks of PCs take over tasks previously handled by mainframes.

The new organization consolidates resources that previously were divided among business line at the fee-services unit, called Infoserv, Chase officials said.

$70 Million for Upgrading

Chase invests about $70 million annually in upgrading systems in Infoserv. One of the unit's biggest projects over the past year has been the roll-out to corporate customers of a new workstation, called Infostation, that uses Microsoft Corp.'s Windows PC operating system.

The new unit "is meant to streamline the organization to make it more responsive to customized solutions," said Craig Goldman, senior vice president of information technology at Chase.

Infoserv includes businesses such as cash management, global securities services, institutional trust, investment banking, and insurance services.

Many banks are upgrading the systems underlying their fee-based services in an attempt to make more timely information available to customers. Northern Trust has committed $100 million to upgrading its trust and global custody systems.

Staff of 230

Bankers Trust recently established a separate unit to develop software applications based on client-server technology.

At Chase, Mr. Siriano, will head a staff of about 230, and report directly to Michael Urkowitz, executive vice president and chief executive of Infoserv, and to Mr. Goldman.

Mr. Siriano will also be responsible for standardizing Chase's often incompatible computer systems. Among the standards Chase is moving toward are the Microsoft's new advanced operating systems, called Windows NT, and "workgroup" software from Lotus Development Corp., Cambridge, Mass., called Notes.

Mr. Siriano spent four years at Xerox prior to joining Chase in June. Before that, he was chief information officer of Tenneco Oil Co., Houston.

At Xerox, Mr. Siriano put in place a program, beginning in 1990, to move from mainframe-based computing to one based on networks of PCs. □



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Opinion

Comment

By Paul S. Nadler

Tougher Capital Standards Require a Hard Look at Growth

One significant repercussion of the higher capital standards for banks has been a reevaluation of the worth of growth.

There was a time when growth was everything. You would ask a banker his "footings" and he would tell you the morning's figure to the last dollar. But if you asked how much the bank earned, he would say, "Ask the accountant. He comes in in August."

Now banks have to meet much more rigorous capital standards, so growth must be backed by capital funds immediately.

Justifying Growth

This is a far cry from the days when a bank's capital position was negotiable. During those times, a bank would go as long as it could, growing nicely and keeping the regulators at bay by sweet talk or at least glib explanations of where the capital needed to back this growth would be coming from.

Among the results of this new capital standard requirement has been the recognition among bankers that each service, each branch, and each loan has to be justified as to its profitability since it will require the commitment of capital to back it.

Do we want a branch? If it does not have the potential to earn enough for us in undivided profits to justify the capital we are placing to work in establishing it, then what do we need the branch for?

If a loan will provide profits, but at a lower rate of return than the bank earns on its overall operation, then what do we need the credit expansion for? What this basically means is that banking has had to switch from being a high-volume, low markup industry to being a low-volume, high mark-up operation.

Loss Leaders by Competitors

This also gives us an answer to the old question of, "What do I do if the competition is giving away the bank?"

This has long been the banker's dilemma.

A solid bank may feel that some service, such as checking accounts, must earn a set return to justify offering it, but the bank across the street offers the service at a far lower cost.

What do we do? Do we compete even if we know we are going to lose money on the service? Or do we let the customers move across the street?

Bankers are of two minds on this. Some feel that if we lose this unprofitable business, we will lose profitable business too, so we must offer it as a loss leader.

'Let Em' Go'

Others hold that the loss leader will never be accompanied by a "profit follower."

"Let 'em go," they say. These bankers contend that the aggressive institution soon realizes that it is losing money on each transaction and goes back to the original price level, thereby losing many of the customers back to the first bank and producing some strong ill will to boot.

And in today's market, where capital strength is so important, the number of bankers who refuse to employ a loss-leader strategy is steadily growing.

Favor Today's Shareholders

Of course, the real question is whether your bank serves today's shareholders or tomorrow's. Many bankers feel they must give up profits now to position the bank for future earnings. Others hold that today's shareholders should not be sacrificed on the altar of future profits.

And while no one can offer a definitive answer, we do know that the new capital requirements have, in effect, forced banks to favor today's shareholders. What good are plans for future profits when the regulators want the bank to develop undivided profits and new capital today? □

Mr. Nadler is a contributing editor of *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

Comment

By Terry K. Gilliam

A High-Profit Strategy for Banks: Find the Top Customers and Keep Them

If you can improve your level of customer retention by just 5%, and sustain that improvement over five years, you can improve operating earnings by as much as 100%.

This astounding leverage is possible because of the lower costs of loyal customers as opposed to new customers. And added to this equation is the fact that loyal customers are the richest source of new customers and own more accounts per household than new customers.

Employee loyalty also contributes to the 100% operating-profit improvement. Customers are induced to continue dealing with loyal employees, and vice versa. I call this entire dynamic "the customer-retention cycle."

Getting Started

Once a bank ventures into this cycle, the phenomenon becomes self-perpetuating. It is the single most profitable strategy lever a manager can pull.

Once the bank is positioned as one that keeps good customers, only the unprofitable customers are left for competitors. As long as the strong bank doesn't falter, the competition cannot counter its strategy.

This sounds easy enough, but how can your bank actually break into the cycle?

Start by making it the centerpiece of a marketing strategy. Customer retention becomes a way of life, not just the current season's most fashionable program.

Next, profile the loyal loan and deposit customers who will be the focus of the retention strategy. Regrettably, not all of your customers will be worth trying to retain – not all have a capacity for loyalty.

You cannot retain customers who will switch banks over two basis points.



UNDER TODAY'S *rules, each added service, branch, or loan must first be justified as profitable enough to offset the commitment of capital that would be required to back it.*

LOYAL CUSTOMERS *have the most accounts per household and are the richest source of new customers.*

The best approach to identifying who is worth the effort is to take a look at the customer data base and see who has stayed with you for several years.

Next, measure the gap between the present level of customer retention and your objective for the next one to five years. Remember, this leverage is potent: Sustain it for five years and double your annual operating profits.

Once the loyal-customer profile is established, survey a number of loyal customers who have recently left your bank and ask why. Conversely, survey a number of continuing customers to determine what kept them loyal.

Inevitably, one reason for customer retention will be attachment to loyal employees, so talk with them to find out why they have stayed with you.

Discussions, Not Interviews

The most useful way to learn about both loyal and fickle customers and employees is to bring groups of each together for discussions. Unlike traditional focus groups, these should be focused on the task at hand, emphasizing that a retention-improvement team is listening.

The session moderator converses with the customers and employees instead of interviewing them, using a mixture of metaphorical and literal questions.

For example, if you ask customers to describe their relationship with your bank as a friendship, or to describe your competitors as animals in the wild, you will discover far richer insights than are obtainable from standard focus-group questions.

Immediately following the discovery phase of each exploratory session, you can debrief the retention team on what they have learned about customer loyalty. Then, in a first step to close the retention gap, hold a session to generate ideas and next steps for improvement. □

Mr. Gilliam is a principal of Synectics, a consulting firm based in Cambridge, Mass.

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Comment

By Martin Lowy

Runs on Deposits Will Rise if FDIC Is First at the Table in Bank Liquidations

The proposal now before Congress to give a preference to the Federal Deposit Insurance Corp. in bank liquidations is extremely misguided for a number of reasons.

Most important, the proposal is wrong from a systemic point of view. Few people seem to realize that recent changes in the banking laws have made the banking system rather brittle. That's because these changes have taken away the sources of liquidity that weaker banks have used to fund outflows.

Currently, a run on a bank by uninsured depositors is distinctly possible if the bank reports a few adverse events.

The major changes that have taken place can be catalogued as follows:

- The brokered deposits rule now prevents less-than-well-capitalized banks from paying up to attract insured deposits in an emergency.
- The new deposit insurance pass-through rules make pension funds and similar pooled funds vulnerable once a bank is not well capitalized.
- The new requirements that force the FDIC not to pay off uninsured deposits in many cases already threaten uninsured depositors.
- The prompt corrective action rules threaten uninsured depositors much earlier in a bank's trouble cycle, making it likely that sophisticated depositors will withdraw their money much earlier.
- The new restrictions on the Federal Reserve banks' ability to lend to troubled institutions make depositors more worried still. In practice, these new rules may make it more difficult for the Federal Reserve Board and the FDIC to deal with runs.

Liquidity Problems

The new laws have made it more certain that the Continental Illinois experience will be repeated. Banks will fail because of liquidity problems before they are able to balance sheet insolvency.

This phenomenon is intended by the theorists of the 1991 banking law. It puts depositor discipline into the system and thereby discourages the taking of risk by banks.

It also results in early closure and thereby, it is said, reduces the risk to the deposit insurance fund.

Cost of Bank Failures

The first problem with this approach is that it fails to take account of the natural cost of bank failures. That is, based on experience, it appears that a failure depreciates all but the most liquid assets on a bank's balance sheet by something like 20%.

A failure, therefore, should be avoided where possible not just to preserve an institution that may have been valuable to its community, but also because failure is inherently wasteful.

Some observers would advocate that the elimination of excess capacity is beneficial. There are, however, better ways.

The second problem with the depositor discipline approach is that it threatens to change the nature of banking by making banks overly risk-averse.

This phenomenon has contributed to the credit crunch and may continue to cause credit to be unavailable to some types of borrowers who relied on bank credit in the past.

The new volatility also may place U.S. banks at a competitive disadvantage in competition with foreign banks.

Invitation to Runs

Foreign banks do not live under such strict rules and they do not have to disclose as much about their operations. They therefore may appear to be stronger than similarly situated U.S. banks.

Adding a preference for the FDIC to the already substantial tendency of the new rules to create runs would not be a good idea.

Today a large depositor knows that if it gets caught when the music stops, it will suffer a loss of some percentage of its deposit.

If the large depositor knows that it will lose its entire deposit, the flight to safety will take place at a very early stage indeed, and the system will become both more concentrated and more prone to general runs when cataclysmic events occur.

And make no mistake about it, such cataclysmic events, while infrequent, will occur. Neither law nor technology has repealed the basic cyclicality of capitalist economies. □

Mr. Lowy, a partner in the New York law firm of Lowy & Taliaferro, is the author of "High Rollers: Inside the Savings & Loan Debacle."

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Chemical, NationsBank, and Banc One Report Profit Gains for Second Quarter

Continued from page 5

man Alan Greenspan raised the specter of higher short-term interest rates.

NORTHEAST

Analysts cheered Citicorp's report, saying it demonstrated that the nation's largest bank company is finally seeing a real diminution in credit problems and reaping profits from its core businesses.

For the first time in many quarters, Citicorp did not record any unusual one-time gains from the sale of assets.

"The general trend of earnings is sustainable," said Diane B. Glossman, an analyst at Salomon Brothers Inc. "There is nothing in this quarter that we're going to extract out as a nonrecurable item."

Citicorp's results, which translated into 82 cents a share, far exceeded Wall Street's expectations of 59 cents a share, according to Zacks Investment Research.

On Tuesday, shares of the nation's biggest bank company lost 50 cents to $31.50.

Citicorp's trading revenue of $572 million – sparked by $352 million of foreign exchange profits -- even surpassed the $520 million reported last week by J.P. Morgan & Co., one of the preeminent trading banks. Analysts predicted that the company will be able to reap quarterly gains of at least $300 million from trading activities in more normal periods.

Investors also took heart from a more fundamental statistic – the recovering company's sixth consecutive quarterly decline in commercial credit costs. The total, which includes net writeoffs, net carrying costs, and expenses for maintaining foreclosed real estate assets, plummeted to $297 million from $380 million during the first three months of this year.

Commercial real estate writeoffs declined 18.6% since the first quarter to $172 million, though consumer writeoffs climbed slightly to $367 million from $336 million.

Citicorp, unlike many competitors that have been drawing down reserves as credit quality improves, redeployed some of its revenues into its loan-loss allowance. It took a provision of $176 million, up from $127 million in the first quarter. Its allowance for credit losses covered 3.94% of total loans at the end of the quarter, up from 2.92% on March 31.

Citicorp said expenses rose 4% from the second quarter of 1992, noting that the company increased its spending for domestic advertising and consumer banking. The expenditures indicate that the company "is beginning to lift up its head a bit," said Arthur P. Soter, an analyst at Morgan Stanley & Co.

— Yvette D. Kantrow

Chemical Banking Corp.'s second quarter repeated the pattern of its money-center peers – hefty trading profits and improved credit quality.

The nation's third-largest bank company also bulked up in quarter with $118 million of venture capital gains a $44 million nonrecurring boost in Brazilian bond payments.

Chemical's profits of $1.35 a share exceeded analysts' consensus estimate by 32 cents. The company's stock was unchanged at $30.75 on Tuesday.

Though some analysts dismissed the bank's trading profits and venture capital gains as unsustainable, they were impressed with the trend in credit quality at Chemical.

The company's nonperforming assets have decreased 19% since the end of last quarter to $4.9 billion. About half of the nonperformers, excluding $900 million of developing-country debt, involve commercial real estate assets.

However, Chemical's loan-loss provision – which had declined over the previous seven quarters – rose 16% from the first-quarter level to $363 million. The company said it added $55 million to its reserves to accelerate the sale of $162 million of problem residential mortgage loans and foreclosed properties. The loans were several years ago under a "reduced documentation" program.

On the revenue side, Chemical's trading gain of $298 million was up 18% from the first quarter and 75% better than one year earlier. Fee revenue rose, too, driven by an 18% gain in corporate finance and syndication fees since the end of quarter.

Although net interest income rose, Chemical's interest margin slipped six basis points since the first quarter to 3.76%.

Noninterest expenses climbed 10% from the year-earlier quarter to $1.3 billion, reflecting "significantly" higher incentive compensation, Chemical said.

— Karen Gullo

SOUTHEAST

NationsBank Corp. recorded unexpected securities gains of $22 million to help it exceed analysts' consensus expectations of $1.16 a share by 3 cents. But analysts were still impressed by fundamentals at the nation's fifth-biggest bank company, one of the few to experience robust revenue growth.

"The quality of earnings was very good," said Moshe Orenbuch, who follows NationsBank for Sanford C. Bernstein & Co.

The company continued to enjoy a wide gap between its funding and lending costs, even as many of its southeastern competitors experienced compressed margins. Its net interest margin inched up 11 basis point since the first quarter to 4.17% and 16 basis points from the year-earlier second quarter. Net interest income climbed 11% since last year to $1.1 billion.

Analysts were particularly heartened by a surge in loans in May and June – primarily in the bank's consumer and factoring portfolios – predicting that growth has continued into this quarter. NationsBank's loan balances surged by $2.8 billion, representing a 16% annualized growth rate, between March 30 and June 30.

Improving credit quality also boosted the bottom line. The company's loan-loss provision of $110 million fell 9% from the first-quarter level, while chargeoffs of $93 million declined 10.7% from three months earlier. Both the provision and chargeoffs improved substantially from the second quarter of 1992.

Noninterest expense rose by 5% from the year-earlier quarter, reflecting the company's recent acquisition of Chrysler Corp.'s consumer loan subsidiary. Excluding that purchase, expenses inched up by only 2%. Analysts, however, noted that the expansion ist company's efficiency ratio – which measures expenses as a percent of operating revenue – remains high at 63%.

"NationsBank had revenue growth, which is something most banks are killing for, but it's the efficiencies that are missing," said analyst Susan Leadem, an analyst at Robinson-Humphrey Co. "Ideally, you'd like to see both."

NationsBank, which is expected to close on its deal to acquire Baltimore-based MNC Financial Inc. this quarter, should get a quick earnings boost from the purchase, analysts said.

MIDWEST

George Meiling, treasurer of **Banc One Corp.**, said that gains in mortgage and consumer loans accounted for most of the company's portfolio expansion, with the strongest growth coming in Arizona, Indiana, Kentucky, West Virginia, and Wisconsin. Colorado and Texas units grew at about half the consolidated pace, he said, and the Ohio portfolio mildly shrank as the annual flood of tax refund loans ran off the books.

The company's net interest margin is 6.3%, one of the highest in the banking industry. It fell from 6.57% in the first quarter when tax refund loans lifted the number. Mr. Meiling said he believed the margin would hold fairly steady for the rest of the year.

Kenneth Puglisi, an analyst with Chicago Corp., said Banc One's earnings of $1.01 a share were slightly ahead of his expectations, mostly because of the high net interest margin. "Prudence dictates that we remain wary about margin deterioration, but so far it hasn't shown

See WELLS next page

CITICORP
New York
Dollar amounts in millions (except per share)

Second Quarter	1993	1992
Net income	$440.0	$402.0
Per share	0.82	0.25
ROA	0.62%	0.62%
ROE	16.00%	4.82%
Net interest margin	3.76%	3.71%
Net interest income	1,175.0	1,059.0
Noninterest income	2,115.0	1,991.0
Noninterest expense	2,464.0	2,350.0
Loss provision	176.0	127.0
Net chargeoffs	699.0	962.0

Year to Date	1993	1992
Net income	$1,116.0	$528.0
Per share	2.08	0.69
ROA	0.80%	0.37%
ROE	19.20%	3.65%
Net interest margin	3.80%	3.68%
Net interest income	2,324.0	2,213.0
Noninterest income	4,183.0	4,185.0
Noninterest expense	5,050.0	4,997.0
Loss provision	385.0	653.0
Net chargeoffs	1,173.0	1,999.0

Balance Sheet	6/30/93	6/30/92
Assets	$216,356.0	$216,542.0
Deposits	145,378.0	151,124.0
Loans	139,183.0	147,941.0
Reserves/nonp. loans	NA	36.02%
Nonperf. loans/loans	NA	6.72%
Nonperf. assets/asset	NA	4.53%
Leverage cap. ratio	6.75%	6.05%
Tier 1 cap. ratio	7.00%	4.25%
Tier 1+2 cap. ratio	10.36%	8.50%

CHEMICAL BANKING CORP.
New York
Dollar amounts in millions (except per share)

Second Quarter	1993	1992
Net income	$361.0	$262.0
Per share	1.35	0.83
ROA	1.03%	0.80%
ROE	19.00%	14.00%
Net interest margin	3.76%	3.80%
Net interest income	1,175.0	1,059.0
Noninterest income	1,040.0	737.0
Noninterest expense	1,312.0	1,194.0
Loss provision	363.0	345.0
Net chargeoffs	391.0	398.0

Year to Date	1993	1992
Net income	$755.0	$500.0
Per share	2.70	1.61
ROA	1.05%	.77%
ROE	19.00%	13.50%
Net interest margin	3.78%	3.82%
Net interest income	2,339.0	2,214.0
Noninterest income	1,967.0	1,562.0
Noninterest expense	2,588.0	2,378.0
Loss provision	675.0	720.0
Net chargeoffs	724.0	774.0

Balance Sheet	6/30/93	6/30/92
Assets	$145,027	$147,456
Deposits	94,992.0	92,787.0
Loans	79,350.0	84,850.0
Reserves/nonp. loans	79.40%	69.47%
Nonperf. loans/loans	4.75%	5.79%
Nonperf. assets/asset	3.34%	4.61%
Leverage cap. ratio	6.60%	6.50%
Tier 1 cap. ratio	7.62%	7.60%
Tier 1+2 cap. ratio	11.90%	11.10%

NATIONSBANK CORP.
Charlotte, N.C.
Dollar amounts in millions (except per share)

Second Quarter	1993	1992
Net income	$356	$304
Per share	1.19	0.98
ROA	1.21%	1.09%
ROE	14.60%	14.21%
Net interest margin	4.17%	4.11%
Net interest income	1,131	1,021
Noninterest income	481	457
Noninterest expense	1,019	969
Loss provision	110	150
Net chargeoffs	93	104

Year to Date	1993	1992
Net income	$767	$591
Per share	2.56	1.89
ROA	1.31%	0.99%
ROE	15.20%	14.00%
Net interest margin	4.16%	4.09%
Net interest income	2,229	2,005
Noninterest income	942	888
Noninterest expense	2,017	1,853
Loss provision	230	450
Net chargeoffs	177	355

Balance Sheet	6/30/93	6/30/92
Assets	$123,794	$110,870
Deposits	80,008	62,516
Loans	76,187	69,412
Reserves/nonp. loans	139%	95%
Nonperf. loans/loans	1.48%	2.27%
Nonperf. assets/asset	1.36%	2.08%
Leverage cap. ratio	6.30%	6.20%
Tier 1 cap. ratio	7.62%	7.60%
Tier 1+2 cap. ratio	11.75%	11.43%

BANC ONE CORP.
Columbus, Ohio
Dollar amounts in millions (except per share)

Second Quarter	1993	1992
Net income	$281.0	$242.0
Per share	1.01	0.87
ROA	1.65%	1.36%
ROE	17.91%	17.29%
Net interest margin	6.30%	5.98%
Net interest income	1,025.1	954.7
Noninterest income	372.8	300.1
Noninterest expense	696.0	609.3
Loss provision	58.4	127.5
Net chargeoffs	61.8	115.4

Year to Date	1993	1992
Net income	$568.8	$425.3
Per share	2.04	1.53
ROA	1.59%	1.19%
ROE	16.42%	12.44%
Net interest margin	6.44%	6.02%
Net interest income	2,080.7	1,881.5
Noninterest income	714.5	704.2
Noninterest expense	1,393.0	1,404.1
Loss provision	164.0	347.7
Net chargeoffs	155.3	346.4

Balance Sheet	6/30/93	6/30/92
Assets	$75,496.4	$72,604.7
Deposits	59,253.9	59,009.0
Loans	49,533.4	45,256.1
Reserves/nonp. loans	184.23%	140.09%
Nonperf. loans/loans	1.01%	1.41%
Nonperf. asset/asset	0.99%	1.36%
Leverage cap. ratio	6.42%	NA
Tier 1 cap. ratio	10.42%	NA
Tier 1+2 cap. ratio	14.00%	NA

WELLS FARGO & CO.
San Francisco
Dollar amounts in millions (except per share)

Second Quarter	1993	1992
Net income	$140.0	$70.0
Per share	2.46	1.33
ROA	1.36%	0.65%
ROE	16.72%	9.65%
Net interest margin	5.11%	5.16%
Net interest income	698	671
Noninterest income	375	346
Noninterest expense	591	506
Loss provision	138	125
Net chargeoffs	138	184

Year to Date	1993	1992
Net income	$257.0	$201.0
Per share	4.63	3.42
ROA	1.02%	0.77%
ROE	14.46%	12.44%
Net interest margin	5.01%	5.70%
Net interest income	1,377.0	1,351.0
Noninterest income	534.0	516.0
Noninterest expense	1,093.0	1,004.1
Loss provision	263.0	515.0
Net chargeoffs	263.0	515.0

Balance Sheet	6/30/93	6/30/92
Assets	$51,309	$52,111
Deposits	40,934	42,210
Loans	34,353	40,166
Reserves/nonp. loans	112%	79%
Nonperf. loans/loans	2.5%	3.0%
Nonperf. asset/asset	4.5%	5.7%
Leverage cap. ratio	5.90%	5.70%
Tier 1 cap. ratio	9.30%	7.01%
Tier 1+2 cap. ratio	14.50%	12.02%

MELLON BANK CORP.
Pittsburgh
Dollar amounts in millions (except per share)

Second Quarter	1993	1992
Net income	$162.0	$140.0
Per share	1.32	1.49
ROA	1.16%	1.22%
ROE	13.69%	17.76%
Net interest margin	4.30%	4.30%
Net interest income	317.0	284.0
Noninterest income	351.0	334.0
Noninterest expense	391.0	333.0
Loss provision	35.0	60.0
Net chargeoffs	40.0	68.0

Year to Date	1993	1992
Net income	$1,153.0	$760.0
Per share	1.66	1.49
ROA	0.80%	1.17%
ROE	9.71%	17.70%
Net interest margin	4.42%	4.25%
Net interest income	630.0	560.0
Noninterest income	692.0	651.0
Noninterest expense	1,016.0	1,004.0
Loss provision	70.0	110.0
Net chargeoffs	85.0	130.0

Balance Sheet	6/30/93	6/30/92
Assets	$36,200.0	$36,200.0
Deposits	27,300.0	22,100.0
Loans	23,800.0	17,900.0
Reserves/nonp. loans	208.00%	129.00%
Nonperf. loans/loans	1.18%	2.47%
Nonperf. asset/asset	1.32%	2.82%
Leverage cap. ratio	7.00%	6.40%
Tier 1 cap. ratio	7.40%	7.80%
Tier 1+2 cap. ratio	10.80%	10.50%

Wells Fargo, First Interstate Show Strength

Continued from page 7

up," he said.

Shares of the Columbus, Ohio-based bank company, the nation's eighth largest, lost $1 to $54.50 on Tuesday. Banc One declared a 5-for-4 common stock split and increased its cash dividend by 10.7% Tuesday morning.

A sharp credit quality improvement also contributed heavily to second-quarter results, as nonperformers fell 12% to fell by 10.6% to $738.5 million, or a modest 1.48% of gross loans. The company's loan-loss provision of $58.4 million was down 52.3% from the first quarter.

— Steve Klinkerman

Mellon Bank Corp. said the Boston Co. contributed $11.2 million of net income during the six weeks it owned the company in the second quarter. The amount was ahead of expectations, indicating that it took chargeoffs of $93 million declined 10.7% from three months earlier. Both the provision and chargeoffs improved substantially from the second quarter of 1992.

Noninterest expense rose by 5% from the year-earlier quarter, reflecting the company's recent acquisition of Chrysler Corp.'s consumer loan subsidiary. Excluding that purchase, expenses inched up by only 2%. Analysts, however, noted that the expansion ist company's efficiency ratio – which measures expenses as a percent of operating revenue – remains high at 63%.

"NationsBank had revenue growth, which is something most banks are killing for, but it's the efficiencies that are missing," said analyst Susan Leadem, an analyst at Robinson-Humphrey Co. "Ideally, you'd like to see both."

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MIDWEST

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The company's net interest margin is 6.3%, one of the highest in the banking industry. It fell from 6.57% in the first quarter when tax refund loans lifted the number. Mr. Meiling said he believed the margin would hold fairly steady for the rest of the year.

Kenneth Puglisi, an analyst with Chicago Corp., said Banc One's earnings of $1.01 a share were slightly ahead of his expectations, mostly because of the high net interest margin. "Prudence dictates that we remain wary about margin deterioration, but so far it hasn't shown

Dean Witter Reynolds Inc., New York.

In late trading Tuesday, Mellon's shares lost 50 cents to $55.75.

The Pittsburgh-based company completed the $1.45 billion purchase of the mutual management and trust giant, which has $6.3 billion of assets, on May 21. Without the deal, Mellon's 1.2% gain in net interest income would have been 7%, while its 39% increase in fee revenues would have fallen to 20%.

But Mellon said it incurred $457 million of goodwill and other intangible assets in the form of the premium paid for the Boston Co. The goodwill will be amortized over a number of years.

Excluding some special charges related to the purchase and tax breaks in the year-earlier quarter, Mellon's second-quarter income was up 6.45% from $93 million in the first quarter and up 54.7% from $64 million a year ago.

Also in Pittsburgh, **Integra Financial Corp.** posted second-quarter earnings of $38.5 million, up 48% from year-ago results as restated for the acquisition of Equimark Corp.

The company's shares gained 25 cents to $47.125 on Tuesday.

— Steve Klinkerman

WEST

Wells Fargo & Co., the nation's 11th-largest bank company, significantly exceeded analysts expectations as it recorded its best performance since the first quarter of 1991.

The San Francisco-based company said nonperforming assets fell for the third consecutive quarter, ending at $2.319 billion, or 4.52% of assets, on June 30.

Wells' ability to boost profits sharply despite a continued high level of problem loans "is a testament to [its] enormous earnings power," said Campbell K. Chaney, an analyst with Dakin Securities in San Francisco.

The company's stock rose $2 to $109.25 on Tuesday.

Despite the strong credit trends, Wells said it remains cautious about future provision levels because of California's weak economy. Indeed, new nonaccrual loans tallied $264 million, up from $249 million in the March period, representing the first quarterly increase in nonperformers in 12 months.

Wells trimmed its addition to loan-loss reserves to $140 million by 33% from the 1993 first quarter. Net chargeoffs of $138 million about equaled the company's provision.

The California economy, however, is not robust. Wells reported that loans dropped 14.9% from the second quarter of 1992 and 2.3% from the end of March. Net interest income fell 2% from a year ago, despite a fat 5.71% net interest margin.

In Los Angeles, **First Interstate** surpassed analysts forecasts as it reported its sixth consecutive operating earnings increase and seventh consecutive drop in nonperforming assets. For the first time in years, First Interstate's results also reflected gains in revenue.

Nonperformers fell 15.1% from this year's first quarter and 53.3% from the second period of 1992 to $567 million, or a slim 1.15% of total assets.

Results at two other California institutions showed that the economic turnaround remains uneven.

San Francisco-based **Union Bank** said quarterly profits slipped 21% from a year ago to $26.1 million. And **Great Western Financial Corp.**, Chatsworth, reported second-quarter earnings of $52.6 million, down 24% from a year ago.

In Utah, **First Security Corp.** reported second-quarter net income of $26.2 million, a 26% increase over the same period a year ago. The result equaled a return on assets of 1.33%.

— Sam Zuckerman

FIRST INTERSTATE BANCORP
Los Angeles
Dollar amounts in millions (except per share)

Second Quarter	1993	1992
Net income	$136.0	$64.5
Per share	1.60	0.75
ROA	1.11%	0.52%
ROE	16.85%	9.10%
Net interest margin	4.93%	5.06%
Net interest income	476.5	523.3
Noninterest income	230.0	223.3
Noninterest expense	558.7	587.7
Loss provision	85.1	87.7
Net chargeoffs	91.3	77.2

Year to Date	1993	1992
Net income	$262.2	$129.1
Per share	3.40	1.48
ROA	1.06%	0.52%
ROE	16.24%	9.12%
Net interest margin	4.98%	5.08%
Net interest income	1,030.2	1,037.7
Noninterest income	475.5	433.3
Noninterest expense	1,017.2	1,142.6
Loss provision	168.1	187.7
Net chargeoffs	192.1	161.9

Balance Sheet	6/30/93	6/30/92
Assets	$49,489.0	$49,459.4
Deposits	34,695.1	41,852.0
Loans	24,117.2	25,397.4
Reserves/nonp. loans	240.3%	129.7%
Nonperf. loans/loans	1.79%	3.50%
Nonperf. asset/asset	1.15%	2.40%
Leverage cap. ratio	6.70%	5.60%
Tier 1 cap. ratio	7.90%	7.91%
Tier 1+2 cap. ratio	14.30%	12.79%


PHOTO: A TOW HAS SANT : THE GEOSPHERE PROJECT SANTA MONICA, CA

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LONDON HONG KONG SINGAPORE TOKYO SYDNEY SAN FRANCISCO

RTC Mulls Forming Development Banks From Failed Thrifts

By PHIL ZAHODIAKIN

CRA

A PROPOSAL TO TURN FAILED THRIFTS into community development banks will be studied by the Resolution Trust Corp.

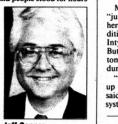
The plan was developed by New Jersey Banking Commissioner Jeff Connor, who unveiled it at a community lending seminar held by the Woodrow Wilson School of Public and International Affairs at Princeton University.

Last week, he outlined the idea to Ross Ford, deputy vice president of the RTC's Norristown, Pa., office.

"It's something we'll investigate and explore with our Washington resolutions group," said Mr. Ford. "If there's a way to help communities with a new way of offering branches to the marketplace, we're always interested."

Under Mr. Connor's proposal, failed thrifts for which bids are not submitted would be reopened as community development banks with private and RTC funding. Mr. Connor devised his plan in the wake of a 1990 bank failure in Paterson, one of the state's largest cities.

"It was a week before Christmas, and people stood for hours to withdraw their deposits at [United Savings Bank of Paterson]. Translators tried to explain [in Spanish] that their money wasn't lost forever. It was like a scene from the Great Depression."



Jeff Connor

What was lost, Mr. Connor said, was the opportunity to turn United Savings into a community development bank. The main office was brought to market as part of a branch package, and its assets were sold to an out-of-town bank.

"Bidders shun the offices in urban areas," he said. "They'd rather buy the deposits and take them to a suburban office."

United Savings is now a just a boarded-up eyesore in downtown Paterson, and Mr. Connor believes that the RTC at least should donate the parcel, and others like it, to start-up community development banks or community credit unions.

Otherwise, the RTC should help start a development bank by providing half the $6 million in capital New Jersey requires to start a bank, Mr. Connor said, adding that community groups would be given 90 days to raise the rest.

The development banks would be chartered as mutual savings banks and would, among other things, tap into federal programs like Fannie Mae's below-market mortgage programs, for example, or the SBA."

Hopes Matching-Fund Legislation Will Pass

Mr. Connor also is hopeful that a proposal by Sen. Bill Bradley, D-N.J., to match the savings deposited by the poor, up to $2,000, will be enacted.

"It's astonishing, but the average poor person has just $88 in assets because they turn their checks into money orders, to pay their bills, and the rest into cash," Mr. Connor said.

Building up their savings eventually would enable the poor to qualify for a mortgage.

Mr. Connor said the RTC should retain any bad assets held by the original institution and replace them with performers in its portfolio.

New Jersey has eight failed thrifts awaiting resolution. "As we evaluate their disposition," said Mr. Ford, "we should explore the opportunity for minority or other kinds of acquisition, and we will ask our people to assess these opportunities."

Trade Group Expresses Concern, Support

Bob Schmermund, spokesman for Savings and Community Bankers of America, said the idea raises "obvious concerns over the amount of capital the failed thrift would really need to be viable. But we would support the thrust of the idea – especially since it enables you to salvage what's left of the franchise value of the name and community good will."

Mr. Schmermund adds that "there will be a lot more flexibility for a plan like [Mr. Connor's] if Congress provides full funding for the RTC. The RTC needs money to be creative, and programs like the Accelerator Resolution Program, where thrifts were marketed before they were put in conservatorship, allowed it to cut its average resolution cost in half."

Low-Tech Thrift Stayed Open As Water Rose and Power Failed

By ROBYN MEREDITH

For nearly two weeks, the lights were out and the air conditioner was still. The computers were down and water filled the basement of Savanna Savings Building-and Loan Association in Savanna, Ill.

Each of these problems might close a highly automated bank branch in a large American city. But try as it might, the muddy Mississippi could not close $9 million-asset Savanna Savings, situated on Main Street 75 yards from the river bank.

The 106-year-old S&L is so old-fashioned that it continues to use handwritten entries on loan cards, passbooks, and ledgers to keep track of its customers' accounts, and that enabled it to stay open under those primitive conditions.

In the Dark

Most of the thrift's customers "just couldn't believe we were in here in the dark, with no air conditioning," said Steven M. McIntyre, chief executive officer. But he wanted to make sure customers could get their money during the disaster.

"Chalk one up for not being up with the computer age," he said. "We've kept a lot of the old systems – the manual ledgers and loan cards." Handwritten account records are later typed into the S&L's computer.

Savanna Savings lost its electricity from June 30 until July 10 after the river flooded its basement and forced electric service to be shut off to the thrift and several other waterlogged businesses on low-lying areas of Main Street.

A Wealth of Competitors

There are plenty of financial institutions in Savanna, a town of just 4,500 people three hours drive west of Chicago. Although Savanna Savings was the only one affected by the flood, there are also three banks and two credit unions in town.

The S&L continues to use handwritten entries to keep track of accounts.

Some customers were especially surprised to find out that Savanna Savings had managed to stay open. Like one man who was delinquent on his loan.

"He said he was down to make a loan payment and we were closed." Mr. McIntyre said. "Nice try."

A New Water Line

This flood was nothing compared with the one Mr. McIntyre remembers from when he was in the fifth grade. "In 1965 we had a heck of a flood here, and this was about a foot and a half beneath it." He knows because you can still see the water mark in the basement.

Now there is a new water line. "Today I roarked it with a marker for the 1993 flood," Mr. McIntyre said, after spending the day in the S&L's basement cleaning up.

Is Mr. McIntyre ready for the next flood?

'Everyone Just Adapts'

"You are just never prepared for it," he said. Savanna Savings's four employees – treasurer Esther Phalmier, assistant treasurer June Bimm, and tellers/clerks Bobbi Harrel and Cindy Williams – were troopers through the disaster, he said. When something like this happens, "Everyone just adapts."

Of course, the rest of the town gives Savanna Savings a lot of credit.

"The most amazement was from the other financial institutions," Mr. McIntyre said. □

Alaska, Oregon Adopt Interstate Branching Without Opposition from Smaller Banks

By TERRENCE O'HARA

Oregon and Alaska this year passed the first interstate branching laws in the West – without opposition from community bankers.

Four states – New York and North Carolina are the others – now will allow unfettered branching across state lines with states that have similar laws.

Oregon's reciprocal interstate branching act became law on July 1. Alaska's law takes effect in January, according to Willis Kirkpatrick, director of banking and securities at the Alaska Department of Commerce.

Lack of Opposition

Banking regulatory officials in both Oregon and Alaska said there was no formal objection to the laws from community banking groups.

"Community bankers we talk to don't really care about interstate branching," said Cecil Monroe, administrator of Oregon's Division of Finance and Corporate Securities. "They feel they can compete with a local branch of a big bank."

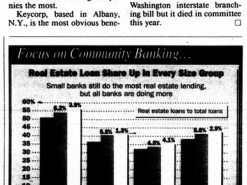
The laws, modeled after New York's year-old statute, are designed both to allow cross-border branching and to preempt federal legislation.

"The idea is that the states will move far enough so that the federal government won't have to act," said Ellen Lamb, spokeswoman for the Conference of State Bank Supervisors.

Mr. Monroe said Oregon had wanted to act before less-appetizing standards were forced upon it by the federal government.

The laws are set up to benefit interstate bank holding companies the most.

Keycorp, based in Albany, N.Y., is the most obvious beneficiary of the Oregon and Alaska laws. Its Key Bank of Oregon in Portland is the state's fourth-largest bank, and the $25 billion holding company has banks in Washington, Idaho, and Alaska.



Washington Effort Fails

Until Washington and Idaho pass similar reciprocal branching laws, Key Bank can't merge its banks in the Northwest. A Washington interstate branching bill but it died in committee this year. □

Mood Was Buoyant at Western Conference

By CHRISTOPHER NOBLE

The refinancing boom will never end. The unusual stretch of perfect weather in the Bay Area will last forever. And the annual western secondary mortgage market conference is a version of heaven.

That was the heady mood in San Francisco last week as the nation's mortgage bankers, 1,500 strong, gathered to listen to speeches and make deals.

The attendance was the biggest in years, said Kathy Wedeking of the California League of Savings Institutions, which sponsored the conference. She said the long list of attendees reflected the mortgage boom of the past few years.

The conference, while decidedly upbeat, also addressed some of the thornier issues facing the industry. Two of the big ones seemed to be everybody's mind: discrimination in mortgage lending and technology's increasing role in the industry. There was also a lot of chat about life after the refinancing boom, but not much in the way of concrete plans.

Bias in mortgage lending was on everyone's mind.

In his opening address to the conference, James Johnson, chief executive of the Federal National Mortgage Association, referred to "a pattern of economic and racial segregation" in the mortgage industry.

"Every single survey and every single study reflects the fact that a lot of Americans are not getting housing credit. The industry certainly needs to put its heads together to solve this problem," he said.

Affordable Housing Efforts

Later in the speech, Mr. Johnson announced changes to Fannie Mae's affordable housing programs, which he said were designed to make mortgages available to minorities and low-income people.

Since Fannie Mae and the Federal Home Loan Mortgage Corp. make up most of the secondary mortgage market, their loan underwriting guidelines set the standard for the industry. It is up to them, said several attendees, to make it possible for lenders to make mortgages to low-income borrowers.

"The agencies have got to loosen their guidelines so we can lend to more people," said one lender.

* * *

On other subjects, the mood at the conference remained stubbornly positive. The California League of Savings Institutions released a survey that it said showed the seeds of a resurgence in that state's housing markets.

Modeled after Fannie Mae's annual national housing survey, the survey showed that many Californians think it is a good time to buy a house and that even more actually want to.

The survey's results were consistent across all age, ethnic, and economic groups, and officials of the league said the report made them hopeful that the state's economy would rebound. They said pent-up demand after the long recession would boost new home purchases and take up the slack in the industry when interest rates go up and refinancings ease.

What was not clear from the survey was how, in the midst of California's severe economic slump, residents would be able to afford new homes.

* * *

As usual, the real action was more in the hallways and nearby restaurants than in the conference rooms.

Fannie Mae's chief announced policy changes to ease the flow of home loans.

"I schedule 10 meetings a day when I come to these things," said Judy Berry, chief financial officer of American Residential Holding Corp., La Jolla, Calif.

The wood-paneled lobby of the Westin St. Francis was often more crowded than any of the conference sessions. In groups of two and three, somberly dressed mortgage professionals huddled over calculators, spreadsheets, and documents as they bought and sold mortgages – or at least talked about them.

* * *

Countrywide Credit Industries was at the conference in full force, showing off its highly developed technological prowess.

Jeffrey Butler, chief information officer at Countrywide, predicted that within the next several years, technology would lead to standardization of the process of selling a loan into the secondary market and eventually would do the same for mortgage applications.

But some remain skeptical. "It's nice to think about those things, and technology certainly helps," said Thomas Hamilton, senior vice president with the California league. "But you still have to sign all that paper." □

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Fixed income mutual funds ranked by the total return in second quarter 1993 (dollar amounts in millions)

Rank	Fund Name	Bank	Investment Objective	Fund Assets 6/30/93	TOTAL RETURN THROUGH 6/30/93(%) Latest 3 mos.	Latest 6 mos.	Latest year	Latest 3 years	Latest 5 years
1	Westcore Long-Term Bond	First Interstate Bank	Corporate Bond	37.2	4.50	11.54	19.08	14.88	12.89
2	Sierra Tr Corporate Income	Great Western Bank	Corporate Bond	325.2	4.37	10.77	16.64	---	---
3	Emerald FL Tax Exempt	Barnett Banks	Municipal Single State	148.0	4.33	8.93	13.60	---	---
4	Sierra Tr National Muni	Great Western Bank	Municipal Bond	354.5	4.19	9.31	13.41	---	---
5	Nations Muni Income Fd Tr A	NationsBank Corporation	Municipal Bond	82.3	4.10	8.24	13.02	---	---
6	DG Investor Series-Muni Income	Deposit Guaranty Bank	Municipal Bond	17.5	4.01	7.89	---	---	---
7	Nations Muni Income Fd Inv A	NationsBank Corporation	Municipal Bond	25.7	3.97	8.16	12.84	---	---
8	Nations Diversified Inc Inv A	NationsBank Corporation	Corporate Bond	5.4	3.95	10.73	---	---	---
9	Society Oh Tax Free Bond	Society National Bank	Municipal Single State	32.0	3.92	7.27	11.96	9.99	---
10	UST Master-TXE Long-Term	United States Trust Co of New York	Municipal Bond	85.5	3.89	8.94	14.90	12.22	11.58
11	Nations Diversified Inc Tr A	NationsBank Corporation	Corporate Bond	26.2	3.89	10.69	---	---	---
12	Overland Express Muni Inc Fd	Wells Fargo Bank, N.A.	Municipal Bond	68.3	3.85	8.06	12.94	---	---
13	Nations Muni Inc Inv B	NationsBank Corporation	Municipal Bond	5.8	3.81	7.85	12.17	---	---
14	Nations Diversified Inc Inv B	NationsBank Corporation	Corporate Bond	2.1	3.80	10.39	---	---	---
15	Overland Express CA Tax Free	Wells Fargo Bank, N.A.	Municipal Single State	387.4	3.80	8.00	12.40	10.83	---
16	Vista Tax Free Income	Chase Manhattan, N.A.	Municipal Single State	35.7	3.77	9.46	16.78	13.90	12.03
17	Mariner Funds Tr-NY Tax Free Bd	Marine Midland Bank,HSBC Holdings BVM	Municipal Single State	41.0	3.70	8.44	13.72	11.90	---
18	First Union NC Muni Bd Inv	First Union National Bank of N.C.	Municipal Single State	5.9	3.70	---	---	---	---
19	Sierra Tr CA Muni Bond	Great Western Bank	Municipal Single State	453.5	3.68	8.63	13.84	10.50	---
20	Westcore Oregon Tax Exempt	First Interstate Bank	Municipal Single State	42.1	3.68	6.59	10.62	9.74	8.86
21	Vista NY Tax Free Income	Chase Manhattan, N.A.	Municipal Single State	73.7	3.67	8.93	14.00	12.35	10.84
22	First Union NC Muni Bd C	First Union National Bank of N.C.	Municipal Single State	18.0	3.58	---	---	---	---
23	Woodward Bond	NBD Bank, N.A.	Corporate Bond	360.0	3.51	8.43	12.93	---	---
24	PNC Fund-Tax Free Income	PNC Financial Corporation	Municipal Bond	8.7	3.51	7.60	12.30	10.80	---
25	Signet Select VA Muni A	Signet Trust	Municipal Single State	27.8	3.46	7.16	11.49	---	---
26	Pacific Horizon CA T/E Bond	Bank of America	Municipal Single State	188.1	3.45	7.96	12.24	10.27	9.36
27	FFB NJ Tax Free Income	First Fidelity Bank, N.A.	Municipal Single State	31.4	3.43	7.66	12.38	---	---
28	111 Concorse Fd-NC Municipal	Central Carolina Bank	Municipal Single State	22.1	3.43	7.33	---	---	---
29	Signet Select VA Muni B	Signet Trust	Municipal Single State	41.8	3.42	7.11	11.42	---	---
30	Overland Express US Govt Inc	Wells Fargo Bank, N.A.	Government Securities	45.7	3.42	7.61	13.70	11.95	11.30
31	Galaxy Tax Exempt Bond	Fleet Financial Group	Municipal Bond	32.1	3.38	7.65	12.34	---	---
32	Pacifica California Tax Free	San Diego Trust	Municipal Single State	207.7	3.37	6.90	11.53	---	---
33	Galaxy High Quality Bond	Fleet Financial Group	Corporate Bond	115.5	3.36	8.73	15.86	---	---
34	Galaxy NY Muni Bond	Fleet Financial Group	Municipal Single State	33.2	3.31	7.66	12.18	---	---
35	Tower Louisiana Muni	Hibernia National Bank	Municipal Single State	68.7	3.28	7.49	12.46	10.88	---
36	UST Master-Managed Income	United States Trust Co of New York	Corporate Bond	110.6	3.26	9.46	15.20	13.29	11.99
37	First Union Insured Tax Fr Inv	First Union National Bank of N.C.	Municipal Bond	100.1	3.25	7.39	12.30	---	---
38	Lexicon Fixed Income	First Fidelity Bank, N.A.	Corporate Bond	76.0	3.23	8.46	13.77	---	---
39	First Union Insured Tax Fr C	First Union National Bank of N.C.	Municipal Bond	27.0	3.19	---	---	---	---
40	Compass Capital-Muni Bond	Midlantic National Bank	Municipal Bond	23.2	3.18	6.69	10.27	9.39	---
41	Prime Altura Minnesota Bond	Norwest Bank Minnesota N.A.	Municipal Single State	10.3	3.16	5.87	9.86	8.65	8.46
42	Signet Select MD Muni Bond A	Signet Trust	Municipal Single State	7.5	3.15	6.86	11.21	---	---
43	Mark Twain Fds-Municipal Inc	Mark Twain Bank	Municipal Bond	20.6	3.14	---	---	---	---
44	Riverside Capital TN Muni	National Bank of Commerce, Memphis	Municipal Single State	14.2	3.14	6.43	---	---	---
45	CFB MarketWatch VA Muni Bond	Central Fidelity Bank	Municipal Single State	13.1	3.13	---	---	---	---
46	Portico Fds-Bond IMMDEX	Firstar Trust Company	Corporate Bond	218.0	3.12	7.84	13.37	12.77	---
47	Nations VA Intern Muni Tr A	NationsBank Corporation	Municipal Single State	169.8	3.12	5.96	9.97	9.11	---
48	Signet Select MD Muni Bond B	Signet Trust	Municipal Single State	23.1	3.11	6.82	11.14	---	---
49	PNC Fund-Managed Income	PNC Financial Corporation	Corporate Bond	319.9	3.10	8.51	13.37	11.93	---
50	First Omaha Fixed Income Fund	First National Bank of Omaha	Corporate Bond	57.3	3.08	7.90	---	---	---
51	Arch Fd-MO Bond Tr	Mercantile Bank St. Louis	Municipal Single State	31.5	3.07	7.05	11.70	10.46	---
52	Riverfront Municipal Income	Central Bank of the South	Municipal Bond	22.0	3.05	5.86	10.06	---	---
53	Amcore Vintage Intern Tax Free	AMCORE Bank, NA	Municipal Bond	13.5	3.05	---	---	---	---
54	Tradesmen KY Municipal Sd	Liberty Natl Bank & Tr of Louisville	Municipal Single State	25.8	3.04	---	---	---	---
55	Passageway SC Muni Bond	South Carolina National Bank	Municipal Single State	72.8	3.03	6.72	11.30	---	---
56	Arch Fd-MO Bond Inv	Mercantile Bank St. Louis	Municipal Single State	19.4	3.02	6.94	11.47	10.20	---
57	Rinco Monument Bond Fund	Riggs National Bank	Corporate Bond	44.0	3.01	7.79	9.76	---	---
58	Nations FL Intern Muni Tr A	NationsBank Corporation	Municipal Single State	19.0	3.01	6.55	---	---	---
	Avg return for all bank fixed income funds				3.4%	6.1%	10.3%	10.5%	9.8%
	Avg return for all fixed income funds				2.9%	6.8%	11.6%	11.0%	9.8%
	Lehman Brothers Gov't/Corp. Bond Index				3.0%	7.9%	13.1%	12.5%	11.4%

Data Source: The data were provided by IDA/Wisenberger, Rockville, Md., from its mutual funds data base. A proprietary fund is a fund that was formed or founded by a bank and /or over which the bank exercises management discretion. Excluded are private-label funds and all other third-party funds that are sold through banks.

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Table continues on page 14.

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Equity Funds Led the Pack in 2d Quarter

Continued from page 1

we know in the back of our mind that it's never going to be a $1.5 billion fund," said Mike Mantle, a client services manager with the Wisenberger unit. Bank of Oklahoma's mutual fund distributor.

In fact, he noted, the fund's assets fell below $11 million in July because an institutional investor redeemed shares.

9.82% over Three Months

The fund, which invests in small but promising companies, returned 9.82% in the three months from April 1 to June 30, according to the survey by CDA/Weisenberger, a mutual fund tracking service in Rockville, Md.

First of American, Kalamazoo, Mich., neared the No. 2 position with its Parkstone Small Capitalization Growth Fund. The fund returned 7.63% during the quarter.

Great Western Financial Corp. of Los Angeles grabbed third place with its Sierra Strategic International Growth Fund, which returned 7.14%.

The fund, with $43.5 million in assets, has attracted quite a few individual investors, said F. Brian Cerini, chief executive of Great Western Investment Management.

The returns notched by the top three funds ranged from 7.14% to 9.82%.

"We feel people can actually reduce their risk by diversifying and including some international shares in a mutual fund," he said.

Group Generally Under Par

On the whole, bank-managed equity funds turned in a subpar performance during the second quarter. The 168 bank-managed equity funds eked out a scant 1.0% average total return -- well below the 2.9% averaged by all equity mutual funds.

One explanation is that the long-term growth funds favored by bank customers have been "the laggards among equity funds this year, by a good 1% or 2%," said Jay S. Nadler, who is general manager for CDA/Weisenberger.

"Certainly, it's been a roller-coaster year for blue-chip stocks," he added.

Even more popular among bank customers are fixed-income funds. But those funds, too, produced unspectacular results during the quarter.

On average, the 240 bank-managed fixed-income funds returned 2.4%, compared with 2.9% for all fixed-income funds. That's shy of the 3% return posted by a bond index calculated by Lehman Brothers.

First Interstate Bank's Westcore Long-Term Bond Fund took the No. 1 spot for taxable fixed-income funds, returning 4.50% in the second quarter.

Among tax-exempt fixed-income funds, the leader was Barnett Banks' Emerald Florida Tax-Exempt Fund, which returned 4.33%.

While high-risk stock funds are a still a rarity in the banking industry, Mr. Nadler thinks that is beginning to change.

"Going forward, I think we'll see some more aggressive equity funds being introduced in the banking community," he said.

The demand for such funds will come from bank customers, as they "start to diversify their portfolios and take a little bit more of an aggressive posture," he added.

The results could help counter the image of bank funds as underperformers.

One area of expansion for banks has been international equity funds. Of the 43 international equity funds managed by banks, 32 have been launched since 1990, according to a recent report by Lipper Analytical Services Inc.

Funds that invest abroad took five of the top 10 spots in the bank mutual fund performance stakes for the second quarter.

The international funds have proved particularly popular with institutional and trust clients, said Catherine Gordon, senior investment officer at Wilmington Trust Co., Wilmington, Del.

"International, along with small-capitalization stocks, is the best place to be long term," Ms. Gordon said. "It's clear to us that foreign economies as a group are likely to grow faster than the U.S. economy." The bank's Rodney Square International Fund came in No. 6 in the second-quarter rankings, with a 5.95% return.

The survey also showed that bank-run equity funds are, for the most part, quite small. Among the top 10 performers, only two had more than $100 million in assets, an amount that is commonly cited as a minimum needed to operate a mutual fund efficiently and profitably. □

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Performance of Fixed Income Mutual Funds Managed by Banks and Thrifts

Fixed income mutual funds ranked by the total return in second quarter 1993 (dollar amounts in millions)

Continued from page 12.

Rank	Fund Name	Bank	Investment Objective	Fund Assets 6/30/93	TOTAL RETURN THROUGH 6/30/93(%) Latest 3 mos.	Latest 6 mos.	Latest year	Latest 3 years	Latest 5 years
59	Mark Twain Fds-Fixed Inc Portf	Mark Twain Bank	Corporate Bond	37.1	2.99	---	---	---	---
60	Nations VA Intern Muni Inv A	NationsBank Corporation	Municipal Single State	91.1	2.99	5.88	9.80	9.04	---
61	First Prairie Tax Ex Insured	First National Bank of Chicago	Municipal Bond	9.5	2.98	6.27	11.71	11.11	10.54
62	Nations FL Intern Muni Inv A	NationsBank Corporation	Municipal Single State	1.2	2.97	6.47	---	---	---
63	Nations NC Intern Muni Tr A	NationsBank Corporation	Municipal Single State	9.7	2.97	6.38	---	---	---
64	Chanchill Tax Free Fd of KY	PNC Financial/Citizens Fidelity	Municipal Single State	213.7	2.96	6.29	10.56	10.20	9.86
65	Nations VA Intern Muni Inv B	NationsBank Corporation	Municipal Single State	9.2	2.96	5.57	9.14	---	---
66	Prime Altern T/F Income Bond Fd	Norwest Bank Minnesota N.A.	Municipal Bond	96.0	2.93	5.16	8.44	8.48	---
67	Nations NC Intern Muni Inv A	NationsBank Corporation	Municipal Single State	8.1	2.93	6.30	---	---	---
68	Nations GA Intern Muni Tr A	NationsBank Corporation	Municipal Single State	24.0	2.90	6.55	11.20	---	---
69	Nations GA Intern Muni Inv A	NationsBank Corporation	Municipal Single State	12.3	2.87	6.26	11.03	---	---
70	Nations Managed Bond Tr A	NationsBank Corporation	Corporate Bond	195.9	2.86	7.55	12.29	11.41	---
71	Westcore Quality Tax Exempt Inc	First Interstate Bank	Municipal Bond	4.4	2.86	---	---	---	---
72	Westcore AZ Intermed Tax Free	First Interstate Bank	Municipal Single State	20.7	2.85	5.94	10.60	---	---
73	Parkstone Bond Fund C	First of America	Corporate Bond	448.3	2.83	7.26	11.84	11.38	---
74	Nations Managed Bond Inv A	NationsBank Corporation	Corporate Bond	7.8	2.83	7.47	12.12	11.35	---
75	Nations GA Intern Muni Inv B	NationsBank Corporation	Municipal Single State	2.2	2.82	6.16	10.38	---	---
76	Vista US Govt Income	Chase Manhattan, N.A.	Government Securities	72.3	2.79	7.53	11.91	11.75	10.68
77	Nations MD Intern Muni Tr A	NationsBank Corporation	Municipal Single State	57.2	2.78	5.72	9.69	---	---
78	Highmark Bond Fund	Bank of California	Corporate Bond	28.4	2.78	7.30	11.66	11.44	10.33
79	Society's CORE-US Govt Fund	Society National Bank	Government Securities	19.4	2.75	7.50	12.85	11.76	10.83
80	Compass Capital-Fixed Income	Midlantic National Bank	Corporate Bond	213.8	2.75	7.85	13.50	12.51	---
81	Nations Strategic Fx Inc Tr A	NationsBank Corporation	Corporate Bond	575.5	2.74	7.65	---	---	---
82	Vista Bond Fund	Chase Manhattan, N.A.	Corporate Bond	54.7	2.73	7.36	12.46	---	---
83	Mentor Fixed Income A	Huntington Trust Co. N.A.	Government Securities	98.3	2.72	7.79	12.93	---	---
84	Riverside Capital Fixed Income	National Bank of Commerce, Memphis	Corporate Bond	33.0	2.71	4.86	9.64	---	---
85	First Union US Govt Inv	First Union National Bank of N.C.	Government Securities	9.9	2.70	---	---	---	---
86	Nations Strategic Fx Inc Inv A	NationsBank Corporation	Corporate Bond	1.2	2.70	7.57	---	---	---
87	KeyFunds Bond Portfolio	Bay Banks System	Corporate Bond	65.9	2.68	---	---	---	---
88	NIT Income Fund	Texas Commerce Bank	Corporate Bond	69.4	2.68	7.48	11.42	10.48	9.02
89	Nations MD Intern Muni Inv B	NationsBank Corporation	Municipal Single State	1.3	2.67	5.88	---	---	---
90	Nations Managed Bond Inv B	NationsBank Corporation	Corporate Bond	0.1	2.67	7.25	11.35	---	---
91	Landmark NY Tax Free Income	Citibank, N.A.	Municipal Single State	94.8	2.66	7.39	11.70	10.62	10.01
92	Parkstone MI Muni C	First of America	Municipal Single State	183.3	2.65	5.72	9.42	---	---
93	Mentor Fixed Income B	Huntington Trust Co. N.A.	Government Securities	1.1	2.65	7.64	12.62	12.08	---
94	Westcore CO Tax Exempt	First Interstate Bank	Municipal Single State	6.6	2.65	6.03	10.16	---	---
95	Nations MD Intern Muni Inv A	NationsBank Corporation	Municipal Single State	22.6	2.65	5.64	9.53	---	---
96	Emerald US Gov Securities	Barnett Banks	Government Securities	120.5	2.63	6.35	11.05	---	---
97	Arch Fd-Gvt/Corp Bond Tr	Mercantile Bank St. Louis	Corporate Bond	158.0	2.60	6.60	11.02	11.02	9.74
98	BB&T Intern US Govt Int Trust	Branch Banking and Trust Company	Government Securities	61.9	2.59	7.51	---	---	---
99	Peregian Louisiana Tax-Free	Premier Bancorp	Municipal Single State	199.4	2.59	5.89	10.26	9.21	---
100	First Union US Govt C	First Union National Bank of N.C.	Government Securities	80.3	2.57	---	---	---	---
101	UST Master Tax Exempt Intermed	United States Trust Co of New York	Municipal Bond	285.3	2.56	5.69	10.73	9.67	8.55
102	One Group-Interm Tax Free Inv A	Banc One Corporation	Municipal Bond	160.8	2.55	5.65	9.79	---	---
103	Capital Fixed Income Fund	Security Trust Company, N.A.	Corporate Bond	21.2	2.55	7.54	11.32	---	---
104	First Prairie Tax Ex Intern	First National Bank of Chicago	Municipal Bond	27.5	2.54	5.44	9.59	9.96	9.18
105	Arch Fd-U.S. Gov Tr	Mercantile Bank St. Louis	Government Securities	34.4	2.53	6.32	10.67	11.39	10.07
106	Nations Strategic Fixed Inv B	NationsBank Corporation	Corporate Bond	0.1	2.53	7.24	---	---	---
107	NCC OH Tax Exempt Retail	National City Bank	Municipal Single State	1.1	2.52	5.65	10.18	7.99	---
108	Arch Fd-Gov/Corp Bond Inv	Mercantile Bank St. Louis	Corporate Bond	2.7	2.52	6.44	10.70	10.78	9.59
109	Nations SC Intermed Muni Tr A	NationsBank Corporation	Municipal Single State	50.0	2.52	5.93	9.85	---	---
110	Nations MD Intern Muni Inv B	NationsBank Corporation	Municipal Single State	3.2	2.50	5.34	8.88	---	---
111	Nations SC Intermed Muni Tr A	NationsBank Corporation	Municipal Single State	13.7	2.48	5.35	9.70	---	---
112	Arch Fd-U.S. Gov Inv	Mercantile Bank St. Louis	Government Securities	7.1	2.46	6.16	10.30	11.13	9.92
113	Woodmont Intermediate Bond	NBD Bank, N.A.	Government Securities	275.0	2.45	6.09	9.50	---	---
114	DG Investor Series-Govt Income	Deposit Guaranty Bank	Government Securities	90.2	2.42	6.86	---	---	---
115	Westcore Intermediate Bond	First Interstate Bank	Corporate Bond	104.4	2.40	7.39	11.74	11.07	9.90
116	Pacific Government Income Fund	San Diego Trust	Corporate Bond	153.6	2.40	6.07	9.88	---	---
	Avg return for all bank fixed income funds				2.4%	6.1%	10.3%	10.5%	9.8%
	Avg return for all fixed income funds				2.3%	6.0%	11.0%	11.0%	9.8%
	Lehman Brothers Gov't/Corp. Bond Index				3.0%	7.8%	13.1%	12.5%	11.4%

Data Source: The data were provided by CDA/Wiesenberger, Rockville, Md., from its mutual funds data base. A proprietary fund is a fund that was formed or founded by a bank and /or over which the bank exercises management discretion. Excluded are private-label funds and all other third-party funds that are sold through banks.

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Tables continue on page 16.

Insight

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IBAA, Massachusetts Financial Sign Marketing Pact

Continued from page 1

industry's heavy hitters, reportedly including Fidelity Investments and Putnam Financial Services, in a contest that began last November.

Founded in 1924, Massachusetts Financial is the nation's oldest mutual fund company. It manages $32 billion in assets, and offers a wide array of mutual funds.

Conservative and Consistent

The IBAA cited the company's long-established reputation for conservative management and consistent performance.

In addition, the IBAA was convinced that Massachusetts Financial won't poach customers from the banks it serves, said Gary Teagno, president of the IBAA Community Banking Network, a holding company for various service affiliates developed by the group.

The deal comes on the heels of a similar move by the American Bankers Association.

The ABA, which has a broader membership base, endorsed a program by Wall Street Investor Services, a New York company that sets up sales programs in banks.

The IBAA is taking a more active role by establishing a broker/dealer subsidiary to serve its member banks.

Long-Term Goals

A prime consideration for the IBAA was to develop a program to build customer assets over the long-term and not lose those bank customers to a fund company partner, Mr. Teagno said.

The program will be launched in three to six months, after the IBAA Financial Services Corp. receives a charter and begins getting regulatory approval from the states in which it plans to operate, Mr. Teagno said.

Though he was reluctant to estimate how many banks would participate in the program, Mr. Teagno said it was likely that at least 250 would sign up "within three years."



Jeremiah Potts
Sees sales of $100 million

Jeremiah Potts, who heads Massachusetts Financial's financial institution division, said it could take a year for sales to start chugging along.

Mr. Potts said he expects first year sales of only $100 million – not much for a company that sold $2.8 billion in mutual funds in 1992. But Mr. Potts said he expects sales to pick up dramatically in the second year.

To allow banks to tailor mutual fund programs to their own needs, the new venture will offer three levels of service.

In the simplest setup, banks would distribute marketing materials to their customers and direct prospective investors to a toll-free number staffed by IBAA employees.

For banks that want a higher profile, the IBAA would provide a software package to help customers identify their own investment goals before calling the toll-free number for assistance.

At the highest level, banks would have their own licensed investment-sales representative on site to counsel customers and execute trades.

The IBAA considered allowing banks to put their own name on funds, but decided against it. In the end, Mr. Teagno said, it was more important for customers to be able to look up fund results in daily newspaper listings. □

Wrap Account Managers Form Trade Group

The wrap-fee industry now has its own trade group: the St. Regis Association.

The fledgling group, named after the New York hotel where the founders met, will educate the general investing public about the wrap-fee industry, which now has $50 billion in assets under management, said Jamie Waller, acting president of the organization.

Mr. Waller is a vice president at Security AFP, in Jersey City, N.J.

The group is so new that it has no official definition for "wrap fee."

"We're still working on that," Mr. Waller said.

His working definition is an investment account of no less than $100,000 that is individually managed.

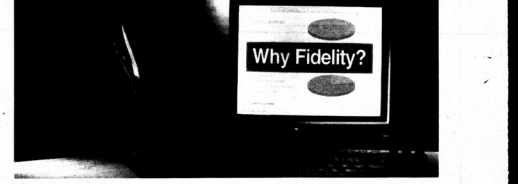
A financial consultant manages the account, monitoring for correct asset allocation, investment performance, investment suitability, and other considerations.

The consultant is paid one fee, a wrap fee, for the service. He then pays all the administrative costs for money managers, transaction fees, and other charges related to the account.

The new association will hold its first meeting sometime in the fall to hammer out the definition and to consider a new name, Mr. Waller said. He said St. Regis Association could prove confusing.

Some banks, like Chase Manhattan, are big players in the industry, he said.

— Michael O'D. Moore



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INVESTMENT PRODUCTS

Performance of Equity and Mixed Funds Managed by Banks and Thrifts

Equity and mixed mutual funds ranked by the total return in second quarter 1993 (dollar amounts in millions)

Rank	Fund Name	Bank	Investment Objective	Fund Assets 6/30/93	TOTAL RETURN THROUGH 06/07/93 (1993QTR) Latest 3 mos.	Latest 6 mos.	Latest year	Latest 3 years	Latest 5 years
	TOP EQUITY FUNDS								
1	American Performance Aggress Gr	Bank of Oklahoma	Maximum Capital Gain	13.3	9.82	11.81	40.25	---	---
2	Parkstone Small Cap C	First of America	Small Company Growth	383.2	7.63	2.52	45.77	15.42	---
3	Sierra Tr Strategic Intl Gr	Great Western Bank	International Equity	43.5	7.14	18.16	11.06	---	---
4	Galaxy Small Company Equity	First Financial Group	Small Company Growth	33.0	7.07	7.83	37.41	---	---
5	Pacific Horizon Aggressive Gr	Bank of America	Maximum Capital Gain	664.1	5.97	1.56	24.89	15.98	18.30
6	Rodney Sq International	Wilmington Trust Co.	International Equity	10.9	5.95	11.83	3.13	-3.20	2.83
7	Parkstone Intl Discovery Fd C	First of America	International Equity	74.0	5.79	15.52	---	---	---
8	CoreFund International Growth	CoreStates Bank	International Equity	49.0	5.69	15.94	---	---	---
9	Pacific Horizon Capital Inc	Bank of America	Flexible Income	27.6	5.68	12.18	30.05	18.81	17.99
10	UST Master International	United States Trust Co of New York	International Equity	30.4	4.97	14.63	5.71	-0.95	6.03
11	Glenmede International Fund	Glenmede Trust Company	International Equity	191.0	4.88	14.98	6.03	6.20	---
12	Harris Insight Equity Fund	Harris Trust & Savings Bank	Long-Term Growth	35.1	4.74	13.42	24.44	13.27	13.26
13	Galaxy International Equity	First Financial Group	International Equity	18.5	4.24	8.98	3.26	---	---
14	Seven Seas Matrix Synthesis Fd	State Street Bank & Trust Co.	Growth and Current Income	29.9	3.80	8.90	20.70	---	---
15	Illinois Investment Stock Fund	Chase Manhattan, N.A.	Growth and Current Income	38.3	3.51	9.09	18.16	---	---
16	Glenmede Small Cap	Glenmede Trust Company	Small Company Growth	49.5	3.46	9.06	35.09	---	---
17	First American Stock Fund	First Bank, N.A.	Long-Term Growth	104.1	3.46	8.34	14.16	8.84	11.43
18	Vista Growth & Income	Chase Manhattan, N.A.	Long-Term Growth	334.8	3.30	9.20	22.47	21.15	26.86
19	First American-Special Equity	First Bank, N.A.	Growth and Current Income	63.9	3.28	9.90	22.92	13.86	12.27
20	PNC Fund-Growth Equity	PNC Financial Corporation	Long-Term Growth	77.0	3.25	5.17	11.70	8.17	---
21	Nations International Eq Inv A	NationsBank Corporation	International Equity	0.4	3.25	8.98	1.90	---	---
22	Nations International Eq Tr A	NationsBank Corporation	International Equity	103.2	3.19	9.13	2.18	---	---
23	Ambassador Intl Stock Fiduciary	Comerica Bank	International Equity	51.9	3.09	7.77	6.66	---	---
24	ASO Outlook-Equity	AmSouth Bank N.A	Long-Term Growth	134.6	3.07	10.92	18.07	11.01	---
25	Woodward Growth Value	NBD Bank, N.A.	Long-Term Growth	327.5	3.04	6.48	13.96	---	---
26	Nations International Inv B	NationsBank Corporation	International Equity	0.1	2.98	8.49	1.22	---	---
27	Nations Emerging Growth Inv A	NationsBank Corporation	Growth and Current Income	1.1	2.92	-1.12	---	---	---
28	Nations Emerging Growth Tr A	NationsBank Corporation	Maximum Capital Gain	93.0	2.92	-0.98	---	---	---
29	Pacifica Equity Value Fund	San Diego Trust	Long-Term Growth	121.2	2.85	12.64	25.01	11.87	---
30	Westcore Micro Growth	First Interstate Bank	Maximum Capital Gain	229.2	2.74	3.49	24.25	19.96	19.06
31	Nations Emerging Growth Inv B	NationsBank Corporation	Maximum Capital Gain	0.3	2.72	-1.45	---	---	---
32	FundTrust-Income	Republic National Bank of New York	Equity Income	73.2	2.70	7.29	12.08	11.03	8.90
33	Sun Eagle Equity Growth Fund	Valley National Bank of Arizona	Growth and Current Income	37.4	2.69	6.14	13.92	---	---
34	One Group-Growth Eq A	Banc One Corporation	Long-Term Growth	193.7	2.55	4.86	21.36	15.36	---
35	Sierra Growth Fund	Colorado National Bank of Denver	Long-Term Growth	2.9	2.52	1.50	15.91	8.91	6.89
36	Seven Seas S&P Midcap Index	State Street Bank & Trust Co.	Growth and Current Income	4.7	2.40	5.95	---	---	---
37	Nations Value Fd Tr A	NationsBank Corporation	Long-Term Growth	950.4	2.36	7.27	13.82	12.27	---
38	Nations Value Fd Inv A	NationsBank Corporation	Long-Term Growth	30.0	2.30	7.18	13.55	12.18	---
39	PNC Fund-Balanced Portfolio	PNC Financial Corporation	Growth and Current Income	25.2	2.27	5.79	13.00	8.26	---
40	Seafirst Blue Chip	Bank of America	Long-Term Growth	104.9	2.24	5.34	8.04	8.57	12.64
41	UST Master-Equity Fund	United States Trust Co of New York	Long-Term Growth	106.1	2.24	5.38	23.09	12.27	13.66
42	Parkstone High Income Equity C	First of America	Equity Income	400.2	2.20	5.92	16.73	12.45	---
43	Galaxy Equity Value	Fleet Financial Group	Long-Term Growth	151.8	2.18	7.97	14.32	11.00	---
44	Woodward Opportunity	NBD Bank, N.A.	Long-Term Growth	209.5	2.16	10.22 **	33.80	---	---
45	Nations Value Fd Inv B	NationsBank Corporation	Long-Term Growth	2.4	2.13	6.66	12.41	---	---
46	Tower Capital Appreciation	Hibernia National Bank	Long-Term Growth	145.8	2.10	7.37	15.91	9.65	---
47	Rodney Sq Multi Mgrs Growth	Wilmington Trust Co.	Long-Term Growth	58.4	1.97	3.34	18.72	10.77	13.27
48	Parkstone Equity Fund C	First of America	Long-Term Growth	568.4	1.96	6.00	21.35	11.63	---
49	Compass Capital-Equity Income	Midlantic National Bank	Equity Income	204.6	1.96	7.02	13.37	13.27	---
50	Rodney Sq Multi Mgrs Mid	Wilmington Trust Co.	Growth and Current Income	7.5	1.95	4.62	16.37	10.54	12.05
51	RIT Equity Income	Texas Commerce Bank	Flexible Income	25.7	1.94	8.15	15.84	10.40	11.31
52	Westcore Equity Income	First Interstate Bank	Equity Income	35.0	1.81	7.68	14.02	11.44	11.82
53	Vista Capital Growth	Chase Manhattan, N.A.	Small Company Growth	87.8	1.78	9.21	27.87	24.03	24.75
54	CoreFund Value Equity A	CoreStates Bank	Equity Income	13.7	1.77	5.74	18.26	9.88	---
55	First Omaha Equity Fund	First National Bank of Omaha	Long-Term Growth	105.0	1.76	6.28	---	---	---
56	Westcore Modern Value	First Interstate Bank	Growth and Current Income	34.7	1.74	8.47	17.29	12.32	12.07
57	Liebon Select Value	First Fidelity Bank, N.A.	Long-Term Growth	25.7	1.62	7.02	---	---	---
58	FundTrust-Managed Total Return	Republic National Bank of New York	Growth and Current Income	34.4	1.57	5.04	10.10	9.38	---
59	Glenmede Equity Fund	Glenmede Trust Company	Equity Income	30.0	1.54	6.84	20.09	12.73	---
60	Woodward Intrinsic Value	NBD Bank, N.A.	Long-Term Growth	121.2	1.50	6.83	15.36	---	---
61	Arch Fd-Growth & Inc Equity	Mercantile Bank St. Louis	Growth and Current Income	253.1	1.47	5.82	16.40	11.49	14.05
62	Ambassador Gr Stk Fd Fiduciary	Comerica Bank	Long-Term Growth	193.7	1.47	7.40	29.35	---	---
63	Highmark Special Growth Equity	Bank of California	Long-Term Growth	5.6	1.41	-1.81	8.51	7.43	9.10
64	UST Master Income & Growth	United States Trust Co of New York	Growth and Current Income	51.3	1.31	10.37	27.59	14.25	12.29
65	BayFunds Equity Portfolio	Bay Banks System	Long-Term Growth	69.5	1.22	---	---	---	---
66	First Prairie Diversified Asset	First National Bank of Chicago	Flexible Income	42.1	1.12	5.50	11.44	12.63	12.83
67	Riverside Capital Equity Fund	National Bank of Commerce, Memphis	Long-Term Growth	42.0	1.10	3.73	10.94	---	---
68	Stellar Fund (The)	Star Bank, N.A.	Flexible Income	43.1	1.06	6.52	11.38	---	---
69	Harris Insight Convertible Fd	Harris Trust & Savings Bank	Flexible Income	8.3	1.05	7.74	16.04	12.34	8.43
70	BB&T Growth & Inc Stock Trust	Branch Banking and Trust Company	Growth and Current Income	64.4	1.04	4.54	---	---	---
71	Laurel Stock Portfolio	Mellon Bank, N.A.	Growth and Current Income	58.9	1.00	6.07	16.79	13.09	15.85
72	Society Relative Value Equity	Society National Bank	Long-Term Growth	360.3	1.00	3.09	14.61	10.30	---
73	FPB Equity Fund	First Fidelity Bank, N.A.	Growth and Current Income	4.9	0.96	6.86	10.92	10.47	12.82
74	FundTrust-Growth & Income	Republic National Bank of New York	Growth and Current Income	39.0	0.95	6.71	13.89	10.26	10.24
75	FundTrust-Growth	Republic National Bank of New York	Long-Term Growth	23.2	0.94	4.15	14.31	10.73	10.45
76	Society Oil Regional Equity	Society National Bank	Long-Term Growth	34.2	0.93	5.22	17.90	15.14	---
77	Tradesmark Equity Fund	Liberty Nat'l Bank & Tr of Louisville	Long-Term Growth	70.8	0.91	---	---	---	---
78	Mariner Funds Tr-Equity	Maine-Midland Bank/HSBC Holdings BV	Long-Term Growth	6.1	0.80	4.91	13.01	11.93	12.61
79	First Union Value Trust	First Union National Bank of N.C.	Long-Term Growth	345.1	0.78	4.20	12.05	---	---
80	Nations Equity Income Tr A	NationsBank Corporation	Equity Income	176.4	0.77	6.02	14.61	---	---
	Average return for all bank equity funds				1.0%	4.1%	14.8%	11.0%	12.5%
	Avg return for all equity funds				2.9%	8.1%	17.2%	10.7%	12.0%
	S&P 500 Stock Index				0.4%	4.3%	13.6%	11.4%	14.3%
	MIXED FUNDS								
1	ASO Outlook-Balanced	AmSouth Bank N.A	Balanced	163.6	2.84	9.17	15.13	---	---
2	Pacifica Balanced Fund	San Diego Trust	Balanced	85.6	2.73	10.22	18.09	12.98	---
3	Parkstone Balanced Fund C	First of America	Balanced	48.0	2.53	3.71	17.66	---	---
4	Nations Balanced Assets Tr A	NationsBank Corporation	Balanced	158.8	2.51	6.79	---	---	---
5	Nations Balanced Assets Inv A	NationsBank Corporation	Balanced	2.8	2.47	6.70	---	---	---
6	Nations Balanced Assets Inv B	NationsBank Corporation	Balanced	0.6	2.25	6.25	---	---	---
7	Seafirst Asset Allocation	Bank of America	Asset Allocation	121.6	2.22	5.86	9.36	9.73	11.22
8	Society's CRF-Balanced Fund	Society National Bank	Balanced	35.3	1.78	6.41	12.33	10.75	11.36
9	Union Investors Balanced Instl	Union Bank	Balanced	107.6	1.45	5.41	13.50	---	---
10	Overland Express Asset Alloc	Wells Fargo Bank, N.A.	Asset Allocation	44.5	1.45	7.37	16.21	12.95	10.92
11	First Union Balanced Trust	First Union National Bank of N.C.	Balanced	566.9	0.99	5.03	12.88	---	---
12	First Union Balanced Inst	First Union National Bank of N.C.	Balanced	22.2	0.93	4.90	12.60	---	---
13	RIT Balanced Fund	Texas Commerce Bank	Balanced	56.2	0.82	3.25	12.03	10.34	10.44
14	Fiduciary Balanced Fund	First Union National Bank of N.C.	Balanced	12.3	0.81	---	---	---	---
15	Galaxy Asset Allocation	Fleet Financial Group	Asset Allocation	41.2	0.44	4.86	14.45	---	---
16	Landmark Balanced Fund	Citibank, N.A.	Balanced	16.7	0.25	4.33	14.23	11.64	10.12
17	Westcore Balanced Fund	First Interstate Bank	Balanced	59.4	0.17	3.15	8.48	---	---
18	Fountain Square Balanced Fd	Fifth Third Bank (The)	Balanced	53.1	-2.57	-1.08	---	---	---
	Average return for all bank mixed funds				1.3%	5.4%	13.6%	11.4%	10.8%
	Average return for all mixed funds				1.9%	6.3%	13.8%	11.4%	10.8%

Data Source: The data were provided by CDA/Wiesenberger, Rockville, Md., from its mutual-funds data base. A proprietary fund is a fund that was formed or founded by a bank and /or over which the bank exercises management discretion. Excluded are private-label funds and all other third-party funds that are sold through banks.

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INVESTMENT PRODUCTS

Banks Must Heed Anti-Tying Rules in Fund Sales

By MELANIE FEIN and LINDA B. COE
Arnold & Porter, Washington

As mutual funds become a standard banking product, banks are packaging them with other products and services to provide efficiencies and cost savings to customers.

Packaged arrangements involving mutual funds may raise issues under the anti-tying prohibitions of the Bank Holding Company Act, as well as federal and state antitrust laws, and must be carefully structured in order to comply with the law.

The anti-tying prohibitions of the Bank Holding Company Act are complex and their applicability in the context of bank mutual fund activities is uncertain. Little or no case law or guidance from the federal banking regulators exists.

Comment

Bank tying arrangements in other contexts recently have come under active scrutiny from Congress, the Department of Justice, and private litigants, and will be a focus in the mutual fund context as well.

The anti-tying rules apply differently depending upon which type of entity in a banking organization is providing mutual fund services – whether it is the bank or an affiliate.

The decision as to which entity should serve as the investment adviser and which entity should act as broker can significantly affect the marketing plans for mutual fund products.

Rule on Price-Cutting

The anti-tying prohibitions are broader than is commonly realized. They prohibit a bank or bank holding company subsidiary from requiring that a customer purchase some additional service in order to obtain a service. They also prohibit the bank or bank holding company subsidiary from lowering the price of the service if the customer purchases an additional service.

The rules are broader than is commonly realized.

Banks also are prohibited from making the availability or price of products conditional on the customer obtaining a service from an affiliate.

An exemption is provided in certain cases for the tying of a loan, discount, deposit, or trust service. The "banking-product exception" applies only when, both products are banking products and are offered by the same entity. The exception does not apply when one of the products is offered by an affiliate.

Applicability Unclear

Moreover, banks are prohibited from tying the availability or price of products on the condition that the customer not obtain some other product or service from a competitor of the bank or its bank holding company or a subsidiary of its bank holding company.

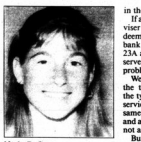
The applicability of the anti-tying laws to bank mutual fund activities is not clear. For example, is a mutual fund investment a service of the bank? Is it a service of an affiliate, or of some unrelated entity?

We would argue that the fund is not an entity of the type to which the anti-tying prohibitions are applicable, because it is neither a bank nor a subsidiary of a bank holding company.

But the bank nevertheless is performing a service when it sells mutual fund shares to customers. The service is probably a brokerage service. Is that a trust service for purposes of the banking product exemption?



Melanie Fein



Linda B. Coe

We would argue yes, because brokerage is a type of service customarily performed by a bank trust department and is specifically authorized as an incidental power of national banks in the National Bank Act.

If a bank is the investment adviser to a mutual fund, it is deemed to be an affiliate of the bank for purposes of sections 23A and 23B of the Federal Reserve Act. In that case, is there a problem?

We would argue no, because the tying restrictions apply to the tying of a bank product to a service of a subsidiary of the same bank holding company, and a proprietary mutual fund is not a subsidiary.

But if the bank is the investment adviser, can't it be argued that the bank is providing a service? Yes, but the service being

See BANKS MUST next page

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Continued from *page 17*

provided is the bank's investment advice on a collective basis – namely, a trust service – and the banking product exemption should apply.

If an affiliate of the bank is the investment adviser, however, the banking product exemption would not apply.

None of these questions appears to have been addressed by the federal banking regulators, and thus there is little formal guidance at present. The uncertainty of the law in this area is particularly hazardous. The penalty for violating the anti-tying rules is severe.

In addition to the potential for civil enforcement actions by the federal banking agencies and criminal action by the Department of Justice, the anti-tying provisions establish a private right of action with a potential for treble damages.

In addition, certain forms of tying may violate state and federal antitrust laws which also provide private rights of action.

Guidance from federal banking regulators on the scope of the anti-tying rules thus is essential in order for banking organizations to offer packaged mutual fund services.

The packaging and discounting of mutual fund and bank products provides obvious benefits to consumers. Nonbank securities firms are permitted to package and offer discounts on their mutual fund and other securities products unfettered by the anti-tying prohibitions of the Bank Holding Company Act.

Similar arrangements by banks should not be discouraged

Banking regulators are providing little or no guidance.

by an overly restrictive reading of the law by banking regulators.

Some Examples

The following examples illustrate how the anti-tying prohibitions might apply in practice to specific arrangements involving mutual funds.

• Suppose a bank offers free checking and discounts on loans to customers who invest in a mutual fund for which the bank acts as investment adviser. If the mutual fund is viewed as an unaffiliated entity, the arrangement would not be subject to the anti-tying provisions.

If the mutual fund investment is viewed as a service offered by the bank, it can be argued that the service is brokerage and/or investment advisory service, which falls into the category of trust services. If the service is not viewed as a trust service, the arrangement likely would violate the anti-tying rules.

• The situation is the same, but the mutual fund shares are sold by a brokerage subsidiary of the bank's holding company, rather than by the bank. The arrangement might be prohibited because the bank product exemption applies only when the tied services are offered by the same entity.

• Again, the situation is the same, but the bank's own brokerage subsidiary acts as the broker. The arrangement probably is okay because the subsidiary likely would be treated as part of the bank.

• Same situation, but a brokerage subsidiary of an affiliated bank acts as the broker. The arrangement would pose a problem because the banking product exemption applies only when the tied services are provided by the same bank, or by a direct subsidiary.

• Same situation, but the bank gives the customer the telephone number of the distributor to call to buy fund shares. In that case, the bank might be viewed as not tying its own brokerage services and the tying restrictions should not apply.

• Suppose the mutual fund distributor reduces the sales load on the mutual fund if the customer maintains a checking account or loan with the bank that serves as the fund's adviser.

This arrangement should not be prohibited since the tying restrictions apply only to ties between banks and bank holding companies or their subsidiaries. Tying arrangements between a bank and other companies – such as the distributor – are not prohibited.

These are only a few examples of the many different ways in which the anti-tying prohibitions might apply to packaged bank mutual fund services.

Banks must carefully consider these laws in structuring their mutual fund activities in order to avoid potentially costly litigation. The law is complex, and guidance from bank counsel is essential. □

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Bankruptcies a Big Problem Despite Falloff

Continued from *page 1*

Isaac & Co. of San Rafael, Calif., that help bankers predict potential bankruptcies and high losses.

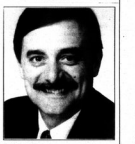
"If you cut credit lines or don't issue new cards," Mr. Johnson said, "they are less likely to file for bankruptcy."

NEWS ANALYSIS

The actual chargeoff rate on credit cards has fallen by 0.1 percentage point so far this year, to 4.9%, said Robert Hammer, chairman and chief executive officer of R.K. Hammer Investment Bankers, Newbury Park, Calif.

"We know that 45% of net credit loss can be attributable to bankruptcy," he said. "If bankruptcies fall, then chargeoffs will fall."

Visa and MasterCard have been encouraging issuers to refer



Robert Hammer
Predicts fall in card chargeoffs

customers to credit counseling agencies if a problem is detected. And the program seems to be working.

Help for the Overextended

Last year, 906,000 sought help from affiliates of the National Foundation for Consumer Credit Counseling, an increase of 26% over 1991, said Don Badders, president and chief executive of the nonprofit group.

Mr. Badders said his typical client is 35 years old, makes $24,000 a year, owes $22,000, and has an average of 10 credit cards.

Of the people who come in, 9% are referred to legal aid because they have debt that cannot be repaid within 48 months. This proportion is down from 12% in 1991.

Avoiding the Courts

Lower interest rates also have made it possible for consumers, who otherwise might have opted for bankruptcy, to take debt-reducing steps instead. Many used home equity loans, with lower rates and installment payments, to pay off credit card debt.

"Consumers are coming in to get a plan to pay their cards off, not to file for bankruptcy," said Gerri Detweiler, director of Bankcard Holders of America, an advocacy group based in Herndon, Va.

Despite the apparent turn for the better, experts caution against complacency.

A recent survey of Visa issuers, for example, showed the average outstanding on a bankrupt's bank-card account has increased to $3,100 in 1993 from $2,900 last year. The average chargeoff for non-bank-card bankruptcies, meanwhile, rose to $2,800 this year from $2,500.

"I don't think we'll ever get back to levels of pre-1979 [when the bankruptcy law changed]," said Mr. Johnson of the Credit Research Center.

"It seems like bankruptcy was a hot topic three years ago," said Suzanne Vesely, vice president of MDS. "Recently, it's not been given much attention. It seems like creditors have almost learned to live with it at the high level it's at." □



Gerri Detweiler
Sees consumers as better off



Kevin Cullman

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The quarterly point-of-sale volume rose to 75.5 million from 57.9 million. Robert L. Wiesneck, president of the former Sears subsidiary, said the company added three merchant clients and expanded in private label credit cards and in support of the Prodigy computer network.

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06-00034826	through	06-00034850,
06-00035201	through	06-00035250,
06-00064926,		
04-01215697	through	06-00064950,
04-01216501	through	04-01216516,
04-01216518,		04-01216619,
04-01216624,		04-01216625,
04-01216627	through	04-01216629,
04-01216632,		04-01216633,
04-01216636,		04-01216658,
04-01216660,		04-01216669,
04-01216779,		04-01216780,
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Public Continues to Fear Upswing In Inflation, Fed's Jordan Says

Reuters

MEXICO CITY — Since expectations of inflation still linger, the United States has not completely vanquished the problem, said Jerry Jordan, president of the Federal Reserve Bank of Cleveland.

"We have yet not reached an environment where households believe that the rate of inflation in the future will be lower than it is today," Mr. Jordan said at a press conference.

He cited surveys and statistics on refinancing of home mortgages that reveal expectations of rising inflation.

"We would like people to think about the U.S. dollar in the same way as they think about the number of feet in a mile or ounces in a pound. We do not yet have that," Mr. Jordan said while in Mexico for a conference sponsored by the Ludwig Von Mises Cultural Institute.

He said the Federal Reserve must convince households and businesses that "future inflation will be lower than it is today."

U.S. consumer prices are rising 3.1% on an annual basis versus 2.9% in calendar 1992.

The independence of a central bank does not alone ensure control of inflation, he said, referring to recent Mexican legislation creating an independent bank.

"It is a question of having political support to achieve price stability," Mr. Jordan said. "Independence is not the critical factor."

He noted that despite its independence, the U.S. Federal Reserve could not prevent the Depression of the 1930s nor the high inflation of the 1970s.

He added that globalization of markets helps central banks in their efforts toward price stability. "Anyone who gets out of step in this global financial market will get a clear message," he said.

Mr. Jordan added that as Mexico benefits from a big inflow of foreign capital and repatriated cash, maintenance of investor confidence is crucial.

"As long as [confidence] is there, that makes the central bank's job easier," Mr. Jordan said.

He said pegging the currencies of the United States, Mexico, and Canada is not a workable idea. Central banks of the three countries should, however, keep in close contact about their respective currencies, he said. □



Jerry Jordan
Wants to change expectations

Agencies Miss Bias Study Deadline

By BARBARA A. REHM

WASHINGTON — An interagency working group studying mortgage discrimination has missed its deadline for action because the issue is more complicated than anticipated, government officials said Tuesday.

The joint effort by the Office of the Comptroller of the Currency and the Department of Housing and Urban Development was announced on May 18 by Comptroller Eugene A. Ludwig. He said a report on how to eradicate loan bias would be delivered within 60 days.

On Tuesday, the agencies in a joint press release acknowledged that the deadline had come and gone and nothing firm had been decided.

The statement said "a joint working group has begun crafting a policy statement on lending discrimination."

'Could Not Be Completed'

Steve Cross, deputy comptroller for compliance management, said that despite earlier expectations, "this is a job that, once we got our hands around it, could not be completed within 60 days."

The policy statement is to define lending discrimination and cover such things as what to do with banks that uncover their own bias problems.

"What do we do if someone turns themself in?" Mr. Cross asked. The policy statement provides some answers, he said, but before making it public, the OCC and HUD are running it by the other banking agencies.

Call for Coordination

"We need to get other agencies to buy in," he said. "It won't do much good for OCC and HUD to go off by themselves."

Added Jonathan Fiechter, another might take, he said, "I'm not sure if it will come out this year."

Larry Pearl, a director in HUD's office of fair housing, said some standards need to be established against which lenders can be judged. "The banks and their attorneys need to know the rules of the road," he said.

Chief U.S. Prosecutor in Lavoro Case Replaced by White-Collar Crime Expert

By KENNETH CLINE

ATLANTA — The lead U.S. prosecutor in the politically charged Banca Nazionale del Lavoro case has been replaced by a veteran white-collar crime investigator from New York.

Howard Heiss, chief of the Justice Department's securities and commodities fraud unit for the southern district of New York, has replaced assistant U.S. attorney Gale McKenzie in the case against Christopher P. Drogoul, the Italian bank's former Atlanta branch manager in Atlanta.

Mr. Drogoul has been charged with making more than $4 billion in illegal loans to Iraq during the late 1980s.

Advisory Role Retained

Ms. McKenzie, who could not be reached for comment, remains an adviser on the case, Mr. Heiss said. Also on the task force are Reid Figel, another New York prosecutor, and John Michelich, who represents the agency's fraud section in Washington.

Gerrilyn Brill, another Atlanta prosecutor who assisted Ms. McKenzie, is "no longer involved" in the case, according to Mr. Heiss.

Ms. McKenzie, an Atlanta prosecutor since 1972, came under widespread press and congressional criticism. Democrats in Congress have accused the Atlanta investigators of covering up alleged involvement by the Bush administration and Lavoro itself in Mr. Drogoul's lending activities. □

National Community's Robert Kossick Dies

WEST PATERSON, N.J. — National Community Banks Inc. said Tuesday that its chairman and chief executive officer, Robert M. Kossick, died at his home after suffering a heart attack. He was 53.

Earlier this year, Mr. Kossick concluded negotiations to sell National Community to Bank of New York Co. The deal, with an indicated value of $543 million, is expected to close this summer.

"We grieve for our friend and his family," said James Peters, president of the $4 billion-asset company's lead bank, National Community Bank of New Jersey. "The banking industry lost one of its most successful and colorful leaders."

Mr. Kossick became a vocal promoter of New Jersey banking and business after joining National Community in 1979. □

FINANCE

Efforts to End the Credit Crunch Aren't Working, Greenspan Says

Continued from page 1
on Thursday.

His testimony included an unexpectedly pessimistic assessment of the inflation outlook and an apparent warning of higher interest rates, which depressed bond and bank stock prices on Tuesday.

"Despite disinflationary forces and continued slack, the rate of inflation has at best stabilized, rather than easing further as past relationships would have suggested," the Fed chairman said.

Mr. Greenspan said the Fed is sustaining inflation this year of between 3% and 3.25%, which he termed "disappointing," amid real economic growth of between 2% and 3.5%.

M2 Growth Target Lowered

He vowed that regulators will continue to work together on initiatives to stimulate bank lending "until this issue is finally and fundamentally resolved."

Mr. Greenspan said the continued flight of bank deposits to mutual funds and other investments made current money-supply measures unreliable, leading the Fed to lower its M2 growth target for the rest of 1993 and 1994.

Cites 'Structural Changes'

The new target will be between 1% and 5%, down from 2% and 6% during the first half of the year.

"To an important degree, the behavior of M2 has reflected structural changes in the financial sector," the Fed chairman said.


AP/Wide World

Alan Greenspan
Testifies in House

"The thrift industry has downsized by necessity and commercial banks have pulled back as well, largely reflecting the lingering loan losses that followed the lax lending of earlier years.

No New Variable Identified

"Inflows to bond and stock mutual funds have reached record levels, and, to the extent that these inflows have come at the expense of growth in deposits or money market mutual funds, the broad monetary aggregates have been depressed," he said.

The Fed chairman also conceded that "at least for the time being, M2 has been downgraded as a reliable indicator of financial conditions in the economy, and no single variable has yet been identified to take its place."

Mr. Greenspan said flat lending reflects a "psychological problem."

'Stiff Headwinds'

He again invoked the image of an economy "facing stiff headwinds," the most critical being "the combined efforts of households, businesses, and financial institutions to repair and to rebuild their balance sheets following the damage inflicted in recent years as weakening asset values exposed excessive debt burdens."

Much of Tuesday's testimony centered on the budget reconciliation process in Congress. While hotels, Greenspans

STOCKS: MBNA Rises on Making Goldman List

By RICHARD LAYNE

Having cooled off in recent weeks, MBNA Corp. shares got a lift Tuesday when Goldman, Sachs & Co. added the banking company to its investment priority list.

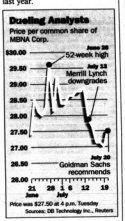
Robert Hottensen, a Goldman Sachs analyst, had already recommended the shares. But MBNA was put on Goldman's focus list based on its prospects for market-share gains.

In addition, Goldman said it expects MBNA to use its affinity-group ties, which are the basis of its credit card business, to market other products such as second mortgages and mutual funds.

Earnings Growth Predicted

Mr. Hottensen estimated that the company would earn $2 a share in 1993 and $2.30 a share in 1994. MBNA, based in Newark, Del., earned $1.73 a share last year.

Dueling Analysts
Price per common share of MBNA Corp.



On a day when most bank stock prices fell, MBNA shares rose 50 cents, to $27.50.

The company's shares had gained 19.4% in the second quarter, strongly outperforming the *American Banker* index, which lost 2.9%.

That runup made the shares too expensive for Michael R. Hughes, a San Francisco-based analyst for Merrill Lynch & Co. Mr. Hughes last week downgraded the stock to "neutral," from "above average."

But many analysts remain bullish on MBNA. .

Leveraging Its Strengths

They believe the company will use its underwriting and marketing expertise to generate double-digit annual profit growth during the next few years.

The bank will achieve this rate of earnings growth despite stiff competition in the credit card industry and possible interest rate increases, which would put pressure on credit card issuers' profits.

"This is a cheap stock if you look at the earnings growth and the quality of those earnings," said Thomas P. Facciola, an analyst at S.G. Warburg & Co. "The recent dip created a great buying opportunity."

MBNA's prospects for market-share gains boosted it.

Mr. Facciola's 12-month price target: $32. He expects 15% earnings growth in 1993 and 1994.

MBNA is gaining market share in the credit card business, where loan volume is on the rise.

MasterCard International recently reported that its members' credit card loans rose 20% in the first six months of this year compared with the same period of 1992.

Mr. Facciola estimated that MBNA's card receivables rose 15% in the second quarter. It's likely that MBNA is scooping up customers from other banks, adding to its market share at others' expense, analysts said.

MBNA added 1.1 million credit cardholders last quarter and is on track to add 2.5 million accounts this year. Those new customers could add as much as $2 billion in receivables. This would raise the company's total to $12 billion.

MBNA's growth has not come from offering the lowest-rate cards.

The company specializes in offering cards to groups such as teachers and dentists, so-called affinity cards. Because it understands the spending and bill-paying habits of those groups so well, it can offer higher credit limits and get stuck with lower-than-average chargeoff rates.

"They have a dependable market niche, which is important to survival," said Felice Gelman, an analyst at Dillon, Read & Co.

TUESDAY'S MARKET

Bank shares dropped with the bond market. The Dow Jones industrial average gained 9.50 points, to 3,544.78.

Shares of J.P. Morgan & Co. lost $1.125, to $70.875. PNC Bank Corp. shares fell $1.125, to $29.875.

S.G. Warburg upgraded shares of Chase Manhattan Corp. to "buy" from "hold." Francis X. Suozzo, a Warburg analyst, said earnings were improving more rapidly than expected.

In addition, the stock, which trades around book value, is relatively cheap. Chase's shares lost 25 cents, to $32.25. □



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MasterCard, Visa Nudge Retailers To Automation

By STEPHEN KLEEGE

MasterCard, following and reinforcing the message from its rival Visa, has sent a clear signal to retail merchants and their banks: Get electronic.

In its annual announcement of interchange fees, which influences what merchants must pay to clear a credit card sale, MasterCard International left most of the rates unchanged. But the association also made it more difficult to qualify for some of the better rates without automation.

The latest schedule of fees, approved by the MasterCard board, takes effect next April. Interchange fees are a reimbursement for processing and fraud costs, paid on each transaction, by the merchant's bank to the card issuer's bank. The merchant's bank passes its cost on to the merchant.

NEWS ANALYSIS

Both MasterCard and Visa have been campaigning, through financial and other incentives, to increase the proportion of transactions that are authorized using electronic data bases.

"Our overall objective is to strengthen, using interchange requirements, our ability to combat fraud losses," said Daniel F. Fox, senior vice president of quality and systems at New York-based MasterCard.

Special Rate for Supermarkets

MasterCard said it is making one interchange adjustment – to the rate designed to encourage supermarkets to accept its cards. The new rate will be 1.1%, or $1.10 per $100 sale, up from 1%. Visa U.S.A. announced the same change earlier this year.

More important, MasterCard made it harder to qualify for the low rate or for the "Merit II" rate of $1.44 per $100, which is available for transactions cleared within three days.

Now a processor will have to be able to transmit the full contents of a card's magnetic stripe back to the issuer from the point of sale. That requirement previously applied only to the "Merit III" rate of $1.30 per $100, for transactions that clear in two days.

The Old-Fashioned Way

MasterCard's standard interchange rate, representing the cost of an old-fashioned, manual authorization procedure, is 2.18% plus 10 cents, or $2.28 on a $100 sale.

Earlier this year, Visa adopted

See **MASTERCARD** *page* **12**

INSIDE NEWS

WASHINGTON

REPUBLICANS in Congress urged the Clinton administration to assure commercial banks a role in the proposed community lending program. But they were rebuffed by a Treasury official. *Page 2*

FEDERAL HOME LOAN Bank System shareholders told Congress that the system should reduce its capital, transfer more control to district offices, and allow members to join or quit more freely. *Page 3*

REGIONAL BANKING

FLEET, REPUBLIC New York, and CoreStates released strong second-quarter results. *Page 6*

MORTGAGES

THREE EXECUTIVES of two New Jersey mortgage companies have pleaded guilty of defrauding banks and institutional investors of "tens of millions of dollars." *Page 10*

INVESTMENT PRODUCTS

BRANCHES will be banks' biggest advantage for selling mutual funds and other retail products, said Banc One's John B. McCoy. *Page 11*

CREDIT DEBIT ATMs

CITICORP, adding momentum to its secured credit card strategy, has begun test-marketing to the Hispanic communities of San Francisco, Los Angeles, and Houston. *Page 12*

TECHNOLOGY

MASTERCARD International, in a bid to thwart counterfeiters, is requiring that secret numbers be encoded on the magnetic stripes of all its credit cards. *Page 3*

FINANCE

FIRST CHICAGO CORP. issued $150 million in floating-rate debt with minimum-rate protection, becoming the third bank this month to tap investor demand for this type of security. *Back page*

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Analysts Pick Wells Fargo, 1st Interstate

By GORDON MATTHEWS

Wells Fargo & Co. and First Interstate Bancorp got endorsements from Wall Street on Wednesday after reporting strong second-quarter earnings.

Wells was added to Paine-Webber Inc.'s "focus list" of buy-rated stocks, while First Interstate was raised to "accumulate" from "hold" by Natwest Securities Corp.

In both cases, analysts said lower loan-loss provisions and writeoffs were the crucial factors in the higher earnings.

Growth Still Meager

But revenue growth is weak for the banks, with no upturn in the California economy on the horizon, analysts said.

On a day when bank stocks were narrowly mixed, Wells Fargo rose 75 cents to $110 in late afternoon trading, while First Interstate gained 25 cents to $64.875.

The endorsements came although shares of Wells and First Interstate have risen strongly already this year. First Interstate shares are up about 39%, while Wells' stock is up about 30%.

In contrast, the *American Banker* index of bank stocks has

See **STOCKS** *page* **18**

Boston Fed Chief Faults Broad-Brush Use of CRA

By CLAUDIA CUMMINS

WASHINGTON — A top Federal Reserve official said Wednesday that the Community Reinvestment Act is improperly being used as a "catalyst for major social reform," threatening its effectiveness as a tool to ensure equal access to credit.

Richard F. Syron, president of the Federal Reserve Bank of Boston, urged lawmakers to either lower expectations about what the law can accomplish or else rewrite it to broaden its scope.

"We have to understand both the opportunities and the limitations of CRA," he said. "Fundamentally, we have to realize that it is about equal access to credit, and that alone is not a panacea for any number of economic problems."

Mr. Syron spoke at a conference in Boston sponsored by the Boston Fed and the Massachusetts Bankers Association. A text of his speech was released here.

Clinton Initiative

His comments came one week after President Clinton announced that bank regulators would reform the CRA by yearend to encourage greater investment by the banking industry in inner-city and low-income neighborhoods.

Mr. Syron praised the Presi-



Richard F. Syron
Says CRA isn't a panacea

dent's initiative, but stressed the importance of carefully examining the broader intent of the law before bashing out the specifics of how to enforce it.

"You don't want to think CRA is a panacea, because if you do, it is destined to fail," he said in a telephone interview after the speech. "The expectations are inconsistent with its ability to deliver."

In his speech, Mr. Syron said that "when you take a closer look at CRA, and peel away the layers of rhetoric that so often encompass discussions about CRA, what you find is a law that is valuable, but one that is actually quite limited in its statutory capabilities to solve those insid-

See **BOSTON** *page* **15**

Country Boom Is Music to Ozark Banker

By BILL ATKINSON

BRANSON, Mo. — Over a hearty breakfast of pancakes and syrup at the Bob Evans restaurant here, banker Smith W. Brookhart 3d can barely contain his excitement.

"We are making a bunch of millionaires in Branson," said Mr. Brookhart, as a country music singer belted out a song in the background. "We are seeing a lot more Lexuses in the driveways then we used to. It used to be all pickups and jeeps."

Ever since Branson was dubbed the nation's new country music capital two years ago, it has become boomtown USA.

And Mr. Brookhart, president and chief executive of Ozark Mountain Bank, is right in the thick of it, helping to finance the burgeoning supply of theaters, motels, and restaurants.

Surging Assets

Ozark Mountain, the largest bank in this city of 3,700, saw its assets surge to $162 million the first half of the year, up 40% from a year ago. The bank expects to grow by another 40% this year. And by 1997, it projects assets to nearly triple from their present size.

Profits have clipped along, too, despite expenditures for more staff and a new main office. For the first six months of the year, Ozark Mountain earned $1.1 million, up 17% from a year ago. The bank posted a return on average assets of 1.49%, and a return on average equity of 24.60%.

Not surprisingly, other banks are expanding their operations in Branson. Boatmen's Bank of Southern Missouri opened a branch in Branson last summer, and Commerce Bank, Springfield,



Greg Chittenden

SMITH W. BROOKHART'S Ozark Mountain Bank is helping to finance Branson's building boom.

opened a branch two months ago.

Meantime, Great Southern Savings Bank, a $510-million asset bank in Springfield, has seen gsaets at two branches jump to $100 million, up

See page **8**

NEWS *briefs*

Nordstrom Cleared to Issue Visa Cards

SEATTLE — Nordstrom Inc. said it has received approval from Visa U.S.A. to offer Visa cards.

The Seattle-based retailer said it will begin issuing cards next spring through Nordstrom National Credit Bank of Englewood, Colo. The bank was formed in 1991 to run Nordstrom's private-label card program and take advantage of Colorado's liberal usury law.

While customers remain loyal to the Nordstrom brand, the Visa option will appeal to the growing number of people who prefer to use a bank card, said John Walgamott, president of Nordstrom's bank.

Citicorp in Financing Deal for Toll Road

IRVINE, Calif. — California Private Transportation Co. has completed $125 million in bank financing, allowing it to start construction next week of the first privately owned and operated toll road in the United States in 30 years.

Citicorp arranged the financing package with Banque Nationale de Paris and Societe Generale.

The 10-mile highway will serve as express lanes in the median of the Riverside Freeway in Orange County, Calif. Tolls will be collected using an automated vehicle-identification system. It is the first private-sector demonstration project authorized by a 1989 state law.

British Air Forms Credit Union in U.K.

LONDON — British Airways PLC has formed a credit union in Britain that it hopes to model after one it has operated in the United States for more than 40 years.

The credit union plans to offer a full range of banking services, including transaction accounts, credit cards, and mortgages, the *Financial Times* reported. It would be the country's first private-sector, full-service credit union.

British Airways reportedly will push for a liberalization of British laws that limit the services that credit unions can offer. British Airways Employees Federal Credit Union of Jackson Heights, N.Y., has about $25 million of assets.

Ex-Crocker Chief Thomas Wilcox Dies at 76

DERING HARBOR, N.Y. — Thomas R. Wilcox, former chairman and chief executive of Crocker National Corp., died on Monday of cancer. He was 76.

Mr. Wilcox began his banking career in 1934 and rose to a vice chairmanship at Citibank in New York. In the 1970s, he moved to Crocker National Bank in San Francisco and was chairman of Crocker National Corp. before it was acquired by Wells Fargo & Co.

The briefs were compiled from staff and wire reports.

Corrections

An article on Tuesday about Chase Manhattan Corp.'s second-quarter earnings contained an incorrect figure for earnings per share. Chase earned $1.20 per share in the quarter.

* * *

Because of an editing error, an article on Wednesday incorrectly described the types of aggressive mutual funds run by banks that performed best during the second quarter. The top performers were funds that invest in small companies, in international stocks, or for maximum capital gain.

GOP Rebuffed in Effort to Win Community Loan Funds for Banks

By ROBERT M. GARSON

WASHINGTON — Republicans in Congress urged the Clinton administration Wednesday to assure commercial banks a role in the proposed community lending program. But they were rebuffed by a Treasury official.

Frank Newman, under secretary of the Treasury for domestic finance, told members of the House Banking Committee that only a limited amount of money will be available for the community development bank program.

Therefore, "it's difficult to propose giving money to Citibank, NationsBank, or Bank of America, which already have very substantial resources," Mr. Newman said.



Lloyd Bentsen
Says CRA duties are separate

$382 Million Earmarked

The administration has called for spending $382 million over four years on community development lenders of all kinds. A commercial bank would be eligible for grants only if its primary business was community lending.

"The problem is, in my area there are no" community development financial institutions, said Rep. Alfred A. McCandless, R-Calif.

Rep. Jim Leach, R-Iowa, who plans to offer an alternative to the administration's proposal, said he was disappointed that the administration had not incorporated any of the ideas advanced by Republicans.

Meeting CRA Obligations

Mr. Leach would encourage banks to invest in community development banks by offering a "safe harbor" on their Community Reinvestment Act responsibilities.

Mr. Newman said he expects that regulators will decide to give banks and thrifts credit toward meeting CRA responsibilities, but did not say how much.

Banks would be able to enhance their CRA ratings but could not satisfy their obligations by investing in a development institution, he said. Under the current system, investment in development banks is already a factor considered by examiners in evaluating a bank's CRA compliance.

His boss, Treasury Secretary Lloyd Bentsen, told the panel that the administration's program "is not a substitute for active community lending from institutions currently subject to the Community Reinvestment Act."

While most of the House committee's Democrats seemed inclined to support the administration proposal without modification, Rep. Floyd Flake, D-N.Y., is working with Rep. Leach on an alternative.

Alternative Law

Rep. Flake co-sponsored a 1991 law that gives banks credit toward their deposit insurance premiums for certain types of lending in poor communities. He said yesterday that he hopes to expand that program, the Bank Enterprise Act, with money from the administration's community development plan.

His program, he said, is up and running but in need of funds. By contrast, the administration has proposed spending $10 million a year – more than 10% of its total – on administrative and start-up costs.

"There's quite a lot of concern about that $10 million," he said.

Rep. Flake said he supports the administration plan, but believes that making use of existing institutions "lets us get the wheels turning a lot faster." □

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MasterCard, to Stem Counterfeiting, Is Encoding Secret Numbers on Cards

By BARTON CROCKETT

In a bid to thwart counterfeiters, MasterCard International is requiring that secret numbers be encoded on the magnetic strips of all its credit cards.

MasterCard said it has already used the security procedure to impede notorious counterfeiting rings in southeast Asia.

"Because of the success rate, we felt there would be some value in implementing it worldwide," said Joel S. Lisker, the association's senior vice president for security and risk management in New York.

Rise in Losses from Fake Cards

Counterfeiting is the second-costliest type of fraud for MasterCard issuers, after card theft. Worldwide losses totaled $37 million this year through June, up 54% from a year earlier. Stolen cards, by comparison, caused $41 million in losses in the first half, down 18%.

While fraud has long been a major expense for MasterCard, it is showing signs of flattening out. Losses last year amounted to $460 million, up 23% from 1991, But in the first half of this year, fraud cost $164 million, about the same as a year earlier.

Banks will be required to incorporate the security technology – called CVC, for "card validation code" – on all cards issued after January.

Banks will also be required to use a package of other design changes, called the "enhanced security standard features," aimed at making it harder for counterfeiters to change account numbers and expiration dates embossed on genuine cards.

Changes Called Inexpensive

The cost of the changes is minimal, according to Mr. Lisker.

Use of the procedures has been optional since 1988. Late last year, MasterCard required their use in the Asia-Pacific region. That step contributed to a 14% drop in the region's counterfeiting losses last year, to $22 million, Mr. Lisker said.

The card validation code is being used in 68 million of the 188 million MasterCards in circulation worldwide.

CVC is essentially the same as a technology that Visa USA and Visa International have embraced, called CVV for "card verification value." Both technologies entail the encoding of a three-digit number on bank cards' magnetic stripes.

The numbers are not visible on the face of the cards, but are algorithmically derived from the numbers that are visible, including the account numbers and expiration dates.

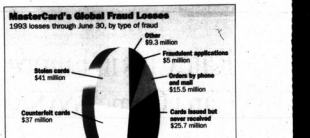
Counterfeit Cards Flagged

When card transactions are sent electronically from point of sale terminals to bank computers for authorization, the computers check for the proper CVC or CVV number.

MasterCard's Mr. Lisker said that skirting the security procedures requires a degree of sophistication beyond most criminals. The algorithm used to derive the code is said to be too difficult to crack. Thus the only way to get the numbers would be to use special computer equipment to read them from magnetic stripes, or to tap the computer phone lines that carry the codes.

Jerome Svigals, an electronic banking consultant in Redwood City, Calif., warned that the CVC and CVV technologies do nothing to protect the large number of card transactions that aren't authorized against a card issuer's computer database.

He added that the technologies also do little to protect banks from poorly trained or dishonest merchants. □



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For many bankers, the thermometer is a lagging indicator of the heat they feel in handling current regulations and guessing the Clinton administration's next moves. But we've got a way to help you keep cool: *American Banker's Washington Watch.*

We broke the news about the plans by credit union trade associations to branch cross-country. We warned readers that the FDIC will crack down on banks and thrifts that aren't paying enough for insurance, and that the Fed was flirting with examination fees. We also uncovered plans that would let banks pay less for deposit insurance provided they set up certain special programs.

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Opinion

Comment

By Stephen H. Axilrod

Rate Cuts in Europe and Japan Can't Come Too Soon

THE QUICKER *interest rate cuts come, the better, particularly since the world will soon have to cope with a deflationary U.S. budget package on top of Germany's shift toward fiscal restraint.*

At the Tokyo summit, the heads of state of the G-7 countries put their signatures to an economic communique that contained all the correct positions on a number of topics – growth, trade, and interest rates, among others.

The need for lower rates was expressed more vigorously than usual – aimed, one assumes, mainly at Europe and Japan.

The question is, how is this message heard by the central banks that control interest rates in the key countries – some of which, like the German Bundesbank and the U.S. Federal Reserve, are quite independent of their governments.

Interest rates in key foreign markets have been declining for some time now, and more reductions are inevitable given depressed economies and low inflation.

Acting or Reacting on Rates

But it makes a great difference whether interest rates decline as a result of weakness in the economy and credit demands or whether they decline because a nation's central bank is actively attempting to pump up the supply of credit and money.

In Europe, the Bundesbank has been slowly lowering interest rates about in line with – and certainly not ahead of – the weakness in the German economy. I doubt that Chancellor Kohl got any guarantees about further rate declines from President Schlesinger of the Bundesbank before signing on to the communique.

But he probably felt safe in believing that rates would continue to fall gradually, given the slump in the economy.

Let Rates Fall

In my opinion, it would be better if rates fell quicker. The European exchange rate mechanism has again been under pressure, this time because the market has little faith in the French and Danish currencies. France is the key.

If France cannot be held within the exchange rate mechanism, or an orderly adjustment made, the future of the European drive to a common currency will be even more uncertain than it before. Britain and Italy withdrew from the exchange rate mechanism last year.

France's domestic situation is very weak, and it needs lower interest rates as much as or more than Germany does. The market's view about France is something like, though by no means as extreme as, its earlier attitude toward Britain.

The markets came to believe that the high interest rates needed to justify the relative value of the currency within the exchange rate mechanism could not be sustained because of Britain's domestic situation.

While in today's circumstances a dramatic crisis has so far been avoided, lower interest rates all around in Europe would go a long way to reducing the risk further.

In the Pacific

The Japanese central bank is not as independent as either the Fed or the Bundesbank. But with its government in disarray, it may be able to make its decisions less encumbered by intragovernmental disputes and pressures.

In the recent past, Japan's central bank has probably resisted further rate reductions partly because it believed it was time to the face of pressures for an even more active fiscal policy in Japan.

On the other hand, the Ministry of Finance in Japan has traditionally argued for lower interest rates in an effort to deflect pressure to present budgets that involve substantial deficits.

Without a strong government, the bureaucrats of the Ministry of Finance and the Bank of Japan risk a standoff. However, the continued weak economic conditions will themselves probably compel some action, and the central bank may be better positioned in current circumstances to deliver than the rest of the government.

The Federal Reserve

I doubt that the U.S. central bank generated much concern at the summit. In real terms, short-term interest rates here are the lowest in the industrial world, and longer-term interest rates are close to the lowest.

The Fed, in the person of Mr. Greenspan's policy testimony the other day before the House Banking Committee, noted that it now expected a little more inflation and less real growth this year than it had early projected.

For some time now, it has been clear that the Fed's policy dilemma has become more acute because the trade-off between inflation and growth over the short run has become less favorable. Mr. Greenspan seemed to feel that there was more reason to worry about inflation than growth, which left the impression that any easing he might take would be to raise rates.

However that may be, the lower rates that are needed in the industrial world should for the most part come from Europe and Japan, where economic conditions are weakest.

The quicker they come, the better, particularly since the world will soon also have to cope with a deflationary U.S. budget package on top of a continuing shift toward fiscal restraint in Germany. □

The author is vice chairman of Nikko Securities Co., New York.

Letters to the Editor

FDIC Didn't Scrap Reinsurance Plan for Bank Deposits

To the Editor:

American Banker has reported twice, most recently on June 25 [Regulator's Mailbag, page 9], that the Federal Deposit Insurance Corp. has "shelved" a test of private reinsurance for bank deposits.

On the contrary, the FDIC intends to proceed with a pilot reinsurance program, as was described in the private reinsurance feasibility study approved by the FDIC board and sent to Congress on June 17.

The pilot will be divided into three phases, beginning with a solicitation of participation by potential reinsurers. After completing each phase, the FDIC will decide whether to continue on this course in light of the findings up to that point.

As was discussed at the June 17 board meeting, private reinsurance is an attractive idea, but issues surrounding its implementation are complex.

The test has not been "shelved" – it is proceeding into its next phase.

William R. Watson
Director
FDIC Division of Research and Statistics
Washington

Editor's Note:

The lead-in to the June 25 "Mailbag" of banker reactions did incorrectly describe the program as "shelved."

A June 18 article to which Mr. Watson also referred ["Tracking Too Costly, FDIC Finds," page 16] focused mainly on the FDIC's conclusion that it would be too expensive to limit deposit insurance by monitoring each individual's accounts in multiple institutions.

The article said that despite the complexities mentioned by Mr. Watson, "the FDIC agreed to continue development of a pilot reinsurance program which has been in the works since July 1992." □

OCC Consumer Compliance Squad Is a Redeployment, Not a Creation

To the Editor:

As a former national bank examiner, I beg to differ with a statement in the July 2 article on page 1, "OCC Readies Consumer Protection Squadron."

The article said, "The Comptroller's office is the last banking agency to specialty train and designate examiners for consumer compliance."

But the Office of the Comptroller of the Currency, in late 1975, installed a large group of personnel who specifically examined for compliance with consumer rules, laws, and regulations. In fact, a separate consumer compliance report was issued to each examined bank, and "consumer compliance examiners" were commissioned during the late 1970s.

In the mid-1980s, in an apparent attempt to control rising examination expenses and banks' assessments, the office merged the compliance function back into the regular commercial bank report of examination.

The decision to re-install a staff specifically trained in consumer compliance is welcome and will only help to ensure that national banks' fare in full compliance.

J. Roger Quiek
Phoenix

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Home Loan System Urged to Reduce Capital, Decentralize

By ROBYN MEREDITH

WASHINGTON — The shareholders of the Federal Home Loan Bank System told Congress on Monday that the system should reduce its capital, transfer more control out of Washington to district offices, and allow members to join or quit more freely.

The Congressional Record in a study that Congress mandated in the Housing and Community Development Act of 1992. Some 24 thrift executives from around the country participated.

The law also required studies on the future of the system by the Federal Housing Finance Board, which oversees the system; Congressional Budget Office; General Accounting Office; and Department of Housing and Urban Development.

Funds for Home Loans

Congress created the Home Loan Bank System in 1932 to encourage home ownership. The system consists of 12 district banks, which lend money to their 3,905 bank and thrift members at below-market rates. Members then use the money in part to make home loans, and they must buy stock in the system to borrow from it.

Thrifts whose deposits are not insured by the Federal Deposit Insurance Corp. have always been required to belong to the system. Since 1989, when commercial banks were allowed to join, 1,609 have signed up. The stockholder study favors voluntary membership.

Michael T. Crowley Jr., chairman of the stockholder committee and president and chief executive of the Mutual Savings Bank in Milwaukee, said the

Shareholders also want easier entry and exit.

stockholders' group also discussed reducing the system's risk-based capital – now at 29.7% – to 12%, and dropping its core capital level from 6.8% to 4% or 5%.

Michael L. Wilson, policy and research director at the Federal Housing Finance Board, said, "The system could operate with less capital than it has today, given its current risk profile."

Local Control Sought

Throughout their study, stockholders pressed for more control over business functions at the district level. Responsibility for the appointment of district bank presidents, as well as approval of individual affordable housing projects, should be transferred to the district banks, according to the study.

The stockholder study also pointed to the bank system's support of community development projects as a key justification for the Association of Community Organizations for Reform Now.

Chemical Weighs Divesting Several Struggling Units

By KAREN GULLO

NEW YORK — Chemical Banking Corp. may sell up to 10 small businesses that have low revenue growth, said chief financial officer Peter Tobin.

Among the possible candidates: Small banks owned by Chemical's Texas subsidiary and some businesses that provide operating services for corporations.

"We are looking at five to 10 smaller businesses for possible divestiture," Mr. Tobin told securities analysts Wednesday.

May Form Alliances

In some cases, the bank might form alliances with outside parties, rather than selling businesses outright, he said.

Chemical's Texas Commerce Bancshares Inc. has sold four small banks this year and may sell others, Mr. Tobin said. "We are looking at selling in areas where we don't have dominant market shares."

Overseas Units May Go

Some foreign subsidiaries are also probably on Chemical's list, according to analysts. They speculated that Chemical would be willing to sell its stakes in banking operations in Spain and Portugal.

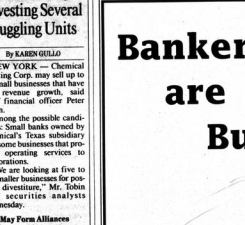
Chemical is also looking to buy businesses that would add volume and market share to its credit card, trust, and mortgage banking units, Mr. Tobin said.

Looking at New Jersey

The executive reiterated that the bank would like to acquire branches in New Jersey. Chemical would not rule out an acquisition of a regional bank, he said.

Separately, Mr. Tobin said Chemical expects to receive more than $200 million from past-due Argentine bonds over the next two quarters and another $200 million in Brazilian bond payments early next year. □

Bankers are Bullish on Mutual Funds



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Fleet, Republic, and CoreStates Report Strong 2d-Quarter Profits

By YVETTE D. KANTROW

The banking industry got another dose of good news on Wednesday as three northeastern banking companies released strong second-quarter results.

Fleet Financial Group of Providence, R.I., netted $119 million, up 68% from a year earlier. Fleet's gain came despite a $100 million charge related to heavy mortgage prepayments amid the refinancing boom.

Republic New York Corp., like its larger New York competitors, benefited from hefty trading income. Profits grew 17% to $74.9 million, as trading gains doubled to $54.4 million.

Philadelphia's CoreStates Financial Corp., bucking the trend at most other banks, reported that loan demand rose by 3.4% during the quarter. The banking company turned a profit of $83.2 million, up 25%.

Shares of Fleet were down 25 cents on Wednesday to $35.375. Republic remained unchanged at $51.625 and CoreStates was up 25 cents to $57.375.

FLEET FINANCIAL GROUP

Results at Fleet, which translated to 72 cents per share, were in line with analysts' expectations, according to Zacks Investment Research.

Analysts said they were not surprised by the $100 million charge by Fleet Mortgage Group, considering historically low interest rates and the continuing refinancing boom. The value of servicing rights Fleet Mortgage Group purchases from other lenders declines as prepayments accelerate.

Fleet offset the charge – which consisted of a $40 million write-down of assets that have already become "impaired" by prepayment and a $60 million provision against future impairments – by recognizing $114 million in gains on the sale of securities.

"We've had a cushion in terms of our values there," chief financial officer Eugene M. McQuade said in an interview.

The banking company's securities portfolio had an unrealized appreciation of approximately $600 million at the end of the second quarter, he said, enabling Fleet to take the conservative step of reserving against future prepayments.

"They have the firepower to take this charge," said Keefe, Bruyette & Woods analyst Tom Theurkauf.

Analysts otherwise were pleased with Fleet's results, which featured stable net interest margins and continuing improvements in credit quality.

"There were some very positive signs," said Michael Mayo of UBS Securities Inc.

The net interest margin grew 3 basis points to 5.06% during the quarter. And nonperforming assets fell for the sixth consecutive quarter to $852 million, a reduction of $92 million from the end of the first quarter.

Fleet took a loan-loss provision of $69.9 million in the quarter, down from $84.9 million.

REPUBLIC NEW YORK CORP.

Republic cited heavy activity in foreign exchange and precious metals trading — and its newly established derivatives group – as big contributors.

Credit quality improved, as nonperforming assets were at $165.7 million, down $17.7 million from the first quarter.

Net interest income was up 11% to $198.3 million from a year ago, but the margin contracted 3 basis points to 3.58%.

Profits from Republic's securities brokerage subsidiary constituted a substantial portion to higher commission income, which amounted to 11.2 million, up 20% from a year ago.

— **Karen Gullo**

CORESTATES FINANCIAL

Results at CoreStates, which translated to $1.42 a share in the second quarter, exceeded Wall Street's expectations of $1.28 per share, according to Zacks.

In a press release, CoreStates chairman Terrence A. Larsen said the company benefited from "several consecutive months of improving loan demand in our markets."

Net interest income rose by $9 million from the previous quarter, to $280.1 million.

That increase occurred despite a small falloff in the net interest margin. It came in at 5.83%, off from 5.84% three months earlier.

Unlike those of other banks that have bolstered earnings by drawing down from their loan-loss reserves, CoreStates' strong performance "was not asset-quality induced" said Jeffrey B. Naschek, an analyst at Salomon Brothers Inc. "The provision was flat with the first quarter."

As it did in the first quarter, the company set aside $25 million for future loan losses. □

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Thomas Johnson Tapped For Top Job at Green Point

Thomas S. Johnson, the former president of both Manufacturers Hanover Corp. and Chemical Banking Corp., has joined Green Point Savings Bank as chairman, president, and chief executive.

Green Point, a Queens, N.Y.-based thrift with $6.2 billion of assets, is slated to go public later this year.

Mr. Johnson was president of Chemical Banking Corp. and its lead bank from 1983 to 1989. He left that year for rival Manufacturers Hanover, but lost his position as heir apparent to Hanover chairman John McGillicuddy when the two companies merged. □

Former Football Star On NationsBank Team

By KENNETH CLINE

People in the News

IT MAY NOT MATCH the thrill of making a game-clinching reception in the National Football League playoffs, but former wide receiver Mike Siani believes his new job as a banker is every bit as challenging.

"I've been there," said Mr. Siani, who joined NationsBank Corp. earlier this year to create a professional sports and entertainment group in its trust department. "I can relate to the athlete because I've seen former players and teammates of mine ripped off by agents, promoters, and whatever."

The Charlotte-based bank company calculates that it has relationships with 257 professional athletes in a range of sports, although many have only checking accounts. In one or two cases, these customers were carrying $1 million or more in their low-interest accounts.

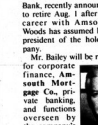
Mr. Siani, who was a wide receiver for the Oakland Raiders and the Baltimore Colts, has been asked to sell money management advice to the athletes.

"Certainly, they're candidates for our services," said F. Huling Poston 3d, manager of NationsBank's personal trust unit.

Mr. Siani said his three-person team will begin by soliciting clients from professional rookies and college players living in cities where NationsBank operates.

"They really need help planning for the future, because they've got a long, long time to live once they get out of playing ball," Mr. Siani said.

Mr. Siani, 43, is familiar with their plight. A 1972 graduate of Villanova University, he played for the Raiders from 1972 to 1978. Highlights of his career included playing in the 1977 Super Bowl and catching the winning touchdown pass in the 1973 American Football Conference championship.



Mike Siani

Mr. Siani will sell financial advice to pro athletes.

In 1979, Mr. Siani joined the Baltimore Colts, where he was voted Most Valuable Player by Colts fans in 1980. But a foot injury ended his career the following year.

"I was really depressed and disappointed, because at that point in my career I was making some pretty good money," he said.

Fortunately, Mr. Siani said, he had majored in business at Villanova. He parlayed his name and education into a job as a corporate bond trader on Wall Street for Gintel Co.

Later, he ran his own home construction business in New Jersey, but retreated into bond sales when the Northeast's real estate recession slowed his business.

He moved to North Carolina to be a municipal bond salesman for First Charlotte Corp., a subsidiary of J.C. Bradford Securities. NationsBank recruited him from the firm earlier this year.

"He brought to the table a down-to-earth, articulate manner that I thought represented NationsBank well," said Mr. Poston, who is Mr. Siani's supervisor.

Although he has not worked for a bank before, Mr. Siani has proven adept at mastering the bank's terminology and procedures. But negotiating its bureaucracy is proving as difficult as shaking off a clinging defensive back.

"We are such a big organization," he said. "The hardest thing is just trying to figure out, well, who does what and who do I talk to if I need this?" □

Magna's Net Rose 29% in 2d Quarter

St. Louis-based Magna Group Inc. netted $9.1 million, or 37 cents a share, in the second quarter, a 29% increase from the year-earlier period.

The bank said nonperforming assets declined 44% from a year ago to $35.2 million. Return on assets at the company, which has $3.6 billion of assets, was 1.02%, compared with 0.76% for the second quarter of 1992.

Looking ahead, William S. Badgley, the company's chairman and chief executive office, projected that 1993 earnings could achieve "the lower end" of estimates, which range from $1.50 to $1.70 a share.

— **John Racine**

EXECUTIVE *changes*

Amsouth Elects Bailey and Ritter Directors and Board Vice Chairmen

C. Stanley Bailey and **C. Dowd Ritter** have been elected directors and vice chairmen of the boards of **Amsouth Bancorp.** and **Amsouth Bank**, Birmingham, Ala.

Both previously were senior executive vice presidents.



C. Stanley Bailey

John W. Woods, the company's chairman, president, and chief executive, said the promotions

are part of a companywide restructuring.

William A. Powell Jr., president of Amsouth Bancorp. and vice chairman of Amsouth Bank, recently announced plans to retire Aug. 1 after a 40-year career with Amsouth. Mr. Woods has assumed his title as president of the holding company.

Mr. Bailey will be responsible for corporate finance, Amsouth Mortgage Co., private banking, and functions he will oversee by the company's chief financial officer and chief technology officer.



C. Dowd Ritter

Mr. Ritter will be responsible for the Alabama-based company's out-of-state subsidiaries, as well as commercial banking, consumer and business banking, and human resources.

— **Franklin Smith**

NEW ENGLAND

STATE STREET Bank and Trust Co., Boston, announced the appointment of the following people to vice president:

Gloria M. Broderick in the global cash management division of the capital markets area; **Deborah G. Johansen** in the public affairs division of the global financial asset services area; **Ralph M. Hoyte** in the bank services division of the securities services area, and **Michael J. Tobin** in the U.S. mutual fund services division of global financial asset services.

New assistant vice presidents are **David W. Dickie** in information technology; **Donald Cignac** in the U.S. mutual fund services division of the global financial asset services area; and **Craig Hartnett** in the global cash management division of the capital markets area.

Also, **Michele S. Julian** in the human resources division of corporate staff; **Erin Kane** and **Mark Murphy** in the global securities lending division of the capital markets area; **John H. Reohr 4th** in State Street Global Advisors, and **Andrew F. Sears** in securities operations.

MIDWEST

SOCIETY CORP., Cleveland, has named **Robert G. Jones** senior vice president and retail center executive.

PNC BANK Ohio, Cincinnati, has elected **Craig M. Johnson** as senior vice president and controller. He is manager of the bank's financial division.

MIDDLE ATLANTIC

PNC BANK Philadelphia has appointed **Joseph W. Gonczi** vice president and general manager of the credit card department in the retail banking division; **Leon Lieberman** vice president and investment regional manager of PNC Securities Corp., the bank's brokerage arm, and **William E. Pomeroy** vice president and national director of personal trust sales in the investment management and trust division.

PNC BANK Corp.'s Bank of Delaware, Wilmington, has promoted **David G. Rash** to vice president and regional production manager of PNC Mortgage Co. **Robert C. Ballard** has joined the staff at Bank of Delaware as vice president in commercial real estate.

SOUTHEAST

THE FEDERAL RESERVE Bank of Atlanta recently reassigned **William H. Smelt**, assistant vice president, to be assistant branch manager of the Atlanta branch.

He had been assistant branch manager of the New Orleans branch.

Amy Goodman replaced Mr. Smelt as assistant branch manager in New Orleans. She is an assistant vice president.

Edward B. Hughes, formerly assistant vice president in Birmingham, Ala., has relocated to New Orleans. He has been an officer in the check collection and personnel departments and assumes responsibility for several operating departments.

Suzanna Costello has become assistant vice president with responsibility for international banking regulation in Miami, where she is directing examiner.

WEST

WESTCORP, Irvine, Calif., parent company of Western Financial Savings, appointed **Robert E. Adams** executive vice president of its mortgage banking division, which consists of 13 branches.

Mr. Adams most recently was first vice president, operations and administration of Countrywide Funding Corp., where he was responsible for the nationwide retail mortgage banking network. □

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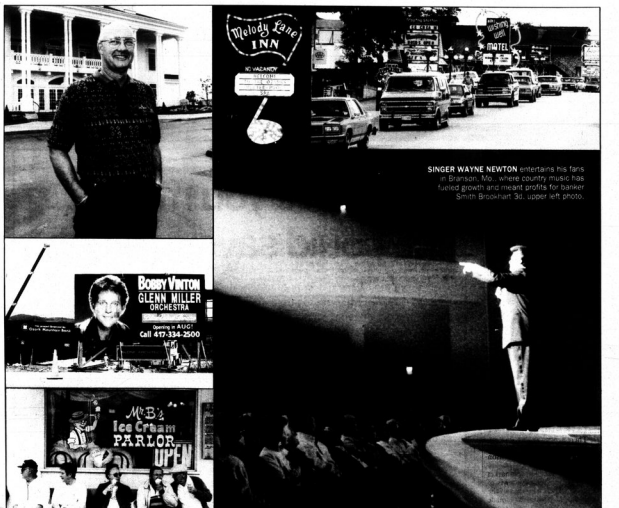
Country Boom Is Music to Banker's Ears



SINGER WAYNE NEWTON entertains his fans in Branson, Mo., where country music has fueled growth and meant profits for banker Smith Brookhart 3d, upper left photo.

Photos by Alan S. Weiner, excerpt top left by Greg Chittenden

Continued from *page 1*

about 50% in the past two years.

But boomtowns can bust, and there is concern that the area is becoming overbuilt. New hotels, condominiums, and apartments are springing up all around the main two-lane drag known as Country Boulevard 76, which at night is lit up like Las Vegas, without the casinos.

For now, though, it's full steam ahead.

What's driving Branson's boom?

Country music stars like Mickey Gilley, Mel Tillis, and Roy Clark have grown tired of the road and have opened their own theaters in Branson. The response: fans from across the nation have poured into the city by the millions.

In 1992, the number of visitors swelled to 5 million, up from 3.1 million in 1986. Branson's chamber of commerce expects the number to increase by another 500,000 this year.

The town is so popular the American Automobile Association ranks Branson as its No. 2 driving destination behind Walt Disney World in Florida. This month, Branson Airlines began offering flights to music city from several cities, including St. Louis and Kansas City.

Thirty-two theaters have been built with 42,729 seats, two more are on the drawing board, and there are rumors of more to come. The number of lodging rooms reached 14,004 in the first four months of 1993, up 26% from 1992. Another 1,800 rooms are under construction.

Fear of a Shakeout

"I'm worried about some kind of shakeout," said Vern Lewis, senior vice president of Capital Bank's Branson offices. "Branson is a for-real situation, but it is just going to have it growth cycles."

The banks are feeding off a huge demand for commercial construction. The total value of construction projects for 1991 and 1992 combined hit $134 million in 1991, up from $18 million in 1989-1990.

Ozark Mountain saw its assets surge to $162 million in the first six months.

Ozark Mountain Bank has been an aggressive player in the market. Its loan portfolio shot up by 50% in the first six months of the year to $126.7 million compared to a year ago.

It has $73.8 million in motel, resort, restaurant, and theater loans on its books, which make up 58% of total loans.

About $10 million is in theater loans to five groups that include Boxcar Willie Theater, with 901 seats, the 1,700-seat Baldknobbers, Moe Bandy's Americana Theater, 950 seats, Bobby Vinton's Blue Velvet Theater, with 2,000 seats, and Mickey Gilley's Family Theater, 970 seats.

This month, the bank signed a deal with the Welk Group Inc. to finance a 2,300-seat theater, a 160-room hotel, and a restaurant. The bank, which is owned by the $2.7-billion-asset Central Bancompany, Jefferson City, Mo., will lend more than $10 million to the $14-million-plus project, which is slated to open next May.

The Welk Group will feature music made famous by the late band leader Lawrence Welk.

"We have cherry-picked the loans," said the 58-year-old Mr. Brookhart, who has been a banker in Branson for 26 years. "We've got people who are strong enough to play in the market and to withstand a decrease in ticket sales. I can guarantee the five are going to survive the shakeout very well."

So far, so good. Ozark Mountain's outperformers stood at zero for the first half of the year.

Boxcar

One customer is country music star Boxcar Willie. He and Mr. Brookhart shoot the breeze as fans mill about the singer's museum and gift shop. The visitors pull Boxcar Willie T-shirts off hangers, eye train conductor caps, and finger mugs. The cash register hums.

"We've got a gold rush going on in here," says the potbellied

See **COUNTRY** *next page*

Continued from *page 8*

singer to his banker.

Boxcar Willie, who off stage goes by Lecil T. Martin, started banking with Ozark Mountain in 1986 when he bought a failed theater taken over by the bank. Since then he's opened a museum and gift shop and is building a motel.

"I've had one other bank come in and try to get our business," Boxcar Willie said. "I've just always been satisfied with this bank. I've borrowed a lot of money from them. I walk in and they say, "Hi Box," and that means a lot to me."

Thus far, the only problem the bank has run into is controlling its growth. Fifteen months ago, it built a two-story main office, hired 21 employees, and acquired new equipment. The bank has since grown out of the space.

Checking the Balance Sheets

Ozark Mountain has turned away country music stars who have weak balance sheets or demand 150% financing on a loan, Mr. Brookhart said. The bank typically lends up to 70% of the loan on a theater if the borrower has a net worth of 50% of the loan, and has historically done well at the box office.

"They (some stars) have a very exaggerated opinion," Mr. Brookhart said. "Some people will . . . overstate assets. The minute you say you want a copy of their personal tax returns they get green around the gills. The thing we are primarily after is their character. I still want to look people in the eye and see how they talk and act."

What may give Branson's building boom another kick is the housing market. Mr. Brookhart projects 1,500 new homes will be built in 1994 and 2,000 in 1995. The bank is aiming for 20% of the business.

But bankers, investors, and local proprietors expect a shakeout as the area becomes overbuilt with theaters, motels and restaurants.

"There's going to be a bump 12 to 18 months from now," said an investor in the Branson market.

"We are watching the market real hard," added Mr. Lewis of Capital Bank. "The truth of the matter is . . . bad loans are made in good times. We are trying to guard against that."

Christopher Dixon, an entertainment analyst with PainWebber Inc., said the city will likely go through a downturn, but it can be weathered if the local government plow funds into the infrastructure.

"The biggest problem with facilities like Branson is they get caught in their own success," he said. "They forget to take some of the monies and reinvest them back into the community. What was idyllic can become overcrowded and turn into a honkytonk."

$1 Billion from Tourists

There is plenty of money to go around in Branson. Last year, tourists spent nearly $1 billion. Sales tax collections soared 35% to $21.8 million in 1992 from the prior year, and have tripled since 1985.

Banks like Ozark Mountain are flooded with deposits. It maintains deposit relationships with heavy hitters like Silver Dollar City, a popular amusement park that last year packed in 1.7 million people, as well as with scores of restaurants and entertainers who include Ray Stevens and Andy Williams, as well as Mr. Tillis, and Mr. Clark, Mr. Brookhart said.

Deposits at the bank shot up 37% in the first half of the year to $141.1 million, compared to a year ago. One of the bank's three branches is open seven days a week.

Its busiest day is Saturday, and $800,000 in deposits can pour through the drive-up window on a typical weekend. The bank also processes MasterCard deposits from local merchants, which have reached $19.8 million for the first half of the year, up 55% from a year ago.

But life in Branson is much more complicated since it has become one of the hottest tourists spots in the nation. One day Mr. Brookhart had to divert a tour bus out of his neighborhood. Curious tourists were trying to find Mel Tillis' house, which is near Mr. Brookhart's.

"That's the Hollywood junk," Mr. Brookhart said. "That's not Branson."



Then there's the traffic problem, which is enough to make a New Yorker blanch. In July, the peak tourists month, more than 31,000 cars inch along the main drag.

Mr. Brookhart dodges the mess, zipping along backroads and cutting through shopping center parking lots in his white Buick Park Avenue.

"We are going to drive five miles to get one," said the banker, who has his radio dialed to an easy listening music station. "Fortunately, the tourists don't know about this."

But even a seasoned Branson traffic dodger can't escape the mess.

"Damnation," he said staring at a snaking line of red lights. "We've got gridlock. (Wayne) Newton just let out. It's a bloody zoo."

Mr. Brookhart takes the annoyance in stride.

"Other bankers would kill to be in Branson," he said. "Both coasts are dead on their butts, but we've never had it so great." □

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New Jersey Mortgage Executives Plead Guilty to Fraud Charges

By EDWARD KULKOSKY

NEWARK, N.J. — Three executives of two New Jersey mortgage companies have pleaded guilty of defrauding banks and institutional investors of "tens of millions of dollars," Michael Chertoff, the U.S. attorney for New Jersey, has announced.

The three are Joseph Abatemarco, former executive vice president of American Mortgage Co. and of General Home Financial Services Inc.; Enrico Daidone, a loan officer and vice president of General Home; and Gerald Veglia, a vice president for sales at American Mortgage. Both companies, based in Woodbridge, N.J., went out of business in April 1991.

A certified public accountant, Stanley Minkin, also pleaded guilty in the case. He was charged with preparing false financial statements.

Among those suffering losses were the Federal Housing Administration and units of UJB Financial Corp., Princeton, N.J.; Midlantic Corp., Edison, N.J.; Ensign Bank, New York City, which is now in the hands of the Resolution Trust Corp.; and Security Pacific Corp., now part of

The men were charged with selling loans and not telling the lenders.

BankAmerica Corp., San Francisco, according to Cheryl G. Bader, an assistant U.S. attorney.

A number of smaller New Jersey thrifts and commercial banks were also caught up in the fraud.

A source close to the case said lenders and investors were now involved in a number of civil lawsuits over responsibility for the losses.

The three executives were charged, among other things, with funding mortgages through warehouse lenders, then selling the loans without informing the warehouse lenders of the sale or investors of the warehouse lien.

Warehouse lenders provide temporary financing for loans that are being prepared for sale into the secondary mortgage market. They are normally repaid when the sale is completed.

Duplicate Loans

The executives also sold the same loans to more than one investor, used duplicate loans as collateral to warehouse lenders, and concealed delinquencies to avoid having to buy back mortgages.

Mr. Abatemarco faces up to 35 years in jail; Mr. Minkin, 10 years; and Mr. Veglia and Mr. Daidone, five years. They also face fines of $250,000 or more. □

Fannie Mae Taps Joseph E. Amato for Portfolio Strategy Post

Joseph E. Amato has been named vice president for portfolio strategy by the Federal National Mortgage Association's board of directors.

In the newly created post, Mr. Amato will make recommendations for asset acquisition and hedging strategies for Fannie Mae's mortgage portfolio.

He also will produce projections of the portfolio's performance and analyze the company's risk-based capital.

For the last two years, Mr. Amato has been Fannie Mae's director of regulatory policy. His work included contact with federal regulatory agencies.

Mr. Amato joined Fannie Mae in 1987 as a financial analyst, working on financial-institution restructuring and corporate finance.

— **Christopher Noble**

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June 1993

Prudential Home Mortgage

Prudential Home Mortgage

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Unsecured Warehouse Revolving Credit Facility

LEAD BANKS

ABN AMRO BANK N.V. — Chemical Bank

Bankers Trust Company — Credit Lyonnais

Barclays Bank PLC — NationsBank

Union Bank of Switzerland

James M. Weld Resigns As Plaza Home's CEO

By CHRISTOPHER NOBLE

James M. Weld, president and chief operating officer of Plaza Home Mortgage Corp., resigned abruptly this week after six years with the company.

Jack French, Plaza's chief executive, will take over the jobs vacated by Mr. Weld.

Both the company and Mr. Weld portrayed the move as an amicable parting. But some industry watchers said Mr. Weld left the company over questions about his ability to manage Plaza now that it has arrived in the top tier of mortgage originators.

Brad A. Morrice, Plaza's corporate administrative officer, denied that Mr. Weld's ability was in question. He said Mr. Weld had told him that running the company was not as much fun now that the company had gotten so large.

"It was a resignation, not a termination," Mr. Morrice said of Mr. Weld's departure.

Family Time

Mr. Weld, 40, also said he wanted to spend more time with his wife and daughter. Mr. Morrice added that Mr. Weld had made more money in the last two years than he ever believed he would and was taking advantage of that to take a more "low-key" job. Last year Mr. Weld was paid $475,000 in salary and bonus, according to the company's proxy. Mr. Morrice said Mr. Weld owns between 80,000 and 100,000 shares in the company.

Plaza's shares were trading at about $9 at midday Tuesday, down 37.5 cents.

Jack French, Plaza's chief executive, praised Mr. Weld and his contribution to Plaza. "I accept his resignation with regret and wish him well in his future endeavors," Mr. French said.

During his six years at the Santa Ana, Calif.- based company, Mr. Weld helped transform Plaza from a blip on the mortgage map to one of the largest – and fastest growing – mortgage companies in the country.

After it went public last year, the company's growth spurted. As of the end of this year's first quarter, Plaza had originated $1.1 billion, making it the 22nd-largest originator in the country. Last year, the company originated $5.5 billion and had a servicing portfolio at yearend of $2.7 billion.

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Banc One Chief: Branches Key to Fund Sales

By MICHAEL O'D. MOORE

Branches will be banks' biggest advantage in the 1990s for selling mutual funds and other retail products, says John B. McCoy, chief executive of Banc One Corp.

Just 10 years ago, when direct mail and telemarketing were proving successful, Mr. McCoy was thinking about jettisoning branches, he told more than 200 bankers recently at a conference sponsored by the Council on Financial Competition in Washington.

But no more.

Banc One credits a sizable portion of its fund sales to the existence of a large branch network. "A lot of it is just the customer walking in saying, give me the facts," he said.

Wire Houses Follow Suit

Even top telemarketing firms like Fidelity Investments are moving toward branches.

"They are opening offices on the ground floor because they can't get the customer," he said.

"Some lights go on [in an investment center], and the customer just walks in," he said.

The lights are going on in Columbus-based Banc One's 400 largest branches in the form of personal investment centers. These are areas within branches dedicated solely to the sale of investment products.

And banks have to sell funds because customers demand them, Mr. McCoy said.

But, he warned, banks also have cultural obstacles to overcome in gearing up these programs that brokerage houses don't have to deal with.

Paying generous commissions to securities salespeople who work near traditional banking employees can generate friction, he said.

"We've created real inequities," he said. "I just don't think that leads to good will over time."

While that problem has yet to be solved, he sees other cultural problems beginning to ease.

Banc One employees used to have "selling angst" about mutual funds. Now that is gone, Mr. McCoy said.

The change came largely from the use of an accounting method in which all the money from fund sales is credited completely to the branches, Mr. McCoy said.

"Banc One people don't believe in shadow accounting," he added, referring to an approach that gives "shadow" credit to the bank unit that referred business and actual credit to the unit that makes the sale. Under this system, branches often get only the shadow credit, while the fees are credited to a securities unit.

Glad Tidings

The assertion hit a chord with some bankers. William Kauper, vice president in charge of mutual fund sales at Security Bank in Milwaukee, said driving all fee income though the bank is preferable to the gyrations of shadow accounting.

Mr. Kauper and Security senior vice president Thomas J. Reuteman added that Mr. McCoy's statement about the growing importance of branches was welcome news.

"It's going to be what happens," Mr. Reuteman said. "Customers are going to start coming back to the branches."

"I think he really simplified our challenge – and that's what leaders do," Mr. Kauper added. □



John B. McCoy
Warns of cultural problems

Trade Group Elects State Street Official

William T. Blackwell, a senior vice president at State Street Bank and Trust Co., has been elected president of National Investment Company Service Association.

Mr. Blackwell has been involved with mutual funds since joining State Street in 1970. The Boston bank is the largest provider of securities processing and recordkeeping for U.S. mutual funds.

The trade group is for companies that provide shareholder services and operations support for mutual funds. Based in Chestnut Hill, Mass., it has 255 members. Currently, it is analyzing issues related to banks in the mutual fund industry.

— Michael O'D. Moore

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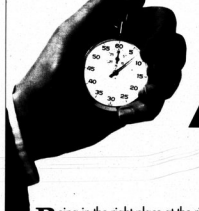

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Citicorp Giving Its Secured Card A Tryout in the Hispanic Market

By LISA FICKENSCHER

Adding momentum to its secured credit card strategy, Citicorp has begun test-marketing to the Hispanic communities of San Francisco, Los Angeles, and Houston.

The nation's largest credit card issuer is airing Spanish-language television commercials and has prepared similar print ads in what could be the start of a nationwide effort.

Citicorp officials are not disclosing details of their plan. Like all secured cards, Citicorp's is mainly for people who need to establish or reestablish a record for creditworthiness. Deposit balances serve as collateral for credit lines.

A Market with Potential

The Spanish TV spots began in June and are the only current television ads for the secured card, said Citicorp spokeswoman Maria Rullo. Other promotions are under way elsewhere.

Card issuers see the secured product as a way to reach new customers in an increasingly saturated market. Marketing experts see great potential in the Spanish-speaking communities.

David Thomas, vice president of Strategy Research Corporation West, Irvine, Calif., said: "The attraction of marketing to the Hispanic population is its size and potential for growth. You can't do business in California or Texas without touching this segment."

The market is also relatively untapped. Strategy Research says 67% of Hispanics don't own a credit card.



PREVIOUS ENTRANT: "Bilingual" card from First Consumers National Bank preceded Citicorp's Hispanic offering.

"There is an element of the Hispanic population [that exhibits] high telephone and airline usage," said Mr. Thomas. "And many card programs target these needs."

Citicorp is not the first card issuer to see the opportunity.

Tests are under way in L.A., Houston, and San Francisco.

People's Bank of Bridgeport, Conn., was first with a "bilingual" card - an affinity program begun in 1991 with the Telemundo television network.

In March, First Consumers National Bank of Beaverton, Ore., a private-label card issuer owned by the mail-order firm Spiegel Inc., launched the bilingual Adelante MasterCard.

'Fastest-Growing' in U.S.

The Hispanic-oriented card comes in secured and unsecured versions and includes a fund-raising feature – a portion of revenues goes to scholarships. The interest rate on both the secured and unsecured cards is 18.9%.

"The Hispanic market is the fastest-growing in the United States," First Consumers president J. Richard Speicher said when the program was announced. The bank's marketing partner is Hispanics Northwest Community Development Corp.

On the market since the beginning of the year, Citicorp's standard secured product – called Citibank Classic – is a MasterCard or Visa credit card with a relatively high 19.8% interest rate.

The offsetting, 18-month certificate of deposit currently pays 4.5%. The balance can be from $300 to $5,000, and the credit line is equal to that amount.

Citicorp is among the minority of banks that do not accept customers for its secured card who have had a previous bankruptcy or a serious delinquency listed on their credit report. The bank's intent is to graduate the customers to unsecured cards.

When the CD comes due, Citicorp evaluates the customer's payment record. If there has been no delinquency problem, the deposit is returned and the customer is issued an unsecured classic card at the prime rate plus 9.4% – which at present would come to 15.4%.

But if the customer does not yet qualify for the lower-rate card, Citicorp will not necessarily terminate the credit relationship at the 18-month mark. □

MasterCard, Visa Nudge Retailers to Automate

Continued from *page 1*

a new incentive for retailers in its PS2000 program. It rewards merchant banks with a 1.25% rate if they can clear transactions within two days and transmit complete magnetic stripe information for authorization, among other automation requirements.

At the other end of the Visa rate schedule is the standard interchange rate of 2% plus 11 cents, or $2.11 for a $100 purchase.

Last month, San Mateo, Calif.-based Visa said merchants in the travel and entertainment sector and in the mail order business would also be eligible for customized PS2000 rates, starting next April.

NEWS ANALYSIS

Because of the somewhat higher risk of such transactions, the best rate generally available to these merchants will remain at $1.40 at 50 per $100, depending on whether a card is physically presented.

Higher Costs Initially

Although the objective of the MasterCard and Visa programs is to save money through efficiency and fraud control, bankers said the short-term effect will be higher costs.

Anytime you have major repricing, you have major upheaval and potential defections," said Jerry Lester, director of merchant processing at Michigan National Corp. He said merchant banks will have to upgrade systems to get the favorable rates and keep customers.

But while MasterCard and Visa continued to move toward automation, they did show some sensitivity to bankers' cost concerns.

In announcing its plan for an interchange compliance program last month, MasterCard said few costly equipment upgrades would be required of merchants or their banks.

And Visa granted the travel and mail order merchants the security of knowing that their new rates will be locked in through April 1997, removing the threat of additional upgrades.

"Everybody understands the investment and changes required for some people were significant," said Allen Weinstein, Visa vice president of industry research and interchange. "In exchange for that, we wanted to guarantee them the rate."

Better rates are reserved for the high-tech stores.

Mr. Lester credited Visa with making some adjustments that recognize the unusual business practices of some merchants that make it difficult for them to qualify for the best rate.

In one such step, Visa said hotels could get the best rate by clearing transactions two days after the cardholder checks out, rather than two days after the traveler presented a credit card at check-in.

This will allow many sales to qualify for the lower rate that previously were disqualified because a traveler stayed several days. □

Bank of America Offers Flood Relief to Customers

SAN FRANCISCO — Bank of America is extending flood relief to its MasterCard and Visa customers in the Midwest.

The California-based bank, the nation's fourth largest in card outstandings, invited calls to two toll-free numbers – one for people requesting a credit line increase, the other for those seeking to skip a monthly payment.

"We're eager to do what we can to assist in the recovery process for our customers who may have been affected by these floods," said executive vice president Robert D. Sznewajs, manager of the credit card division.

Aug. 19 Deadline

Customers living in Illinois, Iowa, Minnesota, Missouri, and Wisconsin are eligible. They have until Aug. 19 to apply.

Also eligible to skip monthly installments are Security Pacific Financial Services customers who have mobile home, home equity, executive-professional, or consumer loans.

SunTrust Forms Credit Card Bank in Orlando

ORLANDO, Fla. — SunTrust Banks Inc. said it has established a credit card bank in Orlando to centralize a multistate operation.

The $37.6 billion-asset SunTrust, which is the product of several mergers across state lines, had 10 credit card centers in Florida, Georgia, and Tennessee.

The new institution, SunTrust BankCard, received a national charter from the Office of the Comptroller of the Currency on July 6. William J. Moore is president and chief executive officer of the unit, which employs 300 people.

According to *The Nilson Report*, SunTrust ranks 33d among credit card issuers. Its retail network consists of 650 offices in Alabama, Florida, Georgia, and Tennessee. □

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In-Market Opportunity Spurred Deal By Banc One

By STEPHEN KLEEGE

Banc One Indianapolis caused a ripple in the placid credit card portfolio market, beating out other bidders for $20 million of receivables sold recently by Premier Financial Corp. of Elkhart, Ind.

The owners of Prime Bank, which though small had been successful as a niche player, decided to quit the banking business after two years out of frustration over the regulatory process.

The credit card sale allowed Banc One Corp.'s Indiana unit to build its local business with high-quality accounts.

Low Delinquency Rate

About 9,000 of Prime Bank's 16,000 cardholders live in Indiana, and delinquencies were well below average at 1% to 1.5%, said Robert Crothers, chairman of Prime Bank and president of Crittson Financial Services, its card processing affiliate. Nationally, more than 5% of credit card loans are considered delinquent.

The price paid by the Banc One unit was not disclosed, but it is widely believed to have paid the highest premium in several years for a credit card portfolio of this size. Joseph R. Minnis, Bank One Indianapolis' vice president for credit card sales, called the price "reasonable" given the opportunity to form relationships quickly with thousands of new customers.

Experts say a strong portfolio of credit card receivables typically commands a 20% premium, and that the recent scarcity of deals has boosted the price.

In the only other comparable deal this year, MBNA Corp. is believed to have paid about 25% above the face value of outstandings for $20 million of credit card loans from Provident Bank of Baltimore, according to Robert E. Hyer of Smith Barney, Harris Upham & Co.

The parent of Crittson, a credit card processor for 240 banks, acquired the $60 million-asset Prime Bank in 1990 with the intention of building its own credit card business. The bank is also active in mortgage and installment lending.

The group's intentions were spelled out to regulators from the start. But management decided to sell, Mr. Crothers said, because field examiners kept raising concerns over the bank's level of unsecured debt.

"We're extremely delighted with the premium," Mr. Crothers said. Crittson has signed a letter of intent to sell the rest of the bank to Lake City Bank of Warsaw, Ind.

Amex Card Bank Moving to Wilmington, Del.

By JEFFREY KUTLER

American Express Centurion Bank, the Delaware-based consumer lending unit of American Express Travel Related Services Co., said it will relocate to Wilmington at the end of this year.

The bank, which provides the Optima card and other credit products, will depart Newark, where its lease expires on Dec. 31.

The company will move with 125 employees to 27,000 square feet of space in Wilmington's One Christina Center. The lease there runs through 1998.

Each city is home to several credit card operations, lured to Delaware in the '80s by low taxes and no usury ceiling. Among the big issuers in Newark are Bank of New York (Delaware) and MBNA America Bank.



Frank Skillern
Amex committed to Delaware

Denizens of Wilmington

Wilmington-based banks include First Chicago Corp.'s FCC National Bank, Chase Manhattan Bank (USA), and First USA Bank, which is also in Christina Center.

The American Express unit's move was hailed by Wilmington Mayor James H. Sills Jr. as "a terrific boost for the city."

Centurion Bank's chief operating officer, Frank Perrilli, is on the board of Wilmington 2000, which is promoting revitalization of the central business district.

"We are committed to maintaining a strong presence in Delaware," said Frank Skillern, Centurion's chairman and president. "This move will help strengthen the bank's visibility as one of the preeminent consumer lending institutions in the U.S."

Centurion Bank ranks among the 10 largest in card receivables, With $10.2 billion of total assets at yearend 1992, it was the largest of all banks in Delaware.

Aside from the Optima revolving credit card, the bank administers the American Express Sign and Travel program and provides lines of credit on American Express gold card and platinum card accounts. □

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Boston Fed Chief Faults Use of CRA as Tool for Reform

Continued from *page 1*

ious problems of society."

Mr. Syron laid out his views of what CRA can and cannot do: It can ensure that banks provide equal access to credit for minorities and low-income residents, he said. But as it stands, it cannot serve as a subsidy program, an affirmative action program, or a tax on the banking industry for deposit insurance.

"By misplacing our expectations on a statute that clearly does not have the strength to tackle the social problems of such magnitude, we are in danger of losing the benefits that can be derived from the law," Mr. Syron said.

"And worse, we are in danger of generating frustration and disillusionment among all those who genuinely wish to work toward equality and prosperity for all people in our society," he added.

If policymakers want CRA to take on added responsibilities, Mr. Syron said, then the law should be rewritten. And its reach should be extended to cover all financial institutions.

"But if we determine that [the law] should be limited to equal access to credit, then I'm not sure the extension is compelling," he said.

Bankers at the conference Wednesday appeared to shake the Boston Fed president's view.

"There are cases where advocacy groups and some other elected officials would like CRA to do things it was never designed to do," said Richard Driscoll, chairman of the Massachusetts Bankers Association.



Richard Driscoll
Leads Mass. bankers group

"When you have that attitude growing, you stand in the way of real progress."

Landmark Study

Mr. Syron has been one of the most outspoken and proactive Fed officials in fair lending and equal credit issues. His bank put out a landmark study last fall showing that even after economic characteristics are accounted for, blacks are still 60% more likely to be denied home mortgages than whites.

And this spring, the Boston Fed put together a booklet advising banks on strategies they can follow to insure they are not discriminating. That book has been widely circulated throughout the Fed system.

In his address Wednesday, Mr. Syron criticized efforts to use the Boston Fed study to detect lending discrimination at the institutions that participated in the study.

Massachusetts Attorney General Scott Harshbarger is now investigating close to a dozen lenders that participated for illegal bias. Also as a result of the study, one bank, Shawmut Bank, is being investigated by the U.S. Attorney General.

"The study was never intended as a tool for analyzing specific institutions, and in my own personal view is not an adequate tool for going so," he said. "My own fear is that using it to do so may forever poison the well for future research and analysis to develop a better understanding of these problems." □

Swaps Regulation Called Adequate

Dow Jones

LONDON — A study by an influential research group has concluded that no fundamental regulatory changes are needed for the derivatives markets.

But the report, by the organization known as the Group of 30, urged senior managements to take an active role in overseeing their firms' activities in swaps, options, and other sophisticated instruments.

The study was initiated about a year ago in response to growing alarm among banking regulators worldwide about the rapid growth of the largely unregulated market.

Conflicts Denied

At a press conference, Group of 30 members denied that they had a vested interest in the outcome of their study, even though many who participated in it are derivatives practitioners.

Dennis Weatherstone, chairman of J.P. Morgan & Co. and a founding member of the Group of 30, said 30% of senior managers are not sufficiently informed or involved in their respective firm's activities in derivatives.

The report makes 20 recommendations, several already widely employed by the industry. Other suggestions mirror those made in the past year by central banks and industry regulators.

Among the recommendations are that market players should "determine at the highest level" the scope of involvement in derivatives and the policies that should be applied.

It also suggests that "only professionals" with the appropriate skills be involved in derivatives, which are viewed as far more complex than the underlying currency, stock, and bond markets. □

Republic Renames Its Thrift

NEW YORK — Republic New York Corp. has changed the name of its thrift unit from Manhattan Savings Bank to Republic Bank for Savings.

The company said the change was being made to "reflect the fact that Manhattan is part of the Republic banking family."

— Dow Jones

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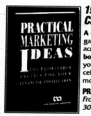

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The Attorney General of the State of New York and to the Distributees of Elfriede Hohl whose names and post-office addresses are unknown and cannot after diligent enquiry, be ascertained by the petitioner herein

being the persons interested as creditors, legatees, devisees, beneficiaries, assignees, next of kin of the estate of Fred Hohl, deceased, who at the time of his death was a resident of 441 West 160th Street, New York, New York.

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ROBERT M. HAFT
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AUCTION NOTICES

Gurgavnarr's Lien Sale I, Stuil DCA LIC # 848519 and/or S. Sperber DCA LIC # 769437 Sels 8/10/93 8:30AM 1206 36TH ST BKLYN 1993 Chevrolet Lumina VIN 2G1WF55K9P9219111 Rec Box Lansing Corp. 1987 CHEVROLET Corvette VIN 1G1YY2185H5103374 Rec 367 Greenwich Annoco Inc: 9:00AM 842 75TH AVE BKLYN 1983 BUICK Skylark #1G4HS23N7DH534868 Rec Cousinou, Craig 1985 CHEVROLET Laser #1C3BA44D8FG214684 Rec Cisneros, Elizabeth 1984 CHEVROLET Beretta or #1G8CT18R0E0100871 Rec Hornedo, Wilfredo: 9:30AM 212 3RD ST BKLYN 1984 VOLVO F6 #YV8U36B12E0026314 Rec Sims Trucking Inc. 10:00AM 19 CEDAR ST BKLYN 1985 DESOTO Fireflite #S39662 Rec Alvarez-Gerald: 10:30AM 385 CARROLL ST BKLYN 1982 KAWASAKI CSR350 #JKAKZLB14CA001831 Rec Santos, John: Follows Fashion 1983 BUICK Skylark 1980 Volvo 264GL #V26445-A1093741 Rec Molano, Marsha: 11:30AM 1310 ATLANTIC AVE BKLYN 1987 MERCEDES 300SDL #WDBCB35E2HA013787 Rec Orrel,Henry: 11:45AM 284 PATCHEN AVE BKLYN 1985 CHEVROLET Camaro #1G1AP8756D-N104382 Rec Alexander, Gerald: 10:30AM SARATOGA AVE BKLYN 1979 GMC 7000 Series #T11GW5H5-A500-1 Rec Benedict,Roberte: 1977 CHEVROLET Caprice #1W80U6L7110G-N-1 Rec Murphy Ian: 12:15PM 271 MOTHER GASTON BLVD BKLYN 1990 FORD Escort #1FTCF1H0DBU60732 Rec Godfler, Michael: 1983 MAZDA RX7 #JM1FB3312D0-102652 Rec Liner Brokerage Inc. 10:00AM 1245 HUDSON AVE BKLYN 1984 Honda Accord #JHMAA1855EC020351 Rec Burger,Daniel: 1:00PM 5102 FOSTER AVE BKLYN 1987 FORD Tempo DA MX6 #1FYVGD31A1J510844 Rec Young, Gerald: 9:30AM 1310 ATLANTIC AVE BKLYN 1988 TOYOTA Camry #JT2SV22E6J0-0-1 Rec Rodriguez, Jose: 2:00PM 2081 TILDEN AVE BKLYN 1975 OLDSMOBILE Cutlass #3J57Z5M-D164362 Rec Feliciano, Samuel: 2:15PM 2431 ALBERMARLE RD BKLYN 1988 FORD F100 #1FTHC1FG3BUA13852 Rec Gantert, Pennsylvania: 2:45PM 1245 NEW ISLAND AVE BKLYN 1985 CADILLAC Sed De #1G6CD69E6F4205-0 Rec Eason,Mary: 3:15PM 2034 57TH ST BKLYN 1979 JEEP Golden Eagle #J9A-5B18Z6F3 Rec Bureau of Fleet Control & why the claim of Evelyn and Kronsky and Clinton Lee Bentley, personal representative of the estate of Jerome Kronsky in the amount of $15,000.00 should not be rejected and why the balance remaining of this estate should not be distributed to the Commissioner of Finance of the City of New York for the benefit of Decedent's unknown distributees and why the Petitioner should not fix and allow a reasonable amount of commissions payable as provided in Schedule C and C-1 of the account of proceedings to the attorney for the petitioner for legal services rendered to petitioner herein and if additional legal services are required as may be adjusted by the Surrogate and after application by the attorney for the petitioner and why the alleged legal fees, of, may, and disbursements, if any, of John J. Connolly, Esq. should not be fixed and determined by the Court and why the Surrogate should not fix and allow as an administrative expense as provided in Schedule C-1 of the account an amount equal to one percent of the items reported in Schedule A to the A-2 of the account of proceedings, as fair and reasonable amount payable to the OFFICE OF THE PUBLIC ADMINISTRATOR for the expenses of said office pursuant to SCPA 2307(5).

Dated,Attested and Sealed, June 22, 1993.
(L.S.)
Surrogate, New York County
ROBERT M. HAFT
Chief Clerk

ROBERT M. HAFT
Attorney for Petitioner
233 Broadway, Suite 3110
New York, New York 10279
(212) 406-6600

This Citation is served upon you as required by law. You are not obliged to appear in person. If you fail to appear it will be assumed that you consent to the proceedings, unless you file written objections thereto. You have a right to have an attorney-at-law appear for you.

Lien Sale 8/3/93 9:00AM 30-02 Astoria Blvd. Astoria 82 GMC #1GDGT3D1B-W519708 Rec Lease, Gordon Iron & Citibank. Pub 7/22 & 7/29/93.

Gurgavnarr's Lien Sale L. Stuil DCA LIC # 848519 and/or S. Sperber DCA LIC # 769437 Sels 8/3/93 8:30AM 790 REMSEN AVE BKLYN 1992 CHEVROLET Silverado #1GCGC30KXNE117340 Rec Sunset Auto Inc 9:00AM 1877 ATLANTIC AVE BKLYN 1981 BMW 320I #6783966 Rec Pursani, Carl: 9:30AM 1133 GREENE AVE BKLYN 1982 FORD Fairmont #1FABP21B3CB-N-2626 Rec Cruz, Edwin: 10:00AM 1135 MYRTLE AVE BKLYN 1990 BMW 325I #WBACB7312L-8133223415 Rc Bonds, Dawn: 10:15AM 1206 36TH ST BKLYN 1993 MAZDA 626 #JM1GC3119D1503704 Rec Sabbagh, Wadie: 10:45AM 4-53-4-53 BROADWAY BKLYN 1987 DODGE 350 #2B8HB34H3HK108623 Rec GECAS: 11:15AM 1426 BEDFORD AVE BKLYN 1988 AUDI 5000 #WAUHD84B3JN-5516 Rc Dixon, Henry: 11:45AM 555 7TH AVE BKLYN 1988 FORD Escort #1FA-FP23J3JW-200577 Rc Slaughter, Ken: 12:15PM 150 2ND AVE BKLYN 1976 CHEVROLET Caprice #1Q87H4Z147-N-1 Rec Cascardo, Anthony: 12:45PM 567 HICKS ST BKLYN 1990 BMW 325I #WBACB-8231LWEC2157 Rc LIBERTY MUTL INS: 1:15PM 1310 ATLANTIC AVE BKLYN 1985 OLDSMOBILE Cds. Ciera #1G3AJ55-A5XG332324 Rec Rosenthal, Jonathan: 1:30PM 383 CARROLL ST BKLYN 1984 GMC 1500 Sierra #1GTEC14H4EE-644594 Rc Gordon, Luis: 2:00PM 4906 3RD AVE BKLYN 1986 DODGE 600 #1B3BD46D7EC262634 Rc Sanchez, Jesus: 2:30PM 2034 57TH ST BKLYN 1988 PONTIAC Lemans #KL12T2616JK832-1 Rc Godenbois: 3:00PM 1245 NEW ISLAND AVE BKLYN 1985 DODGE 150 #2B7GB-21N5FK-502750 Rec Gray, Kathleen: 3:30PM 2479 FLATBUSH AVE BKLYN 1985 CHEVROLET Caprice #1G1BL51E3FR-131608194 Rc Adinolfi, Joseph: Sels 8/6/93 10:00AM 715 VERMONT PL STATEN ISLAND 1976 MERCEDES BENZ 240D #1151171-1120533 Rc Rosenbaum: 10:30AM 114-28 125TH ST QS 1988 NISSAN Sentra #1N4FB31P2JC787934 Rc Bonilla, Ricardo: 11:00AM 118-01 ROCKAWAY BLVD QS 1988 FORD Escort #1FAFP-43GCFG35D604109 Rc Hill, Rc: 11:30AM 109-10 101ST AVE QS 1985 DATSUN Maxima #JN1HU13S0-FX009983 Rc Valente, A. Rafael: 1988 FORD T Bird #1FAPM36E5JH100003 Rc Dodson, Michael: 12:00PM 85-15 MAIN ST QS 1979 TOYOTA CAMRY #VIN-VF1EX1MU3311641 Rc Rodriguez, Gonzalo: 12:30PM 114-28 125TH ST QS 1988 NISSAN #1N4FB31P2JC787934 Rc Rosenbaum: 1:00PM 41-20 MAIN ST QS 1986 FORD Crown Victoria #1FABP74F5GX-215326 Rc Martinez, Luis.: 1:30PM 98-41 44TH AVE QS 1985 NISSAN Maxima #JN1HU13P2FM-034257SD20553 Rc Siegel, Arthur.

Pronto Lien Service, Lic# 869242 Sels on 7/30/93 at 8:00AM 1589 Macombs Rd Rs 87 Bx Tryon Cobra #4GAS3632S Jac L. Santiago, 84 Clave Van #1GBGSDH-S2E1-1-1234 Ogden Ave Rs 1987 Ford #1-A3Y69R7EJ3228 Rc A. Monteiros, 81 Olds Delta 88 #1G3AN69YOBM-1-1-1 Rc Isaac, 2020 Grand Concourse Rs 88 #1G-3AY69A7XM127093 Rc Vargas, 82 Chevy Caprice #2G1AL69H2C-1-1-1 Rc Reyes. Pc Equipal. Publish 7/15 & 7/22/93.

CORRECTION NOTICE

Correction Notice: E.F. Enzo auct'r: Se 1798972 Sold 2:30PM on 6/30/93 At 2 Workers Ct (Bklyn) 77 Ranken 15 Ft. #JBMP3773F7N-1 Rec. Zerne Ayo D Libecci.

Gurgavnarr's Lien Sale B. Sperber DCA LIC # 916803 and/or S. Sperber DCA LIC # 769437 Sels 8/2/93 10:00AM 121 WEST 125th St NY 1990 HYUNDAI Sonata #2HMBF25X3LB017651 Rc Perez-Canales: 10:30AM 627 W 207th ST NY 1990 VOLKSWAGON Jetta #3VWRB1G4L8M026501 Rc Segers, Gene-vieve: 10:45AM 524 EAST 73RD ST NYC 1985 TOYOTA 4X2 #JT4RN50R5F0-96598 Rc Ramos,Darice: 11:15AM 230 BRADHURST AVE NYC 1987 CHEVROLET 1500 #2GCEC19B5H1-5040361 Rc Gurgavnarr, Inc: 1980 CADILLAC Eldorado #6L579AE642885 Rc Matzo, Rafael: 12:20AM 2123 AMSTERDAM AVE NYC 1984 PONTIAC 1000 #1G2AL68CE-3R-1293 Rc Rodriguez, Mercedes: 12:00PM 149 Dyckman St NYC 1988 NISSAN Maxima #JN1HU11PejT0-68343 Rc Hernandez, Jose: 12:30PM 72 West 225TH STREET BX 1987 HONDA Accord #1HGCB7455HA-023776 Rc Gurgavnarr, Inc: 10:30am at 711 E. 139 St.BX 1977 ply-mouth sales #PL41S7T1B1E-1-1-1 Rc Candido Ortiz. 1982 olds 4dsd 1G3-AY69CM340978 rc/case Cases: At 11am at 1185 Rx Ave #Lot 3 Rc Jacobs Jose 1G4S2750XH9-1-1-1 Rc Pedro,L. 1987 honda 1HG-CM8463H1037332 Rc Marcos, Rafael: 1987 chevy 4-spg 1GJCB31T7H3132267 at Macon Pontiac. 1991 isuzu 4dsd 4T1VV22E5MU039236 rc/Material Damage Adj Corp. At 1:30pm at 1185 Bruckner Av, Rx 1984 isuzu 2dsd JT2JMA67L-6A4L1R6CM00621 at Metro Rust Rc At 12:30pm at 2929 Boston Rd,Bx 1987 mitsu 4dsd JA3HB86H0HU-005888 at Mitsubishi Motors. At 1pm at 1866 Westchester Av,Bx 1982 honda 4dsd JHMAA1855CC-1-1-1 Rc Avilés Jr & Guido F. Flores. At 1:30pm at 1516 Outlook Av,Bx 1984 renaut 2-D Escort #1NEAA14R4EJ-1-1-1 Rc Gurgavnarr Mercado & Andis Avilés. At 2pm at 1131 Post St. #mobile Home 1977 #VS3AG4352D2001803 rc/ Alex M. Vasquez. At 3pm at 562 Bruckner Blvd,Rx/Rocky Point 1979 chevy 2dsd 1Z-39S443R03 rc/Robert Cruz. At 3:30pm at M.Rohr. At 3:30pm at 222 Hudson St, Longacre 1985 mazda 4dsd #JM1GL11A3F-1-1-1 Rc Gurgavnarr Inc. At 4pm at 2303 Arthur Kill Rd,SI 1985 honda 4dsd 1HGAA-8653GB048294 Rc K.Melent. At 4pm at 1185 Bruckner Av,Bx 1988 honda 4dsd #1G4HR54K3JH502730 Rc W. Lacewell. At 4pm at 1440-62 Nicholas Av,Qns/By 1987 Ford Mustang #1FABP42E2HF12-4324 Rc S. Bermudez. CALL FU: 11:30AM Office address of LP in jurisdiction of its organization is c/o Corporation Service Company, Inc. 32 Loockerman Sq., Suite L-100, Dover, DE 19901. Principal office address of each general partner available from SSNY. Copy of Cert. of LP filed with Secy. of State of Delaware. P.O. Box 898, Dover, DE. Purpose/character of LP: to invest primarily in securities of unrelated undervalued domestic companies.

WESTOW, L.P. has been formed as a domestic limited partnership (LP). Certificate filed with Secretary of State of New York (SSNY) on 06/30/93. Office location: New York County. SSNY is designated as agent upon whom process against the LP may be served. SSNY shall mail a copy of any process against the LP served upon him/her to: 19 West 44th St., Suite 1516, New York, NY 10023. Name and address of each general partner is available from the SSNY. Term: until Dec. 31, 2043. Purpose/character of LP: to buy, lease, rent, mortgage, encumber, sell or otherwise dispose of cooperative apartments and the premises known as Westchester Towers, 1841-1853 Central Park Avenue, Yonkers, New York.

Gurgavnarr's Lien sale: & Andrew O. Judge b/468dd/ sells on 7/30/93 at 8am at 910 Rogers Av. Bklyn 1986 olds 4dsd 1G3-AY69CG034989 rc/Material Damage Adj. At 8:13am at 85 Glen St, Bklyn 1981 honda 4dsd JHMSM5AS2BC-162401 rc/Sam Gist & Don's Used Cars. At 8:30am at 134-10 Atlantic Av,Richmond Hill 1988 ford tempo 1FAPP37X4JK124234 rc Joseph G. & Katherine E. Memahon & Ford Motor Credit Co. At 9am at 161-165 W. 132 St. 1987 chevy 4dsd 1G1LA69H3HE-7044061 rc Winston G. Thompson; 1986 pontiac 2dsd 1G2NE37U1GC-8459912 rc Albert R.Hirn 'A' 9:30am at 1661 Jerome 1120AM 2323 AMSTERDAM AVE NYC 1984 PONTIAC 1000 #1G2AL68CE-9152791 rc/Antolfes Est Lsg Corp. At 10am at 1295 Jerome Av,Bx 1987 mercedes 2dsd K.MHLD1137H1/0343743 rc/ Ramona Bonilla, 1981 chevy subn 2GBGG25D0-B4108814 rc/Irma J. Asercio. At 10:30am at 1412 Jerome Av,Bx 1982 buick 4dsd 1G4AL19R3CW-128421 rc/ Rosa Vega. At 10:30am at 711 E. 139 St.Bx 1977 ply-mouth sales #PL41S7T1B1E-1-1-1 Rc Candido Ortiz. 1982 olds 4dsd 1G3-AY69CM340978 rc/case Cases: At 11am at 1185 Rx Ave #Lot 3 Rc Jacobs Jose 1G4S2750XH9-1-1-1 Rc Pedro,L. 1987 honda 1HG-CM8463H1037332 Rc Marcos, Rafael: 1987 chevy 4-spg 1GJCB31T7H3132267 at Macon Pontiac. 1991 isuzu 4dsd 4T1VV22E5MU039236 rc/Material Damage Adj Corp. At 1:30pm at 1185 Bruckner Av, Rx 1984 isuzu 2dsd JT2JMA67L-6A4L1R6CM00621 at Metro Rust Rc At 12:30pm at 2929 Boston Rd,Bx 1987 mitsu 4dsd JA3HB86H0HU-005888 at Mitsubishi Motors. At 1pm at 1866 Westchester Av,Bx 1982 honda 4dsd JHMAA1855CC-1-1-1 Rc Gurgavnarr Avilés Jr & Guido F. Flores. At 1:30pm at 1516 Outlook Av,Bx 1984 renaut 2-D Escort #1NEAA14R4EJ-1-1-1 Rc Gurgavnarr Mercado & Andis Avilés. At 2pm at 1131 Post St. #mobile Home 1977 #VS3AG4352D2001803 rc/ Alex M. Vasquez. At 3pm at 562 Bruckner Blvd,Rx/Rocky Point 1979 chevy 2dsd 1Z-39S443R03 rc/Robert Cruz. At 3:30pm at M.Rohr. At 3:30pm at 222 Hudson St, Longacre 1985 mazda 4dsd #JM1GL11A3F-1-1-1 Rc Gurgavnarr Inc. At 4pm at 2303 Arthur Kill Rd,SI 1985 honda 4dsd 1HGAA-8653GB048294 Rc K.Melent. At 4pm at 1185 Bruckner Av,Bx 1988 honda 4dsd #1G4HR54K3JH502730 Rc W. Lacewell. At 4pm at 1440-62 Nicholas Av,Qns/By 1987 Ford Mustang #1FABP42E2HF12-4324 Rc S. Bermudez. CALL FU: 11:30AM Office address of LP in jurisdiction of its organization is c/o Corporation Service Company, Inc. 32 Loockerman Sq., Suite L-100, Dover, DE 19901. Principal office address of each general partner available from SSNY. Copy of Cert. of LP filed with Secy. of State of Delaware. P.O. Box 898, Dover, DE. Purpose/character of LP: to invest primarily in securities of unrelated undervalued domestic companies.

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PARTNERSHIP NOTICES

Notice of Application for Authority of DELTEC VALUE EQUITY PARTNERS, L.P. Filed with Secy. of State of NY (SSNY) on 6/30/93. Princ. office address of LP is 1 Main St Hempstead NY 1984 Chrys Imp. #1P4HS46D0EX-1-1-1 Rc Claude. 84 Mitsubishi Montero #JA4JS58H4EJ-1-1-1 Rc Alliance Ins Co.1989 Nissan Sentra #1N4EB31P2KC-1-1-1 Rc Chris Cyndi Corp. 10:30AM 206-20 Jamaica Av,Qns/By 1985 Buick Regal #1G4AG47ADD8885294 Rc K.Melent. 86 Chevrolet Caprice #1G1BL51E3GR-1-1-1 Rc Gurgavnarr Inc. 10:30AM 2080 Jerome Av,Bx 1988 honda 4dsd #1HGEH8543JH502730 Rc W. Lacewell. 1987 Ford Mustang #1FABP42E2HF12-4324 Rc S. Bermudez. CALL FU: 11:30AM Office address of LP in jurisdiction of its organization is c/o Corporation Service Company, Inc. 32 Loockerman Sq., Suite L-100, Dover, DE 19901. Principal office address of each general partner available from SSNY. Copy of Cert. of LP filed with Secy. of State of Delaware. P.O. Box 898, Dover, DE. Purpose/character of LP: to invest primarily in securities of unrelated undervalued domestic companies.

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Schiffman Associates, Inc. will sell for cash on August 6, 1993: 12:00 pm at 3260 Flatbush Ave., Brooklyn NY: 1987 Ford Aerostar VIN# 1FMDA14Y5HZ-A85548 - $1881 rc: G. Demarco. R. Defendant(s): Bankruptcy Case No. 1989 36' Celebrity NY 033UB. NY: 1GCV31K3XB9 Rec: J. Kalamaros, Cinbank NA.

Notice of Application for Authority of DELTEC VALUE EQUITY PARTNERS, L.P. Filed with Secy. of State of NY (SSNY) on 6/30/93. Princ. office address of LP is 1 Main St Hempstead NY 1984 Chrys Imp. #1P4HS46D0EX-1-1-1 Rc Claude. 84 Mitsubishi Montero #JA4JS58H4EJ-1-1-1 Rc Alliance Ins Co.1989 Nissan Sentra #1N4EB31P2KC-1-1-1 Rc Chris Cyndi Corp. 10:30AM 206-20 Jamaica Av,Qns/By 1985 Buick Regal #1G4AG47ADD8885294 Rc K.Melent. 86 Chevrolet Caprice #1G1BL51E3GR-1-1-1 Rc Gurgavnarr Inc. 10:30AM 2080 Jerome Av,Bx 1988 honda 4dsd #1HGEH8543JH502730 Rc W. Lacewell. 1987 Ford Mustang #1FABP42E2HF12-4324 Rc S. Bermudez. CALL FU: 11:30AM Office address of LP in jurisdiction of its organization is c/o Corporation Service Company, Inc. 32 Loockerman Sq., Suite L-100, Dover, DE 19901. Principal office address of each general partner available from SSNY. Copy of Cert. of LP filed with Secy. of State of Delaware. P.O. Box 898, Dover, DE. Purpose/character of LP: to invest primarily in securities of unrelated undervalued domestic companies.

A/S/O Pope, Ann'C: Dcd Loc # 794209 sells 8/3/93 at 8:30AM 660 Newbridge Rd East Meadow NY 1983 Datsun Sentra #JN1HB14S0-DX0169 Rec: Claude. 84 Mitsubishi Montero #JA4JS58H4EJ-1-1-1 Rc Alliance Ins Co.1989 Nissan Sentra #1N4EB31P2KC-1-1-1 Rc Chris Cyndi Corp. 10:30AM 206-20 Jamaica Av,Qns/By 1985 Buick Regal #1G4AG47ADD8885294 Rc K.Melent. 86 Chevrolet Caprice #1G1BL51E3GR-1-1-1 Rc Gurgavnarr Inc. 10:30AM 2080 Jerome Av,Bx 1988 honda 4dsd #1HGEH8543JH502730 Rc W. Lacewell. 1987 Ford Mustang #1FABP42E2HF12-4324 Rc S. Bermudez. CALL FU: 11:30AM Office address of LP in jurisdiction of its organization is c/o Corporation Service Company, Inc. 32 Loockerman Sq., Suite L-100, Dover, DE 19901. Principal office address of each general partner available from SSNY. Copy of Cert. of LP filed with Secy. of State of Delaware. P.O. Box 898, Dover, DE. Purpose/character of LP: to invest primarily in securities of unrelated undervalued domestic companies.

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STOCKS: Wells, First Interstate Get Boosts from Wall St.

Continued from *page 1*

risen about 7.5% this year.

But earnings were better than expected at both banks, leaving room for further stock-price increases, the analysts said.

Lawrence W. Cohn of Paine-Webber cited "rapidly improving" asset quality at Wells in hiking his estimate of earnings this year to $9.05 per share from $7.70. In 1994, he expects $12 per share, up from $10.80 previously.

In the second quarter, Wells earned $2.46 per share, up from $1.33 last year and well over Mr. Cohn's estimate of $1.65. The primary reason for the spurt was a loan-loss provision of only $55 million versus $133 million last year.

On a Short List

The analyst said he thinks the bank's stock can reach $150 within 12 to 18 months.

The "focus list" is an investment tool for PaineWebber's retail brokerage customers. It contains up to 30 recommended stocks. Shawmut National Corp. is the only other bank stock on the list.

Mr. Cohn said he thinks California's economy is "bottoming out," and that problem loans will continue declining for Wells, allowing the bank to forgo further large additions to its loan-loss reserve.

He does not expect an upturn for the state soon, but thinks improving credit quality at Wells provides a large amount of leverage for earnings gains.

The analyst does not expect "any loan volume until the first half of next year."

Trimming Credit Costs

Improved asset quality is also driving earnings at First Interstate, said Lehman Bertman Natwest.

The bank this week posted second-quarter earnings of $1.60 per share, up from 75 cents a year earlier. It said it expects its nonperforming assets to fall to 1% of assets by yearend from 1.15% on June 30.

"The company has gone through a period of aggressive chargeoffs and reserve building," Mr. Berman said. "While revenues are sluggish, this fall in credit costs is flowing back to earnings."

But the analyst said his 12-month price target of $70 does not provide enough room for potential for a "buy" recommendation. Rather, he suggested investors buy the stock during price declines.

Seen as Takeover Target

Mr. Berman also said he thinks First Interstate remains a candidate for acquisition "in two or two-and-a-half years."

First Interstate frequently was mentioned as a takeover target several years ago, with Wells the most likely suitor. The recession in California has muffled such talk. □

California Rolls

Increase in stock prices from Jan. 1 to July 20

	Percentage rise
First Interstate	38.6%
Wells Fargo	30.8%
American Banker Index*	7.6%

*Weighted average of top 225 banks as ranked by market capitalization

Sources: DB Technology, SNL Securities

But by yearend 1994, said Mr. Berman, First Interstate's book value will likely be near $50 from the current $46.

Assuming a takeout price of twice book value, based on its valuable franchise, the purchase price in a deal could be $100 per share.

WEDNESDAY'S MARKET

The top gainer among major bank stocks on Wednesday was Boatmen's Bancshares, St. Louis, up $1.125 to $62.75. Also enjoying advances were Comerica Inc., up 75 cents to $30.50, and NationsBank Corp., up 75 cents to $49.75.

But there also were losers. Wachovia Corp. fell 75 cents to $33.625 and First Fidelity Bancorp. slipped 75 cents to $46.75. U.S. Bancorp of Oregon dropped 62.5 cents to $26. □

Silicon Valley, Philadelphia National in Credit

WAKEFIELD, Mass. — Boston Technology Inc. said it has obtained a $15 million revolving line of credit from Silicon Valley Bank, Santa Clara, Calif., and Philadelphia National Bank.

The credit facility is scheduled to terminate in May 1995. William J. Burke, chief executive officer of the telecommunication systems company, said the new credit and a previous foreign exchange line will help finance both domestic and foreign expansion. □

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Niagara Asset Corporation, a service corporation managing and selling loans for the FDIC, as Receiver of Goldome, intends to offer the following performing commercial mortgage loans for bid through a Bulk Loan Sale:

Commercial Mortgage Loans Package #000196	Approximate Principal Balance	Bid Date
Strip Plaza/Shopping Center	$5.2MM	August 18, 1993
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Office Building	$ 2MM	August 18, 1993

Properties located in TX, OH, OK, MI, and FL.

Each loan must be bid upon separately. There are 8 loans ranging in size from $.5MM to $2.3MM.

For details regarding this sale and bid packages, please contact:

Joanne M. Campagna, Vice President
at (800) 946-6164 or write to:
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Buffalo, New York 14202-4392

Please respond by August 5, 1993.

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Highlights for Wednesday, July 21

TOP 10 GAINERS %

City Holding Company	15.7
Western Bank	6.5
Banknorth Group, Inc.	4.9
Grenada Sunburst System Corp.	4.2
UST Corp.	4.2
BT Financial Corporation	4.2
California Bancshares	4.2
Signet Banking Corporation	3.7
Pinnacle National Corporation	3.7
Mid Am, Inc.	3.6

TOP 10 LOSERS %

Pacific Western Bancshares	-7.1
Hubco, Inc.	-5.6
Imperial Bancorp	-5.0
Trans Financial Bancorp, Inc.	-4.8
Victoria Bankshares, Inc.	-4.4
CBT Corporation	-4.3
F & M National Corporation	-4.2
Commercial Bancshares, Inc.	-3.7
Mid-America Bancorp	-3.3
Lake Shore Bancorp., Inc.	-3.2

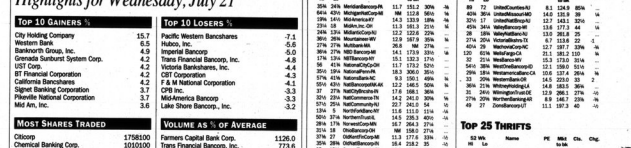
MOST SHARES TRADED

Citicorp	1758100
Chemical Banking Corp.	1010100
Chase Manhattan Corporation	976400
Norwest Corporation	628200
BankAmerica Corporation	525300

VOLUME AS % OF AVERAGE

Farmers Capital Bank Corp.	1126.0
Trans Financial Bancorp, Inc.	773.6
Pacific Western Bancshares	748.7
Iowa National Bankshares Corp	732.8
Western Bank	725.1

Stock Index Trends



Percentage Changes
Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.30	0.36	1.27	0.21	0.39	3.74	1.11	1.35	9.22

Top 225 Banks

52 Wk						
Hi	Lo	Name	PE	Mkt	Cls.	Chg.
26¾	19	1stSourceCorp(IN	11.1	150.0	23¾	¼
27¼	18¼	1stUtdBncpFlo	12.9	135.0	25¾	...
17½	9¼	AlliedBnkrs GA	15.5	260.6	16	...
20¾	15¾	AmSouthBancp AL	10.8	1,837.5	19¾	¼
38½	30	AssociatedBanc WI	12.3	177.8	36	...
27¾	17¾	BancFla Corp FL	11.8	102.5	19¾	¼
27½	12	BANKVermont VT	12.7	258.1	21	...
33	21¼	BT Financial	11.8	142.7	31¼	1¼
9¾	6	BaltimoreBncrp MD	9.0	121.5	9¾	...
21¾	14¾	BankersCorp MD	10.0	122.8	20	...
42½	BancOneCorp OH		14.6	234.1	54¾	¼
53½	42¾	BankAmerica CA	11.7	1,740	44¾	¼
40¾	27½	BancorpSouth MS	11.5	145.8	37¾	¼
54¾	41	BankersTrustCp NY	10.6	121.5	54¾	¼
30½	20	BankSouthCp NC	17.0	269.5	28¾	1
31¾	23¾	BankTrustCp MS	11.2	100.3	31¾	¼
77¾	59	BanknorthGroup VT	9.2	178.2	77¾	¼
19½	12½	BankersFinGroup VT	47.2	102.0	18¾	¼
38¼	18¾	BankAmerica MD	11.8	102.5	33¾	¼
61¾	39¾	BarnettNY NY	11.3	141.3	56¼	¼
31¾	23¾	BarnettBanksFla FL	10.6	174.1	44¼	...
34¾	24¾	CB&T FloCorp WV	19.0	NM	34¾	...
39¼	26½	CBT Corporation GA	13.4	172.4	34¾	¼
42½	31¾	CCB FinCorp NC	11.7	140.3	36¼	¼
34	23¾	CNB BancsharesIN	15.6	156.1	33¾	¼
29¾	22¾	CPB Inc HI	8.9	129.8	25¾	¼
17½	7½	CNB FloBncrp GA	12.3	135.1	15¾	¼
14	9¾	CalifBancshrsCA	15.1	109.2	12½	½
31¾	19¾	CalifFirstFncl CA	9.1	97.2	31¾	¼
29¾	19	CentralBancshs AL	10.4	100.2	29¾	¼
34½	22¾	CentralFidelity IA	13.0	180.1	29¾	¼
24½	16½	CentralFinCorp OH	12.4	100.1	24½	¼
24¼	16¾	CentralBancsh KC	11.1	153.9	20¾	¼
37¾	21	CentralFinancial	9.7	99.9	32¼	¼
44	30¼	ChemicalBanking NY	8.5	117.1	40¾	¼
47¼	31¾	ChaseManhtn NY	13.4	172.4	44¼	¼
22	13¾	CitizensNewCorp VT	12.1	111.9	20¾	¼
32	14½	CitizensUtil CO	11.4	103.5	31¾	¼
26	19¼	CitizensBancorp MD	14.4	129.9	24¾	¼
30¾	19¾	CityNational CA	12.3	138.1	25¾	¼
7¾	2¾	CitizensFirst KY	11.7	194.8	6¾	...
17¾	11¾	CityNatBcpOfNJ	10.6	198.4	16¾	¼
11¾	4¾	CityNetCorp CA	NM	109.7	6¾	¼
32¾	17¾	CmmrcBncshrsTX	9.1	100.1	32¾	¼
19¾	12¾	CommercialBncp NV	10.6	100.2	19¾	¼
19¾	12¾	CommercialNatl MI	10.6	109.0	19¾	¼
33¾	25¾	CommercialBncsh MO	11.4	138.4	29¼	¼
25¾	24¾	CommercialBncsh NJ	11.4	205.3	25¾	¼
15	11½	CommunityFirst MO	10.5	144.9	13¾	...
9¾	3¾	CoreStates PA	9.7	173.4	9¾	¼
18	15¾	Continental IL	4.6	86.0	23¾	...
47¾	47¾	CorestatesFinCp PA	12.1	192.1	57¾	¼
25¾	15¾	CrestarFinCorp VA	13.3	154.4	41¾	¼
42¾	21	CullenFrost TX	10.4	165.8	39¼	¼
27¾	20¾	DauphinDeposit PA	11.6	158.5	23¾	¼
35¾	25¾	DepositGuaranty MS	10.0	147.2	29¾	¼
17¾	12¾	F & M NatCorp VA	13.3	148.2	14¾	¼
22	18¾	FidelityBancorp PA	9.3	145.2	20¾	¼
19	16½	FBS CorpPA	17.1	111.1	16	¼
46¾	31¾	FirstBancorp PR	12.1	111.5	46¾	¼
21	15¾	FirstBancshrsMS	10.6	100.2	19¾	¼
35¾	33¾	FinancialTrustTN	12.9	184.6	35¾	¼
32¾	32¾	FirstTenNtlNJ	14.0	222.2	32¾	...
38¾	27¾	FirstAlabamaAL	12.3	185.9	33¾	¼
27¾	19¾	FirstAmericanTN	9.7	154.1	19	...
33¾	20¾	FirstArkNwCorp TX	11.7	159.8	31¾	¼
36¾	36½	FirstBancorp NC	11.3	109.2	36½	¼
33¾	23½	FirstBankSystem MN	27.5	176.8	30¾	¼
45	29¾	FirstBancorp IL	18.6	100.4	41¾	¼
35¾	25¾	FirstCitizens NC	8.4	131.7	47¼	...
18¾	14¾	FirstCmwlth IL	9.4	127.2	16¾	¼
40	28¾	FirstCommerce LA	10.3	191.4	36¼	¼
74¼	40	FirstCommerce NE	10.3	158.0	73¾	¼
34¼	27¼	FirstCommercial AR	11.4	170.2	33¼	¼
18¾	13¾	FirstCommunity SC	13.2	161.8	18¾	¼
20	9¾	FirstEssex MA	NM	135.8	18¾	...
1574	128	FirstFinancial IN	11.4	1,740	145	...
51½	34	FirstFidelity NJ	10.8	180.8	49¾	¼
31¾	24¾	FirstFinancial MO	15.4	152.4	30¾	¼
31¾	24¾	FirstFinancial OH	11.6	143.2	31¾	¼
30¾	20½	FirstFinancial CA	10.3	148.3	30¾	¼
20¾	15¾	FirstFinancial CA	10.3	138.1	20¾	¼
27¾	19¾	FirstFinBankCp MI	13.1	178.2	26¾	¼
31½	25¾	FirstFinancial IN	12.3	187.2	30¾	¼
20¾	20¾	FirstFedBancorp CA	12.4	NM	20¾	¼
24¾	21¾	FirstFederalMO	12.3	171.1	23¾	¼
20¾	14¾	FirstFidelityBcpNM	15.4	196.7	20¾	¼
30	20	FirstFtgBcp	12.3	182.2	30¾	¼
37	26¾	FirstGaCp MI	11.7	199.2	32¾	¼
34¾	24¾	FirstHawaiianCp HI	12.3	171.1	27¾	¼
43¾	30¾	FirstHorizonCp TN	10.4	159.3	37	¼
24¾	17¾	FirstIndianaCp IN	11.4	172.4	24¾	¼
17¾	13¾	FirstKentucky KY	13.4	172.4	16¾	¼
31½	24	FirstMrFlaCorp FL	12.2	172.6	29¾	¼
28	20¾	FirstMichiganCp MI	10.8	159.2	27	¼
30¾	24¾	FirstMerchantsCp IN	11.8	145.3	28	¼
30¾	24¾	FirstMidAmCp IL	12.3	187.2	30¾	¼
24	18¾	FultonFinCorp PA	13.5	169.8	22¾	¼
29¾	17¾	GBC BancorpCA	7.8	125.4	18	¼
25¾	15½	GreatSouthernMO	11.2	147.1	24¾	¼
24¾	16¾	HancockHldgCo MS	11.4	181.2	24¾	¼
39	32¾	HarleysvilleNtl PA	11.8	191.1	38¼	...
19¾	12¾	HawthorneFncl CA	11.3	151.4	19¾	¼
15¾	12¾	HeritageFinServ IL	13.5	186.8	15¾	¼
15¾	11¾	HiberniaCorp LA	NM	154.2	15¾	¼
24¾	11½	HubcoInc	12.1	204.9	21	-1¼
24¾	17¾	HuntingtonBcshrs OH	12.1	192.4	24¾	¼
24¾	17¾	IndependentBkMA	10.7	136.9	24¾	¼
24¾	17¾	IndependentBkMI	10.7	136.9	24¾	¼
24¾	17¾	IntegraBkCp IN	10.7	187.7	24¾	¼
18	12¾	InterstateBcp IL	12.0	148.8	16¾	¼
24¾	17¾	InvestmentBancshs	10.8	125.1	24¾	¼
24¾	20¾	IrwinFinCorp IN	9.3	218.1	44¾	...
24¾	17¾	J.P. Morgan NY	10.7	179.3	24¾	¼
23	13¾	JeffersonBnkshrs VA	13.4	177.9	22	...
44	30¾	KeyCorp NY	11.2	192.4	37¾	¼
24¾	20¾	KeystoneFin PA	12.6	167.2	30	¼
24¾	17¾	LakeShore IL	13.9	187.0	20¾	¼
24¾	17¾	LibertyBancorp OK	8.3	141.6	32	¼
24¾	20¾	LibertyNatlEnt KY	14.6	196.2	27¾	¼
24¾	18¾	MBNACorp DE	15.4	405.0	37¾	¼
14¾	10	MAC Financial MO	10.1	125.4	14¾	¼
24¾	17¾	MagnaGroup MS	11.8	121.4	17	...
24¾	17¾	MarshallIsl Corp IA	11.8	124.7	24¾	¼
24¾	17¾	MercantileBncsh IN	13.9	194.9	24¾	¼
24¾	17¾	MetroBankCorp PA	9.6	148.3	24¾	¼
24¾	17¾	MichiganNatl MI	10.7	179.3	24¾	¼
24¾	17¾	MidAmericaBncp IL	11.5	147.2	24¾	¼
24¾	17¾	MorrisonBnkshr NC	19.9	183.6	24¾	¼

52 Wk						
Hi	Lo	Name	PE	Mkt	Cls.	Chg.
24¾	17¾	NBD BancorpIN	10.7	179.3	24¾	¼
24¾	17¾	NBD Bancorp MI	10.7	179.3	24¾	¼
24¾	17¾	NBD Bancorp OH	10.7	179.3	24¾	¼
24¾	17¾	NBD Bancorp WI	10.7	179.3	24¾	¼
24¾	17¾	NBD Bancorp MO	10.7	179.3	24¾	¼
24¾	17¾	NBD Bancorp IL

DEALS

Pathmark Parent Set to Revise Recapitalization

By WILLIAM GOODWIN

Supermarkets General Corp., owner of the Pathmark grocery and drugstore chain, said Wednesday it plans to revise a previously announced recapitalization that included $675 million of new bank loans.

Led by Bankers Trust Co., the bank deal was contingent on the company's completing an initial public offering of stock as part of the proposed recapitalization.

But in a statement, Supermarkets General said it pulled the offering because it received a poor market reception.

Effect of Strike

The company cited the impact of a labor strike on its second-quarter results as a reason for the cancellation.

Supermarket deals in general have fallen out of favor in the new-issue market because flat to lower food prices are hurting industry sales, according to analysts at Standard & Poor's Corp.

Supermarkets General said it is considering alternative recapitalization plans that would include many of the previous plan's elements, except for the stock offering.

Anthony Cuti, Supermarket General's chief financial officer, could not be reached for comment on how the revised plans would affect the bank financing.

Without the infusion of new equity from a stock offering, the company may have to bump up the pricing on the bank loans again. The credit was first repriced in May.

That's what happened to Ralph's Supermarkets Inc. last July, when it canceled a planned stock offering.

Ralph's proceeded with the other elements of its recapitalization, including a new bank credit. But it had to pay a higher interest rate on the loans.

Bankers Trust was also the agent bank for Ralph's.

Fear of Excess Debt

Even when the initial public offering was in the picture, some banks refused to participate in the Supermarkets General deal because they thought the recapitalization would still leave the company with too much debt.

Bankers Trust initially priced the Supermarkets General credit at 225 basis points over the London interbank offered rate, which was widely considered inadequate when the deal was first launched this spring.

Pricing was increased in May, and a special tranche was created to attract yield-hungry loan funds. The loan was then fully subscribed, but Bankers Trust was left with more of its original underwriting commitment than it wanted. □

CAPITAL

1st Chicago Issue Guarantees Minimum Rate

By DAVID SIEGEL

First Chicago Corp. on Wednesday issued $150 million in floating-rate debt with minimum-rate protection, becoming the third bank this month to tap demand for this type of security.

The 10-year subordinated debt issue floats at 12.5 basis points over the three-month London interbank offered rate, with a 4.25% minimum yield, called a "floor," First Boston Corp. was sole manager.

The first offering this year came from Chase Manhattan Corp., which issued $150 million earlier this month. A $150 million First Union Corp. issue followed last week.

Banks have called billions of dollars of floored floating-rate bonds in recent quarters, and a few large investors want to replace these issues.

Match-Funding Assets

Banks issue floating-rate debt to match-fund floating-rate assets and cushion earnings from changing interest rates.

The floors are an addition aimed at luring investors.

Investor interest has been so strong that banks using this structure have obtained cheaper funding than if they issued fixed-rate debt and swapped into a floating-rate payment stream – a more common way of raising floating-rate money.

For Chase, the saving was 10 to 20 basis points, market sources said. The amount of First Chicago's saving could not be determined.

Floor Financings
Recent floating-rate debt with "floors"

	Amount	Interest rate	Floor
First Chicago	$150 MILLION	3-month Libor +12.5 basis points	4.25%
First Union	$150 MILLION	Same	4.125
Chase Manhattan	$150 MILLION	Same	4.35

Select Audience

The issues are aimed at a limited number of investors. A single midwestern investor bought at least two-thirds of one issue, capital markets sources said.

Because of the limited number of investors, a flood of similar issues is unlikely.

"I'm surprised at how much volume we've seen," said one capital markets official. "It remains to be seen how big an appetite these few investors have."

A buyer of a floored floater accepts a lower initial rate than on a fixed-rate security but expects that rising rates in the future will increase the yield over the term of the security.

Hints of a Rate Rise

Recent comments by Fed officials, including Chairman Alan Greenspan, have led investors to believe that rates have bottomed and that the next change in monetary policy will be to raise short-term rates.

Also on Wednesday, Mellon Bank issued $250 million of 12-year subordinated notes. The noncallable bank notes were priced to yield 6.59%, 80 basis points above the 10-year Treasury note. Rated A3 by Moody's Investors Service and A-minus by Standard & Poor's Corp., the issue was lead-managed by Kidder, Peabody & Co. □

THE MARKETS

Long Rates Soar as Aftershock of Greenspan's Speech Takes Toll on Bonds

Long-term interest rates surged Wednesday, a belated reaction to Federal Reserve Board Chairman Alan Greenspan's inflation alarm the day before.

Market analysts said concern about upcoming sales of Treasury securities and heavy issuance of competing long-term debt by corporations also exerted pressure.

In late trading, the price of the government's 30-year bond fell ¾, raising the yield to 6.62% from 6.55% the day before.

Ten-year notes yielded 5.82%, up 9 basis points; five-year notes yielded 5.16%, up 10 basis points; and two-year notes yielded 4.12%, up 5 basis points.

On a bond-equivalent basis, the three-month bills yielded 3.14%, up 3 basis points.

Scenario for Rate Hike

In the first part of his semi-annual Humphrey-Hawkins testimony on Tuesday, Mr. Greenspan said inflation has been disappointing this year and that the Federal Reserve may increase short-term interest rates if economic growth picks up.

Mr. Greenspan's remarks caused short-term rates to shoot up on Tuesday, but longer-term securities showed a more muted response that day.

The long bond's yield rose to 6.62% from 6.55%.

Astrid Adolfson, economist at MCM MoneyWatch, noted that Wednesday's rise represented a "catch-up on the long end."

Heavy Government Sales

The Treasury on Wednesday announced that it will issue $16 billion in two-year notes next Tuesday and $11 billion in five-year notes next Wednesday.

While the amounts met expectations, the announcement marked the beginning of a period of heavy selling of new securities by the government.

The summer re-funding, including the sale of an expected record $11 billion in 30-year bonds, begins next month.

John Canavan, market analyst at Stone & McCarthy Research Associates, said a planned 30-year bond issue by the Tennessee Valley Authority also hurt the Treasury market. That offering was canceled later.

The Dow Jones average rose 10.62 points to a record 3,555.40. — **Bart Frassi**

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Latest Problem For Regulators: Bias-Data Errors

By CLAUDIA CUMMINS

As the debate over minority lending heats up, the devil may prove to be in the details.

It turns out that regulators, legislators, and lenders overlooked one possibility: that the numbers used to judge mortgage-lending performance could be inaccurate.

"All of the emphasis has been on policies," said Lucy Griffin, a compliance consultant for banks. "The caption coming to the bank CEO is 'make fair lending a priority.' The message of 'get your numbers right' is being lost."

Indeed, as bank examiners have begun to scrutinize the data more closely – comparing the information lenders submit with actual loan files – they have been shocked by the number of errors.

A Federal Reserve official said last month that the Fed has begun warning lenders about the problem and even threatening to levy civil money penalties against violators.

Problem May Be Widespread

Fed officials said they do not know how widespread the problems could be. But public advocates who have scrutinized data supplied under the Home Mortgage Disclosure Act and the Community Reinvestment Act said the problem could be widespread.

"We've always been very suspicious of the data," said Hubert J. Van Tol, executive director of the Mid-South Peace and Justice Center in Memphis.

His organization has scrutinized Memphis lending data by census tract and found that in at least 50% of neighborhoods, the figures disclosed by banks conflicted sharply with data gathered from other government records.

Study in Pittsburgh

Likewise, in Pennsylvania, the Pittsburgh Community Reinvestment Group spotted wide-spread errors in data filed by 12 area banks. After comparing 1990 HMDA figures with county records, the group found that error rates ranged from 17% at the most accurate bank to a whopping 87% at the least accurate.

After sharing the findings with the banks, which had hired the organization to do the review, accuracy improved significantly. In 1991, error rates fell to be-

See **STORM** *page* **17**

INSIDE NEWS

FINANCE



Peggy Turbett/American Banker

DENNIS P. SHEA, regional bank analyst with Morgan Stanley & Co., recommends the three B's for investors in bank stocks: BayBanks Inc., Boatmen's Bancshares Inc., and Bank of New York Co. *Page 18*

WASHINGTON

FED CHAIRMAN Alan Greenspan told Congress the Fed is prepared to raise interest rates if inflation does not fall further. *Page 2*

REGIONAL BANKING

TWO CALIFORNIA thrift companies, H.F. Ahmanson & Co. and Glenfed Inc., reported second-quarter losses that reflected the state's depressed real estate market. *Page 7*

COMMUNITY BANKING

THE COMMERCIAL Bank of New York has enjoyed tremendous success since opening in 1988 – and a recent public offering positions it for even more. *Page 8*

MORTGAGES

NETWORK FINANCIAL Services of San Jose, Calif., which bills itself as a one-stop shopping service for homebuyers, is moving aggressively to beef up its loan origination capability. *Page 10*

TECHNOLOGY

FIRST DATA CORP. expects to finish installing next month a multimillion-dollar computer system designed to help banks manage their credit card programs. *Page 3*

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Bank Funds Rebuked by N.Y. Agency

By KAREN TALLEY and MICHAEL O'D. MOORE

NEW YORK — The New York City Department of Consumer Affairs on Thursday criticized the way some giant banks are marketing mutual funds to the public.

Institutions are failing to disclose that mutual funds are not federally insured, are using heavy-handed sales tactics, and are pushing risky funds to inappropriate investors, the agency complained.

The findings were based on telephone calls to salespeople at five institutions: Chase Manhattan Bank, Chemical Bank, Citibank, Dreyfus Savings Bank, and Marine Midland Bank. Each bank came under varying degrees of criticism.

Survey Tactics Faulted

The study itself drew immediate criticism from bankers, who challenged the reliance on telephone interviews. They said, for example, that disclosure about the lack of deposit insurance is usually made in person.

The department, which plans to forward its findings to bank regulators, was even more critical.

See **N.Y. AGENCY** *page* **11**

B of A Net Rises 103%, Bankers Trust Up 35%

Bank of Boston Gains as Loans Grow.

An American Banker News Roundup

Three big bank companies across the nation displayed varying signs of strength on Thursday as they issued second-quarter profit reports.

BankAmerica Corp., the nation's second-largest bank company, reported signs of progress on loan volume and credit quality as profits rose 103% over the year-earlier quarter to $488 million. But the big increase was colored by a major acquisition-related charge the previous year.

Some analysts complained that the California company's profit levels still trailed its peers'.

Bankers Trust New York Corp., like many of its East Coast competitors, used big second-quarter trading gains to net strong gains in the April-to-June quarter. The nation's seventh largest bank company reported earnings of $251 million, 35% higher than in the second quarter of 1992.

Bank of Boston offered signs that New England may be recovering from the doldrums, as it reported $66 million of net income in the second quarter amid increased loan volume. Excluding tax gains booked in the year-earlier period, Boston's biggest bank saw income rise 47% from the 1992 quarter.

Several other companies – in-

See **STELLAR** *page* **6**

Ahmanson, Glenfed Post Losses; Dime's Net Falls

Two big California thrifts posted losses.

H.F. Ahmanson took a big hit on the bulk sale of delinquent home loans.

Glenfed's loss was triggered by an outflow of inexpensive deposits and by loan quality problems.

Meanwhile, **Dime Savings Bank** had a big drop in net interest income.

See story on page 7.

Thrift	2Q '93 $ bn	2Q '92 $ bn
H.F. Ahmanson	$230.9	$67.1
Glenfed*	-29.9	-26.0
Dime	3.2	8.6

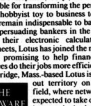
*Figures are for company's fourth fiscal quarter, ending June 30.

Lotus Aims for Workgroup Niche at Banks

By JEANNE IIDA
Third of a Series

Lotus Development Corp., the company largely responsible for transforming the personal computer from hobbyist toy to business tool, is working hard to remain indispensable to banks.

After persuading bankers in the early 1980s to replace their electronic calculators with PC spreadsheets, Lotus has joined the next technology crusade, promising to help financial institution employees do their jobs more efficiently than ever. Cambridge, Mass.-based Lotus is trying to carve



out a dominant territory on a new battlefield, where networks of PCs are expected to take on a more dominant role in banks, in many cases replacing the mainframe computers that have been relied on for decades.

But unlike software rivals Microsoft Corp. and Novell Inc., which are focusing on the operating systems that will manage the basic functions of PC networks, Lotus has opted to become a leader in a closely related field called "groupware."

Groupware has been described as an advanced form of electronic mail, letting a number of workers organize and deliver memos, quickly revise documents produced by committees, or even distribute pictures of new employees.

Information is stored in digital "folders," and the software controls who can open them and who cannot.

A raft of banks – among them Chase Manhattan Corp., J.P. Morgan & Co., Citicorp, and Chemical Banking Corp. – have seized on the groupware concept with Lotus' Notes program as a way to promote so-called relationship management among their staff, where teamwork to service clients is paramount. "Banks are rethinking their ba-



JIM P. MANZI, the company's chairman and chief executive, led it beyond single-user software.

See **LOTUS** *page* **12**

NEWS *briefs*

Senate Panel Approves Levitt for SEC

WASHINGTON — The Senate Banking Committee unanimously approved Arthur Levitt Jr. as chairman of the Securities and Exchange Commission, clearing the way for full Senate consideration of Mr. Levitt's nomination.

Also approved were the nominations of Alan Blinder and Joseph Stiglitz to serve on the President's Council of Economic Advisers. Richard Carnell was approved for the post of assistant secretary of the Treasury for financial Institutions. Those nominations also go to the full Senate.

Visa Names Tallman to International Post

SAN FRANCISCO — Wesley C. Tallman, who played a key role in the development of Visa debit programs, has been promoted to executive vice president of product and market development at Visa International.

Mr. Tallman, 50, previously had the same title at Visa U.S.A. He and his staff will take on global responsibilities, including those related to Visa's Olympics sponsorship.

A former Rochester, N.Y., banker and payroll-processing executive, Mr. Tallman joined Visa in 1989 as executive vice president of debit products.

Comerica Unit Buys Failed Texas Bank

WASHINGTON — Comerica Bank-Texas said it paid $1.8 million for $39.1 million of insured deposits and $7.8 million of assets of Fidelity National Bank of Houston, which was closed Thursday by the Office of the Comptroller of the Currency.

The Dallas subsidiary of Detroit-based Comerica Inc. absorbed the failed bank's four offices and 4,800 insured accounts. Another 73 accounts with $3.1 million exceeded the Federal Deposit Insurance Corp.'s $100,000 ceiling.

The Comptroller said Fidelity's obligations exceeded its $46.3 million of assets, and the bank had failed to comply with a December 1992 consent order.

Northeast Federal to Trim Rights Offering

HARTFORD, Conn. — Northeast Federal Corp. will reduce the size of its previously reported rights offering to $25 million, from $60 million.

The company said it expects the offering to be completed by Sept. 30. A company spokesman declined to comment on the reduction.

As reported, Northeast Federal said it formulated the offer to increase the capital of its Northeast Savings unit to a "well-capitalized" level from its current "adequately capitalized" level.

Society in Pact to Buy Schaenen Wood

CLEVELAND — Society Corp. announced the signing of a definitive agreement to acquire Schaenen Wood & Associates Inc., a New York-based investment management firm with $1.3 billion under management.

The briefs were compiled from staff and wire reports.

Correction

In a June 30 listing of the top 100 banks in managed trust assets in 1992, figures for LaSalle National Corp., Chicago, were incorrect. LaSalle revised upward its discretionary trust assets for both 1991 and 1992. Its 1992 trust assets were revised to $4.39 billion, and its 1991 trust assets were revised to $4.58 billion.

LaSalle, majority owned by ABN Amro Holding, Amsterdam, ranked 62d in the nation by discretionary trust assets last year and 63d in 1991. As a result of these changes, LaSalle should not have appeared on a list of banks with large decreases in managed assets.

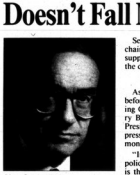
Greenspan: Fed Set to Raise Rates If Inflation Doesn't Fall More

By CLAUDIA CUMMINS

WASHINGTON — Federal Reserve Chairman Alan Greenspan told Congress Thursday that the Fed is prepared to raise interest rates if inflation does not fall further.

As the balance sheets of household and corporations continue to improve, he said, real short-term rates must rise in order to maintain balanced long-term growth. And in the absence of lower inflation, that will mean higher nominal short-term rates, he said.

"The signal we are endeavoring to send here is that at some point rates are going to have to move up," he said in testimony before the Senate Banking Committee.



Alan Greenspan
Testifies Before Senate

Fed Concerns

And although the Fed chief said he sees no signs of higher inflation in any of the economy's major industries, the Fed remains concerned that expectations of higher levels persist.

"If certain events occur which create not an inflation psychology but real inflation, as a consequence then we might – and I underline might – have to act," he said.

Mr. Greenspan presented his semiannual monetary policy report to the Senate two days after sharing the same report with the House. He came under heavy fire from the senators, who urged the Fed's cooperation with budget deficit reduction.

Call for Low Rates

Time and time again, members of the committee said that because reducing the deficit will put a drag on the economy, the Fed must keep interest rates low to counteract that force.

"In my judgment, this cooperation has probably never been more critical than it is right now," said Sen. Jim Sasser, R-Tenn. "The Federal Reserve has got to be a full partner in this endeavor."

At the hearing, Sen. Alfonse D'Amato, R-N.Y., asked for the Fed's continued support for his proposal to encourage the development of a secondary market for small-business loans, helping to ease the credit crunch.

Sen. D'Amato said the Fed chairman has already pledged support of the concept, if not all the details, of the bill.

Letter from Gonzalez

As the Fed chairman testified before the Senate, House Banking Committee Chairman Henry B. Gonzalez sent a letter to President Clinton asking him to pressure the Fed into easing monetary policy further.

"Instead of this continued policy of virtual no growth, this is the time to urge the Federal Reserve to follow a monetary policy that is consistent with your policies to put our citizens back to work," he wrote.

Mr. Gonzalez also urged the President to change banking laws so that the 12 presidents of the Fed's district banks are made presidential appointees subject to Senate confirmation. Currently, the presidents are selected internally by the Fed.

Mr. Gonzalez cited last week's selection of William J. McDonough to be president of the New York Fed as an example of the "old boy's bank network" that excludes qualified women and minorities.

"Because he has been selected through the Federal Reserve's internal private mechanisms, he will manage our nation's money supply without ever going before the American people or their representatives," he wrote. □

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First Data Installing Card Software System

By BARTON CROCKETT

First Data Corp. expects to finish installing next month a multimillion dollar computer system designed to help banks closely manage their credit card programs.

The computer system is seen as an important step for the New York-based computer services company, which is the largest provider of bank card processing services in the United States.

"These kinds of things are just strategic moves to help solidify market share," said Louis Gigio, a vice president and stock analyst at Bear, Stearns & Co., New York, who has seen a demonstration of the computer system.

The system consists of an Amdahl Corp. mainframe computer with a data base management system from Oracle Corp.

Easy Access to Customers

The data base, which First Data calls Noah, will manage a massive repository of credit card information that the vendor's customers can access to do such things as design marketing campaigns or analyze profitability for the credit card operations.

First Data has maintained such a data base for about five years. But until now, it has been available only on an aging computer system that has been hard to use, said Ann Cannon, who runs the Noah business for First Data Corp.'s First Data Resources credit card processing unit in Omaha.

Ms. Cannon said the new computer system will be technically more robust, and much easier to use, than the current system.

She added that most, though not all of First Data Resource's credit card processing clients, use the Noah database, which is offered as a supplementary service to the company's core credit card processing operation.

Processes 54 Million Accounts

First Data Resources currently processes about 54 million credit card accounts, according to *The Nilson Report*, an industry newsletter.

First Data Resources is believed to contribute roughly 40% of the revenues of First Data Corp., which Thursday reported net income of $75 million for the first half of this year, up 23% over the previous year. Revenues were $726 million – 26% greater than the previous period.

Other players in the credit card processing market include Total System Services Inc. of Columbus, Ga., Banc One Corp. of Columbus, Ohio, and Electronic Data Systems Corp. of Plano, Tex.

The Nilson Report estimated that about 55% of the 185 million bank card accounts in the United States last year were administered by third-party processors

Winning Banks to Outsourcing

Mr. Giglio of Bear Stearns said that robust data analyses services like First Data's Noah can play a key role in helping credit card processors convince banks to outsource operations, by assuring the banks that doing so will not diminish their ability to get at customer data.

Mr. Giglio added that such capabilities could help First Data compete for what is turning into the Holy Grail of credit card processors: winning a contract to process Citicorp's massive portfolio of about 30 million bank cards.

"It can help them compete for some of those big banks, namely Citicorp, that haven't seen the light" about outsourcing, he said.

Early this summer, Citicorp began using an outside processor for the first time, when it started using Total System to process 200,000 Visa and MasterCard corporate cards.

Many in the industry believe that Citicorp, as part of its ongoing effort to streamline, is considering outsourcing more of its portfolio.

"Let me put it this way, I'm sure that some discussions have been had," Mr. Giglio said.

But Citicorp officials have never given any indication that they are interested in such a move. □

U.S. Trust Corp. Unit Picked by 4 Nonprofits

NEW YORK — United States Trust Co. of New York said it has been selected by four nonprofit institutions to provide master custody services.

The new customers of the U.S. Trust Corp. subsidiary's institutional asset services division include: Culver Academy, a prep school in Culver, Ind.; Sarah Lawrence College, Bronxville, N.Y.; American School of Classical Studies, a New York-based archeological institute; and the Robert Lehman Foundation, which supports the arts.

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Opinion

Comment

By Matthew Goodfellow

How to Tell if Your Bank Is Vulnerable to Unionization

HIGHER PAY *does not ensure labor-management harmony. What makes employees boil often has little to do with money – but management needs a system to get to the bottom of grievances.*

The early part of the Clinton administration was a heady time for the Service Employees International Union.

At its office workers division convention in June, union president John Sweeney proclaimed that organizing efforts would be launched in such industries as banking, publishing, insurance, and education.

The office workers' District 925, a nationwide local, was already up to 200,000 clerical, technical, professional, educational, and other office employees.

Organizers in Power

Meanwhile, in Washington, President Clinton tapped Geri Palast, the former head of the union's politics and legislation department, as an assistant secretary of labor, and Tom Glynn, a former hospital organizer for the union in New England, as the No. 2 man at the Labor Department.

David Wilhelm, who formerly worked with the union at Citi-

Mr. Goodfellow is executive director of University Research Center Inc., Chicago. The company does industrial research in white and blue-collar work environments.

zens for Tax Justice, is the new chairman of the Democratic National Committee. Karen Nussbaum, president of the union's District 925 and executive director of 9 to 5, the National Association of Working Women, has been chosen to head the Department of Labor's Women's Bureau.

Service Employees International Union has plans "to sweep through the country," one of its local presidents said recently. "We have a sympathetic force behind us in Washington. It is up to us to do the rest."

Can a nonunion bank or other financial company tell in advance whether it is susceptible to unionization? Our research suggests there is no pat answer – but there are some clues as to susceptibility. Let me present those factors in the form of questions often asked by executives.

Q.: In number of employees, what size facility or office is most vulnerable to unionization?

A.: In the last five years, unions won about 47% of all National Labor Relations Board elections. The unions' success rate declines as size goes up. For example, unions won 64% of elections at firms with up to 49 employees, and 38% at those with from 1,000 to 10,000 employees.

Q.: How successful are the unions in the financial industry?

A.: Unions win 56% of representation elections in finance and insurance companies. Since this is higher than the 47% National Labor Relations Board average, this is a susceptible industry.

And no area of the country seems to be immune. Even where a company wins an election, its cost is considerable. Moreover, any company victory in a union election is good only for one year, after which the union may try again.

Q.: Statistics aside, are there specific criteria for ascertaining vulnerability of the work force of a particular company, department, or branch?

A.: Watch for symptoms of low employee morale. If your customer or client complaints are higher than you like, or if productivity is unsatisfactory, you can conclude that employees are indifferent and morale is low.

Q.: What causes low morale?

A.: In the main, a basic feeling that the company (or facility manager or supervisor) does not treat workers fairly, decently, and honestly. This feeling usually has nothing to do with money.

Q.: Do computers and back-office modernization have any effect on employee attitudes?

A.: Union organizers promise all sorts of protection against job losses from automation. When installing equipment, a bank must explain that the primary objective is not merely to cut costs, but to meet customer or client demands for improved services.

Wider acceptance of a bank's services should make everyone's job more secure. Whether employees accept that depends on management credibility.

Q.: We have a grievance procedure in which the supervisor handles complaints first. Those he can't take care of, he refers to department heads or vice presidents. How does this affect unionization?

A.: Many grievances arise from the frontline supervisors' arbitrary, harsh, and sometimes prejudiced conduct. And of course it is difficult for an employee to complain to the supervisor directly. In nonunion shops, few employee grievances involving supervisors ever come

See **HOW TO** *next page*

men must relate to women at work as if they themselves were women.

The third, sixth, and ninth circuit courts of appeals have ruled that a "reasonable woman" standard must be applied in deciding sexual harassment claims brought by women.

This means that a court or jury would have to decide whether a "reasonable woman" would have considered the conduct severe enough to have altered a condition of her employment and to have created a hostile environment.

Rather than ensuring that women participate in the work place on an equal footing with men, the reasonable woman standard is likely to perpetuate the very stereotypes that women banking professionals seek to eliminate; namely, that women are not tough enough to compete in the financial arena.

No Risks, No Rewards

By legitimizing the concept that women think differently from men, males may conclude that women need to be treated differently, shielding them, for example, from the difficult but potentially rewarding assignments that often lead to promotions.

Ironically, male banking officials who quiet their fear of sex-

See **NONSEXIST** *next page*

Comment

By Richard H. Block and Louis Ginsberg

Nonsexist Workplace the Best Defense Against Charges of Discrimination

The light of justice that exposed the sexual harassment of women banking professionals has begun to be obscured by the larger issue of women's advancement in the financial services industry.

Sexual harassment charges eliminate unwelcome male conduct, but they have also exacerbated the politics of exclusion – a much larger problem that prevents women from reaching senior executive positions.

Rather than resulting in a more educated and sensitive work environment, the escalating number of sexual harassment charges has caused a backlash in the banking community.

Adding Fuel to the Fire

Growing numbers of male managers, fearful of spurious charges, are excluding women from the informal networking opportunities critical to advancement. While this type of exclusion is not new, the recent spate of sexual harassment charges has added fuel to the fire.

The scenarios are painfully familiar to women banking executives. A male manager may choose a male employee over a female employee if the project requires a business trip or late-night work. He socializes at lunch with other men with whom he feels safe in his behavior.

Worse, the politics of exclusion prevent women from earning the trust of a male manager, which most often is developed during the day-to-day process of working together. As a result, a competent female may be passed over for a high-level position simply because she has missed opportunities to interact with the decision maker.

Likewise, diversity experts agree that even in the best-intentioned and most progressive financial institution, the climate of male fear of sexual harassment charges will keep women out of these informal channels of information, where important decisions about job advancement sometimes crystallize.

How critical is this? In a recent study of 201 of the nation's top CEOs by *Fortune* magazine, 31% said women are not becoming CEOs sooner because they "have not built up solid networks of connection and support."

Adding to the confusion and paranoia of male banking executives is the recent instruction of three federal circuit courts that

MALE BANKERS *have unfairly excluded women from the inner circle, fearing harassment suits.*

Mr. Block is a partner and Mr. Ginsberg an associate in the labor and employment law practice group of Strook & Strook & Lavan, New York.

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Comment

By Matthew Goodfellow

How to Avoid a Union Drive

Continued from *page 4*

to managers' attention.

Q.: What about suggestion boxes?

A.: Suggestion boxes are best for production problems. For employee gripes, suggestion boxes are useless since most employees hesitate to put their names on critical complaints. Without names, it is difficult to follow up.

Q.: We try to tell employees everything we think they need to know about the state of our business, the competition, and other such matters. What is the best way to ascertain their reactions and basic attitudes?

A.: "Telling" is one-way communication. For maintenance of nonunion status in a white-collar venue, there should be periodic interviews with representative employees in structured groups. Consultants are often brought in to institute such systems.

Q.: We try to monitor wage levels at comparable organizations, and sometimes we fall short, causing us some embarrassment. How vulnerable does that make us?

A.: Contrary to what many executives think, high wage rates do not produce labor-management harmony. Wage rates can be an excuse for wanting a union, but what makes employees boil often has little to do with money.

It is more the feeling that they are not being treated fairly and decently. Sources of discontent may include unpleasant eating areas; parking lots that are crowded or where executives have privileged spots; faulty equipment; inequitable pay scales; uneven distribution of overtime, or an unconstructive or distant management.

That wages are not the major motivating factor can be seen in the case of utility companies, which pay high average wage rates yet have the second-highest percentage of union election victories.

There is only one technique for uncovering union susceptibilities: Listen to employees. (For articles on this and related topics, such as "What Your Employees Can Tell You" in the April 1989 *Appliance Magazine*, write to Matthew Goodfellow, University Research Center, Box 494, Chicago, Ill. 60690-0494, fax 708-733-0074.)

In a report on its own labor interviewing, Connecticut General Life Insurance Co. made a good suggestion: Use an impartial outsider as reporter. "This brings in special skills and experience which assure employees that no reprisals will follow any uncomplimentary remarks. Such a friendly beginning can be transferred to company personnel as the program progresses."

Listening to employees has benefits besides avoiding unions. It brings to management's attention anything that is preventing employees from achieving company or departmental goals. The process can improve productivity and quality, eliminate customer complaints, and reduce absenteeism. □

Comment

By Richard H. Block and Louis Ginsberg

Nonsexist Workplace Is the Best Defense Against Bias Suits

Continued from *page 4*

ual harassment charges by avoiding women co-workers set themselves up for a specific problem. Women who feel they have been wrongfully excluded may be protected by law since certain courts have held that "harassing" events need not be sexual in nature to be actionable, and certainly the laws prohibit gender discrimination.

Rather than being fearful, men must feel as comfortable with women as they now do with men in senior management positions if women are to receive equal opportunities.

This may only be achievable if gender-blind standards are mandated by the courts, as they have been in certain other areas of employment law. Efforts are being made now on the state and federal levels to investigate and remedy the plight of women in this respect.

A More General Test

While endorsing legal standards that incorporate the different perspectives of men and women, the New York State Governor's Task Force on Sexual Harassment has proposed adoption of a "reasonable person" test that is not solely based on a sexual double standard. Rather, the test focuses on all the characteristics of the victim, which include sex, sexual orientation, race and ethnicity, and age.

In another example, the Civil Rights Act of 1991 established a "glass ceiling commission" to study the problem and make recommendations regarding the elimination of workplace barriers to minorities and women.

Male managers and the managements of banks must be prepared to respond to these legal initiatives by creating a business environment that fosters a cooperative nonsexist approach to work, so that women are not excluded from workplace activities, both formal and informal. □

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Stellar Earnings Reports Continue To Be the Norm for the Second Quarter

Continued from page 1

cluding Boston's BayBanks, Chicago's Harris Bankcorp and Bancorp Hawai – also reported second-quarter gains on Thursday.

WEST

Thursday's report from **Bank-America Corp.**, which translated to $1.19 a share, looked particularly impressive compared with last year's quarter, when the San Francisco-based company took big charges related to its April 1992 purchase of Security Pacific Corp. But bank executives indicated continuing concern with their home state's weak economy.

Lewis W. Coleman, Bank-America's chairman and chief financial officer, said the company had "good, solid earnings" in view of the economic slump in California.

Outstanding loans inched up 0.2% in the period, the first quarter-to-quarter gain in a year. But "there was not enough growth to declare victory," Mr. Coleman said at a press conference.

Analysts were divided on the quality of the company's results, the first in a year that did not include significant expenses related to the Security Pacific acquisition.

Campbell K. Chaney of Dakin Securities complained that BankAmerica's returns of 1.06% on assets and 12.16% on equity were "somewhat below average," due mainly to weak revenue, high costs, and the expense of amortizing acquisition-related goodwill.

But Donaldson, Lufkin & Jenrette analyst Thomas K. Brown said the quarter marked a "turning point," noting that income edged up 2.7% in the quarter – offsetting a 2.9% decline in non-interest income.

Nonperforming loans and foreclosed real estate fell 10% in the quarter to $3.445 billion, due mainly to a reduction in problem commercial real estate loans. That did not include $707 million of real-estate assets sold during the quarter to a group led by Stanley-led partnership.

The company trimmed its addition to loan-loss reserves to $200 million from $235 million in the first quarter and $240 million in the June quarter a year ago.

BankAmerica's Seattle-based Seafirst subsidiary, the dominant bank in Washington, had an outstanding quarter. It reported net income of $82.2 million and a return on assets of 2.19%. Seafirst produced 17% of BankAmerica's profits although it holds only 8% of the company's assets.

Separately, Honolulu-based **Bancorp Hawaii** reported second-quarter net income of $33.8 million, up 5.3% from the same period last year. The company's once-torrid profit growth has slowed substantially as the Hawaiian economy has cooled.

Sam Zuckerman

EAST

Bankers Trust New York Corp. booked stellar trading revenues of $405 million in the second period, smashing a quarterly gain of $186 million.

The results, which translated to $2.97 per share, far exceeded Wall Street's expectations of $2.16 a share, according to Zacks Investment Research.

Nevertheless, Bankers Trust's stock was down $1.25 to $76 in late trading Thursday to $76 a share.

Analysts said investors who bought the stock last week on expectations of a strong trading quarter sold as the news came in. Bankers Trust shares jumped $11.875 a share last Thursday after the bank's main trading rival, J.P. Morgan & Co., reported huge trading gains in the second quarter.

Bankers Trust, the nation's seventh largest bank company, said its traders benefited from fluctuations in interest rates and currencies during the quarter. Trading revenue climbed 21% from the second quarter of last year to a record $405 million. In the first quarter, the company booked $346 million of trading income.

In another reflection of Bankers Trust's trading prowess, net interest revenue soared 27% over the 1992 second quarter to $319 million and was up slightly from the first quarter's $315 million. The company said a steep yield curve aided its interest rate and currency trading activities.

On other fronts, Bankers Trust performed as expected.

"Except for trading, it's pretty much a plain vanilla quarter," said Raphael Soifer, an analyst at Brown Brothers Harriman & Co.

Fiduciary and funds management revenue rose 7% to $93 million nose 17% million from the first quarter but were only slightly behind the year-earlier second quarter. Bankers Trust said it recorded fewer performance-based fees from managing foreign exchange funds.

Corporate finance fees, a chronically weak area in recent years for the company, rose to $102 million, double the level in three years. Total fees and commissions rose 20% over the 1992 quarter to $173 million.

Expenses increased 27% over the year-earlier period, reflecting higher incentive compensation.

Asset quality continued to improve, as Bankers Trust lowered its loan loss provision to $23 million from $30 million in the first quarter. Net interest income edged up 2.7% in the quarter – offsetting a 2.9% decline in non-interest income.

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Sam Zuckerman

BANK OF BOSTON CORP.

Year End	1993	1992
Dollar amounts in millions (except per share)		
Net income	$93.0	$186.0
Per share	0.67	2.19
ROA	0.69%	0.69%
ROE	10.49%	25.39%
Net interest margin	4.31%	3.95%
Net interest income	315.0	250.0
Noninterest income	150.9	156.7
Noninterest expense	317.9	315.2
Loss provision	10.0	25.0
Net charge-offs	21.2	45.2

Year to Date	1993	1992
Net income	$440.0	$360.0
Per share	3.02	3.02
ROA	0.65%	0.70%
ROE	24.50%	21.62%
Net interest margin	4.16%	4.01%
Net interest income	624.0	475.0
Noninterest income	1,063.0	1,277.0
Noninterest expense	1,430.0	1,124.0
Loss provision	60.0	130.0
Net charge-offs	172.0	164.0

BANK OF NEW YORK

Year End	1993	1992
Dollar amounts in millions (except per share)		
Net income	$80.0	$82.4
Per share	1.17	1.09
ROA	0.89%	0.89%
ROE	21.39%	21.39%
Net interest margin	3.61%	3.61%
Net interest income	182.0	182.0
Noninterest income	157.0	157.0
Noninterest expense	232.0	232.0
Loss provision	20.0	20.0
Net charge-offs	20.0	20.0

Year to Date	1993	1992
Net income	$160.0	$164.0
Per share	2.34	2.18
ROA	0.89%	0.89%
ROE	21.39%	21.39%
Net interest margin	3.61%	3.61%
Net interest income	364.0	364.0
Noninterest income	314.0	314.0
Noninterest expense	464.0	464.0
Loss provision	40.0	40.0
Net charge-offs	40.0	40.0

BANKERS TRUST NEW YORK

Year End	1993	1992
Dollar amounts in millions (except per share)		
Net income	$186.0	$182.4
Per share	2.96	2.90
ROA	0.69%	0.69%
ROE	16.49%	16.49%
Net interest margin	3.61%	3.61%
Net interest income	364.0	364.0
Noninterest income	314.0	314.0
Noninterest expense	464.0	464.0
Loss provision	40.0	40.0
Net charge-offs	40.0	40.0

Year to Date	1993	1992
Net income	$372.0	$360.0
Per share	5.92	5.92
ROA	0.69%	0.69%
ROE	16.49%	16.49%
Net interest margin	3.61%	3.61%
Net interest income	728.0	728.0
Noninterest income	628.0	628.0
Noninterest expense	928.0	928.0
Loss provision	80.0	80.0
Net charge-offs	80.0	80.0

BANKAMERICA CORP.

Year End	1993	1992
Dollar amounts in millions (except per share)		
Net income	$1,190.0	$1,190.0
Per share	1.19	1.19
ROA	1.06%	0.57%
ROE	12.16%	7.82%
Net interest margin	4.76%	4.58%
Net interest income	1,892.0	1,892.0
Noninterest income	1,200.0	1,200.0
Noninterest expense	1,892.0	1,892.0
Loss provision	200.0	240.0
Net charge-offs	54.0	54.0

Year to Date	1993	1992
Net income	$2,380.0	$2,380.0
Per share	2.38	1.71
ROA	1.06%	0.79%
ROE	12.30%	10.30%
Net interest margin	4.76%	4.65%
Net interest income	3,700.0	2,854.0
Noninterest income	2,141.0	1,800.0
Noninterest expense	3,701.0	3,071.0
Loss provision	400.0	410.0
Net charge-offs	627.0	413.0

Selected Balance Sheet Data	6/30/93	6/30/92
Assets	$185,480	$186,582
Deposits	141,409	138,235
Loans	124,448	132,330
Nonperforming loans	2.39%	36.30%
Nonperf. loans/loans	2.81%	3.51%
Nonperf. assets/asset	2.81%	3.31%
Leverage cap. ratio	6.20%	5.89%
Tier I cap. ratio	10.00%	6.00%
Tier I+2 cap. ratio	11.70%	10.40%

HARRIS BANKCORP

Year End	1993	1992
Dollar amounts in millions (except per share)		
Net income	$63,967.0	$74,685.0
Per share	34,009.0	45,380.0
Loans	15,181.0	16,196.0
Nonperforming loans	43.00%	103.00%
Nonperf. loans/loans	7.40%	9.90%
Nonperf. assets/asset	2.00%	2.60%
Leverage cap. ratio	5.90%	5.90%
Tier I cap. ratio	10.00%	6.00%
Tier I+2 cap. ratio	14.10%	12.40%

BANCORP HAWAII

Year End	1993	1992
Dollar amounts in millions (except per share)		
Assets	$36,788.5	$32,277.2
Deposits	29,788.0	25,298.0
Loans	23,952.7	21,791.2
Nonperforming loans	212.00%	143.00%
Nonperf. loans/loans	1.50%	2.90%
Nonperf. assets/asset	0.90%	3.00%
Leverage cap. ratio	7.00%	5.70%
Tier I cap. ratio	10.00%	6.00%
Tier I+2 cap. ratio	12.00%	10.30%

BANK OF HAWAII

Year End	1993	1992
Dollar amounts in millions (except per share)		
Assets	$6,982.0	$6,402.0
Deposits	5,812.0	5,515.1
Loans	4,277.0	4,065.0
Nonperforming loans	644.4	632.4
Nonperf. loans/loans	20.0	20.0
Nonperf. assets/asset	105.7	110.0

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BayBanks, Harris Gain; Michigan National Off

Continued from page 6

of 65 cents a share came in just one cent below analysts' consensus expectations, according to Zacks. Bank of Boston stock was trading at $23.625 a share late Thursday, down 12.5 cents.

The company's loan portfolio expanded 3% over both prior quarter and prior year levels. The company booked $600 million of new domestic commercial and industrial loans and $200 million of new home mortgages.

"We're hopeful that the loan growth will stick with us, that it's a sign that things are getting better in New England," William J. Shea, Bank of Boston's chief financial officer and treasurer, said in an interview.

Bank of Boston also said Thursday that it laid off 300 employees in the second quarter in a new cost-cutting campaign. More than half were corporate-office positions, Mr. Shea said.

Though savings from the layoffs will not be realized until this quarter, the company shaved $4 million from its second-quarter expenses since the first quarter. The decline stemmed mostly from a premium refund received from the Federal Deposit Insur-

Bankers Trust's

35% increase was

helped by big

trading gains.

ance Corp.

Credit quality continued to improve. Nonperforming assets declined to $526 million in the quarter from $597 million on March 31. The percentage of nonperforming portfolio, which has declined for seven consecutive quarters, is now the lowest in seven years.

BayBanks, one of the company's Boston competitors, reported a healthy gain of $14.2 million in the second quarter, a 118% increase over the same period last year, as credit quality and loan growth improved.

Nonperforming assets regained their ninth consecutive quarterly decline to $324 million from $350 million in the first period. The company's net interest margin grew 13 basis points since the first quarter to 4.96% primarily because of $126 million of new installment loans on its books.

BayBanks, which ended the quarter with $9.8 billion of assets, also announced a 5-cent hike in its quarterly dividend to 25 cents a share. BayBanks' stock rose 50 cents to $45 a share in late afternoon trading Thursday.

— Yvette Kantrow

MIDWEST

Firming credit quality and special gains helped fuel a 34% quarterly earnings increase to $35.4 million at Chicago-based

Bancorp Hawaii's

rapid profit growth

slowed down.

Harris Bankcorp, a subsidiary of Bank of Montreal.

Harris' return on assets soared to 1.07% from 0.99% in the first quarter and 0.77% a year ago.

The company's loss provision of $15.3 million was flat with the first quarter but down 29% from a year ago. Harris said that it recaptured $16 million from a special reserve previously set aside.

Harris booked security gains of $6.9 million during the quarter compared with $128,000 of such gains a year ago. Its foreign exchange income leaped 136% to $7.8 million. Harris also recorded $800,000 of bond trading profits, reversing a year-ago trading loss of $3.1 million.

Harris' net interest margin of 4.02% fell 21 basis points from the first quarter and 14 basis points from a year ago. Period-end problem assets totaled $141.9 million, or 1.9% of gross loans – up slightly from the first quarter but down 23% from a year ago.

Separately, **Michigan National Corp.** late Wednesday posted a second-quarter profit of $16.1 million, a 16.15% decline from last year's quarter. Its return on assets of 0.63% was down from 0.71% in the year-earlier period.

The company, based in Farmington Hills, Mich., said heavy mortgage refinancings forced it to accelerate amortization of purchased mortgage servicing rights to $21.6 million from $6.8 million one year earlier. It was the second straight quarter in which the company, which has $10.5 billion of assets, suffered from the refinancing trend. Michigan National posted a loss of $44.8 million in the first quarter.

— Steve Klinkerman

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Fourth Financial Agrees to Buy Great Southern, a Missouri Thrift

By STEVE KLINKERMAN

Providing further evidence that the banking border between Kansas and Missouri is a busy place these days, Fourth Financial Corp. has agreed to buy a Missouri thrift.

Fourth Financial, which at $6.1 billion of assets is Kansas' largest banking company, said last week it will purchase Great Southern Bancorporation, a Springfield company with $515 million of assets.

Despite the move, banking experts say that most Kansas-Missouri deals will continue to be initiated on the Missouri side.

Fourth Financial is the only Kansas institution with "enough horsepower" to reverse the interstate current, said Joseph



Darrell G. Knudson
Scouting for purchases

Stieven, an analyst at Stifel, Nicolaus & Co.

Since Kansas relaxed its banking laws last year, buyout deals have been struck by Missouri giants such as Boatmen's Bancshares, Commerce Bancshares, Mercantile Bancorp, United Missouri Bancshares, and Mark Twain Bancshares.

Darrell G. Knudson, chairman and chief executive of Fourth, said he continues to scout southwest Missouri for purchases, especially around Springfield and Joplin.

Fourth is paying roughly $90 million in stock, or about 1.6 times book value, for the parent of Great Southern Savings Bank. The thrift, which operates 23 offices in southwestern and central Missouri, returned 0.99% on assets to investors in its last fiscal year.

The deal is expected to be closed by the first quarter of 1994. □

Ahmanson and Glenfed Report Losses, While Dime Savings Posts Small Profit

By SAM ZUCKERMAN

H.F. Ahmanson & Co. and Glenfed Inc., two major California thrift companies, reported second-quarter losses on Thursday that reflected the state's depressed real estate market.

But analysts said the red ink at Ahmanson was a sign of strength while Glenfed's loss represented a setback in its efforts to prevent a federal takeover.

Separately, Dime Savings Bank, the East Coast's biggest thrift, eked out a profit of $3.2 million but would have reported a loss without capital gains.

H.F. AHMANSON

The nation's largest thrift company, which ended the quarter with $50 billion of assets, lost $290.9 million compared with a profit of $67.1 million for the second quarter of 1992.

The lwindale-based thrift, which preannounced its results earlier this week, said the loss was prompted by the bulk sale of $1.2 billion of delinquent home loans and a $163 million loan-loss provision for real estate development projects.

Ahmanson is selling the home loans to Bear, Stearns & Co. at prices estimated to range between 74% and 79% of face value. Analysts have applauded the deal as a quick way to eliminate credit problems burdening many banks and thrifts. Ahmanson said the sale will reduce its nonperforming assets to about $1 billion, – or 2.04% of total assets – from a peak of about $2.3 billion at the end of September 1992.

Ahmanson said it expects to report profits in the third and fourth quarters, but anticipates a loss for the year as a result of the second-quarter events. In trading Thursday afternoon, the company's stock fell 25 cents to $19.75 a share.

GLENFED

The nation's fifth largest thrift company, based in Glendale, lost $29.9 million for the quarter, slightly more than the $26 million deficit posted in the same period a year ago. Glenfed blamed the loss on continuing loan quality problems, a revenue slump, and a sharp decline in core deposits.

Glenfed's sixth consecutive quarterly operating loss came as it is trying to sell about $400 million of stock in order to meet federally mandated capital guidelines. Failure to reach the targets could prompt regulators to seize its main thrift unit, Glendale Federal Bank.

Ahmanson's red ink came from selling nonperforming assets.

As an interim target, Glenfed must achieve a 4.5% core and 9% risk-based capital ratios by the end of September. It ended the second quarter with those ratios at 2.65% and 5.77% respectively.

The second-quarter loss, though not surprising, may discourage potential investors, analysts warned.

"It's going to be very difficult for them to generate any enthusiasm," said E. Gareth Plank of Mabon Securities.

Glenfed's stock lost 12.5 points, trading at $1.25 Thursday afternoon.

During the quarter, the company registered modest improvement in credit quality. Nonperforming assets and restructured loans fell to $938.2 million, or 5.1% of assets, from $970.5 million at the end of March.

But Glenfed ominously reported an outflow of $2.1 billion of consumer deposits over its last fiscal year, which ended on June 30. It blamed the exodus on financial difficulties and resulting publicity of those difficulties." The deposits had to be replaced with about $2.2 billion of expensive short-term wholesale borrowings, the company said.

DIME

The Dime Savings Bank of New York earned $3.2 million in the second quarter, down 63% from its year-earlier gain of $8.6 million.

Without capital gains, it would have lost $3.4 million before taxes, said Gary Ford, an analyst at Smith Barney, Harris Upham & Co.

In afternoon trading on Thursday, Dime's shares were unchanged at $7.1125.

The company's credit quality improved, as nonperforming assets fell by $118.3 million during the quarter. But the Dime also suffered a major decline in net interest income, leading to an interest rate spread that plunged 51 basis points to 2.87% from the year earlier and 15 basis points from the first quarter of this year.

"The margin is way down," said Mr. Ford. "We didn't expect it to be that low."

Richard Parsons, chairman and chief executive of Dime, attributed the sharp decline to the thrift's decision to shed $1.5 billion of low-yielding commercial loans and $1.2 billion of expensive short-term borrowings

IBAA Offers Insurance For Environmental Risk

By BILL ATKINSON

Washington Watch

THE INDEPENDENT BANKERS Association of America is offering an environmental risk insurance program for banks that want to make loans to small businesses that work with chemicals.

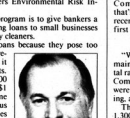
The trade group has teamed with Omaha-based Empire First and Marine Insurance Co., which is an A.M. Best A-plus rated company that will underwrite the loans. Also, Proctor Homer Warren, a Troy, Mich.-based firm, will market the program to bankers.

"Bankers are taking a look at it," said Stephen Ello, director of services of the IBAA.

He said 10 institutions have since signed up for the program, which is known as Bankers Environmental Risk Insurance.

Mr. Ello said the goal of the program is to give bankers a higher comfort level when making loans to small businesses like gas stations, printers, and dry cleaners.

Bankers have avoided these loans because they pose too great a risk. If an institution forecloses on contaminated property, it can be liable for the clean-up costs.


James Lauffer

"You could be making a $50,000 loan . . . but you might have a $1 million liability if there is some kind of chemicals or hazardous waste" on the property, said James R. Lauffer, the trade group's president and chairman and chief executive of First National Bank of Herminie, Irwin, Pa.

Mr. Lauffer said he hasn't yet signed up for the program.

"We are looking at it seriously," he said. "There were a couple of questions we were trying to get worked out."

Under the program, a bank that buys insurance through the IBAA pays premiums that are generally a quarter of the loan balance. The insurance either pays to clean up the property or pays the balance of the loan to the lender.

For a "due diligence" fee of $300, the program also inspects property for contamination. This way, bankers can cut expensive on-site property assessments, which are typically conducted before making the loan.

Mr. Ello said the program won't necessarily be an easy sell. With interest rates still at low levels, bankers aren't making many business loans.

"The other challenge is that it's a new product," he said. "I don't think bankers are real familiar with it. It is going to take time to get bankers comfortable with it."

The insurance program has been in the works for about a year. In March, at the IBAA's annual convention in San Diego, the trade group hosted a meeting introducing the program. About 400 bankers contacted the group for information, but enrollments have been slow.

Last month, the IBAA hired Proctor Homer to market the program.

"We needed somebody out in the field selling the product," Mr. Ello said. "We found that because it was a new product, there needs to be somebody to walk the banker through it and answer questions."

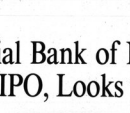
Commercial Bank of New York, Fueled by IPO, Looks to Expand

By PHILZABOIDAKIN

The Commercial Bank of New York has enjoyed astonishing growth since opening in 1988 – and a recent public offering positions it for even more.

Commercial already holds $760 million of assets – but just 24.5% consists of loans, the rest being deposits invested in government securities.

The emphasis on a "fortress" balance sheet, says chief executive Jacob Berman, is key to Commercial's success. And that's the reason the company recently went to market with its first public stock offering.


Jacob Berman
Fortifying the balance sheet

Capital Ratio Soared

"We wanted to make sure we maintained a strong [total] capital ratio," says Mr. Berman, also Commercial's president. "We were at 14.47% before the offering, and now we're at 18.8%."

The initial public offering of 1,300,000 shares was oversubscribed by 175,000 shares, yielding a net take of $15.6 million. That would allow Commercial to make an acquisition while keeping its balance sheet strong.

Commercial last year bought the deposits and four Manhattan branches of the failed American Savings Bank. All are corner offices in prime banking areas of the upper East Side and the downtown business district.

No Advertising

That puts Commercial, which does not advertise, in the midst of "small and medium businesses that are underserved by the larger banks," said Mr. Berman.

Commercial already has begun serving those businesses, however.

"They're not wet behind the ears," said Warren Heller, research director for Veribanc Inc., Wakefield, Mass. "They have $186 million in total loans, and $142 million of those are commercial and industrial."

Mr. Heller adds, "of the C&I loans, $77 million are overseas borrowers, so they have some smarts in import/export – and most New York banks don't get involved in [lending to] overseas business."

Of Commercial's deposits, which total $584.6 million, half are foreign in origin, said Mr. Berman, formerly senior lending officer at the Israel Discount Bank of New York.

"We have some import garment business and trade financing business," he said, stressing that his lending officers are prepared to evaluate any of the domestic businesses in Commercial's service area.

Headquarters in Waldorf

"The trick is, as we keep adding clients and deposits, we don't want to put our capital ratios out of whack. It's a very important marketing tool. Even though we're a small bank, we have clients who deposit more than the FDIC insurance limits."

Commercial was founded by Gabriel R. Safdie, who selected the Waldorf Astoria for its main office. Mr. Safdie is no stranger to banking – his family started Sao Paolo's Banco Cidade as well as Geneva's Multi Commercial Bank. □

Battle Lines Drawn as Insurance Ruling Nears

By BILL ATKINSON

Washington's Mailbag

The Federal Deposit Insurance Corp. will soon decide whether to limit the ability of healthy state-chartered banks to sell insurance outside their home turf.

On Oct. 27, 1992, the agency adopted rules that did not limit banks' insurance underwriting to a home state. Bankers don't like the direction the agency is now taking. The following are excerpts from comment letters to the FDIC:

The FDIC should amend the final regulation to read as originally proposed. For FDIC to ignore the clear intent of Congress and issue a final rule that is inconsistent with the legislative history is an abuse of discretion.

James R. Lauffer
President
Independent Bankers Association of America
Washington

CSBS strongly believes that the FDIC should confirm its current rule. The FDIC's interpretation made in its final regulation of Oct. 27, 1992, is the correct interpretation . . . and should be retained.

Doyle Bartlett
General counsel
Conference of State Bank Supervisors
Washington

The company urges the FDIC to adopt its original conclusions regarding the geographic scope of the grandfather, namely that the insurance underwriting activities of a bank must be limited to its chartering state.

Thomas F. English
Second vice president
Massachusetts Mutual Life Insurance Co.
Springfield, Mass.

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Common Sense, Not Dogmatism, Is Key To Future Success for Community Banks

By JOSEPH LONGINO
Managing Director
Sandler O'Neill & Partners, New York

Recent discussion of the present and future of banking – particularly community banking – has too often been dogmatic.

We are told that the death of the thrift, the demise of the small, the extinction of the mutual, the rise of the megabank (or one guise or another), and the advent of niche banking are all inevitable.

In their advocacy of this fashionable ideology, many banking consultants and pundits sound more like misguided social engineers of some five-year plan for collectivizing American banking than commonsensical observers of it.

Comment

By contrast, the pragmatic approach to banking begins with the appreciation of common sense to business.

Running a successful business involves identifying market needs that the business has the resources and meeting these needs better or at a lower price, or both, than competitors do.

Bankers must also control expenses, diversify assets, and practice the right banking style. Successful community banks accomplish these tasks, and they do so in a variety of ways that constantly confound dogmatic notions of what banking must be or become.

Powerful Resources

The resources of the community bank are limited but powerful in the hands of capable bankers. Chief among these resources is the bank's superior knowledge of a community. It can use this knowledge to deliver products and services tailored to its customers in a personalized, unbureaucratic manner.

As well as its customers, a community bank's shareholders (unless the bank is a mutual), employees, and regulators also are stakeholders. Moreover, customers, shareholders, and employees are overlapping stakeholders whose needs and expectations are shaped by this blending of roles.

The customers are individuals and small businesses. Their needs are small deposit and loan services – the staples of a community bank. The bank may also provide investment services for individuals if the community has sufficient personal wealth to warrant such services.

Shareholder Loyalty

Shareholders are bank customers who expect a return on their investment consistent with the bank's service to the community. They will tend to be more loyal than the nonresident shareholders of a larger bank, but a community bank can quickly exhaust this loyalty if it provides lackluster financial performance and customer service.

Employees will also be customers – and often shareholders – of the bank. Their needs include competitive pay and the pride that comes from working for a highly regarded, locally owned and managed community bank.

Regulators will have three basic expectations of the bank: good capital, prudent and capable management, and service to the community, including a committed compliance with the Community Reinvestment Act.

Because regulators are averse to risk, there will be manageable – though not always palatable – tradeoffs in satisfying them as opposed to other stakeholders.

Three Challenges

If community banking presents savvy businessmen and businesswomen with worthwhile opportunities, it also carries with it the burden of three challenges: expense control, asset diversification, and banking style. While these challenges are not unique to community banking, meeting them effectively makes special demands of the community banker.

Expense control doesn't mean minimizing expenses, because such important selling points as customer service can suffer from a single-minded focus on expense reduction. Rather, expense control means managing expenses. The community banker must carefully weigh the tradeoffs of spending more or less, and for what purposes.

The resource constraints on a smaller bank require the community banker to decide with

We are told that the death of the small bank is inevitable.

some precision what must be accomplished internally and what may be accomplished externally in a more cost-effective manner through sourcing to consultants and other providers.

Because regulators may not appreciate or willingly acknowledge the value of some outsourcing by the community bank, the community banker must be prepared to persuade examiners of its prudence.

Asset Diversification

As all community bankers know, more probing examinations are but one aspect of a growing regulatory burden, which weighs most heavily on community banks.

Asset diversification is the second challenge to the community banker. Because the community bank serves a local market area, geographical diversification of its loan portfolio will be difficult, if not impossible, to achieve.

The industry's recent experience is an object lesson in the twin risks of lending too freely close to home and seeking to avoid this risk by purchasing loan participations outside the local market area.

Achieving asset diversification requires two realizations by the community banker. First, loans large in relation to capital are always high-risk and must be regarded as a carefully controlled sideline, not a core business.


Joseph Longino

Second, the securities portfolio is an important tool for diversifying risk even when creditworthy loan demand is plentiful.

Properly understood, the community bank's securities portfolio is not just a place to put funds when loan demand is weak – it's a place where the bank must invest funds even in the presence of strong loan demand.

Banking Style

Finding and practicing the right banking style is the third challenge to the community banker. Even though most community banks are stock institutions, many will have begun life as mutual savings banks or associations, and all community banks will find it useful to remember these roots.

The challenge for the community bank is to enhance future performance and shareholder value while preserving the personal touch.

Every community bank, no matter how small, will have a highly articulated corporate structure in which authority is both shared and delegated.

The board of directors must give management a clear mandate and sufficient leeway to run the bank. But management must appreciate that in a community bank, the directors will be more involved than would be the absentee directors of a larger institution.

The officers and directors of the community bank must find ways of respecting each other's role while taking an active interest in what each is doing to secure the success of the bank.

Directors' Role

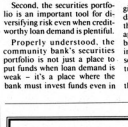
No less than the officers, the directors of a community bank have a crucial role to play in marketing the bank to businesspeople in the community.

The community banker thus needs to be both a fiduciary and a businessperson with a face and a first name who is capable of satisfying the expectations of customers, shareholders, and employees.

To do this, the community banker must be informed about and involved in the community. He or she must understand that a business plan is merely a memorandum of current thinking that needs to be kept current.

The community banker must regard regulators not as enemies but as part of the bank's control environment, like its audit committee and public accountant. The community banker should try to work constructively with regulators to run the bank better, because the only alternative is fruitless confrontation.

Finally, the community banker must remember that a community bank consists of many community bankers. Not only the officers of the bank, but also its directors, employees, and shareholders are vital emissaries to the community upon whom the bank's success depends. □



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California's Network Financial, Primed by Deals, Aims to Grow

By EDWARD KULKOSKY

Network Financial Services of San Jose, Calif., which bills itself as a one-stop shopping service for homebuyers, is moving aggressively to beef up its loan origination capability.

The company has agreed to buy Westmark Mortgage Corp. of Costa Mesa for about $6.4 million and to acquire the business assets of Mortgage Lenders Financial Network of San Jose, a private company, for an undisclosed price.

The deals should increase the company's annual loan volume by about 400%, to about $720 million, according to an announcement.

The ambitious moves come at a time when the California economy is struggling, but also when new federal rules have facilitated vertical integration in real estate and mortgage services.

Placing Software at Brokers

Network Financial now has plans to go national by offering new software for management of real estate offices. A mortgage origination capability is included, and the company hopes to significantly expand its lending volume by placing the software with large numbers of brokers. It is also looking to expand its insurance sales.

The company says users can operate the program by touching

Annual loan originations are projected to rise by 400%.

the screen or pushing buttons on the screen with a mouse. Network is hoping for wide acceptance of the software because of its simplicity in an industry where the use of computers is still limited and the focus remains on sales rather than operations, said Lee Danna, chairman and chief executive officer of the company.

The company will use the software in all its California offices and will offer it to brokers nationally as well. The program was developed with Sector Group, based in Burlingame, Calif.

'Stable Earnings Stream'

Mr. Danna said the acquisitions provide Network with more than $450 million of mortgage servicing, "which can provide a stable earnings stream to offset interest rate-related fluctuations in origination volume."

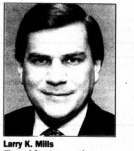
Network provides real estate, mortgage, insurance, and other related services in Northern California.

The company operates three divisions: Network Real Estate, a large real estate brokerage business; Network Capital Group, a 25-year-old mortgage banking operation; and Network Home Services, a provider of insurance brokerage and property care services.

Mr. Danna projects combined overhead savings of $1.2 million dollars after the acquisitions.

He added that the expansion should double the company's total annual revenue to about $27 million. □

Margaretten Appoints Mills To a New Finance Position



Larry K. Mills
Tapped for vice president

Margaretten Financial Corp. has appointed Larry K. Mills, 44, as vice president for finance, a new position.

Mr. Mills will oversee corporate finance activities for Margaretten, including corporate funding, bank relations, and cash management. He will report to Bruce Schnelwar, executive vice president and chief financial officer.

Before joining Margaretten, Mr. Mills was senior vice president and treasurer of Equitable Life Assurance Co. He also was on the board of the Economic Development Corp. of New York City and served on the advisory board of ABN Amro Bank, New York.

Mr. Mills is a native of Ottawa, Ill., and has a degree in business administration from Northwestern University. He completed the advanced management program at Harvard Business School in 1985.

Margaretten, based in Perth Amboy, N.J., is an independent mortgage company that ranked 17th in the nation in originations last year.

* * *

Arcs Mortgage Inc., the mortgage banking affiliate of Bank of New York, has named Ann Holmes Pennywit vice president for secondary marketing.

Ms. Pennywit held senior secondary marketing positions with Standard Federal Savings Bank of Virginia, and BancNewEngland Mortgage Co. and Pioneer Financial, both in Boston. Earlier in her career, she was a stockbroker in New York.

She has a bachelor's degree in history from the University of North Carolina at Chapel Hill.

— **Edward Kulkosky**

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N.Y. Agency Faults Fund Sales Tactics

Continued from *page 1*

cal of some brokers and fund companies.

It charged that advertising by Dreyfus Service Corp., Franklin Advisers, and Charles Schwab & Co. violated consumer protection laws. The companies face fines of up to $500 for each violation.

A Schwab spokesman denied using improper advertising. Officials at Dreyfus and Franklin said they were preparing a response.

The consumer agency, which announced its findings at a press conference Thursday, said it had launched the probe because of the explosion in use of mutual funds. It has published a 42-page guide for consumers seeking to buy mutual funds.

'Mystery Shoppers' Used

Consumer Affairs Department investigators phoned the banks in late June posing as first-time fund buyers with questions about fund types, safety, and management fees. The call was made to each bank, and the conversations lasted five to 10 minutes, the agency said.

The agency was particularly rankled by the failure to disclose

Salespeople often failed to mention that the funds are uninsured.

that mutual funds are not protected by the Federal Deposit Insurance Corp. In an attempt to elicit this fact, the investigators asked: "Is my money safe?"

Among the five banks, only sales agents at Citibank and Marine Midland specifically pointed out the absence of insurance, the department said.

"We were disappointed that the banks didn't make it crystal clear that the funds aren't FDIC insured and that investors face a real risk of losing their principal," said Jennifer Kohn, who wrote the report.

Added Richard Schrader, acting commissioner of the department: "They may not have a legal obligation, but they certainly have a moral obligation" to disclose that up front.

But J. Edward Diamond, president of the unit that oversees Dime Savings' investment products, said phone disclosure is not a serious issue.

"It's wholly inappropriate to [disclose that] without any knowledge of customers' investment objectives or level of sophistication," he said.

Banks generally "gave a much harder sell" than salespeople at fund companies, the report said. This may occur because bank agents earn commissions, while fund agents often do not, Mr. Schrader said.

One exception: The Dime Savings representative was the only sales agent who gave "good answers," the department said.

The report was especially critical of salespeople at Citibank and Chase, who were "particularly eager" to have undercover investigators come into the office for presentations. "Face-to-face sales presentations can be intimidating to new investors" who don't know much about mutual funds, the report said.

Undercover shoppers were steered to riskier investments.

But Mr. Diamond of Dime Savings disagreed. "If that's the case with those banks, I commend them," he said of Citibank and Chase. "I have to sit down with the customer and get to know them and their risk tolerances."

A Chase spokesman echoed Mr. Diamond, saying that personal meetings are preferable for discussing the risks involved with the complexity of mutual funds.

Bank representatives also frequently failed to steer first-time investors toward the more conservative fund investments they would likely be most comfortable with, the agency said.

The department singled out a salesperson at Chemical who "pitched the most risky investment and gave the least clear and accurate information."

Colleen Kelly, a spokeswoman for Chemical, said the bank couldn't respond to the individual allegation without knowing the specific case. But she added, "Our sales consultants are trained to make sure customers understand the strengths and limits of each type of investment."

Marine Midland declined to comment, while Citibank officers were unavailable.

The department also feels the Securities and Exchange Commission is dropping the ball by allowing banks to have fund names that are similar to their institution's. Bank regulators and the SEC have raised concerns about this, but have not prohibited the practice. □



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Seth Resnick

TAKING NOTES: Mr. Manzi is said to have kept Lotus' Notes project alive and to have earmarked some $50 million toward its development.

Lotus Aims for Workgroup Niche at Banks

Continued from *page 1*

sic processes — wringing out costs, reducing brick and mortar, and rethinking the systems strategies that were put in place in the 1980s, when banks organized around products," said Jim P. Manzi, the 41-year-old chairman and chief executive of Lotus. "Now they are trying to organize around customers."

The recent success of Notes has breathed new life into Lotus, which in recent years struggled with declining revenues and sagging stock price as the market for spreadsheet software has matured.

Lotus announced Thursday second-quarter revenues of $235 million, up 6.8% from the previous year's period, near the high end of analysts' expectations.

Two-Track Success

The company said its second-quarter operating results benefited from strong early demand for the latest release of its 1-2-3 spreadsheet program, and "significant growth" in its communications business, particularly in sales volume for Notes.

Notes' success is also a personal success for Mr. Manzi, whom company observers credit with the company's shift in strategy away from single-user software to programs that can be used across networks. Mr. Manzi is said to have kept the Notes project alive, and to have earmarked some $50 million toward Notes development since 1989.

However, spreadsheet sales still contribute the lion's share of Lotus' revenues, representing about 80% of the company's 1992 sales, according to Gartner Group, a research and consulting firm based in Stamford, Conn.

But the firm also expects the installed base of Notes to rise dramatically, from 350,000 users today to more than a million by the end of 1994. The software "is the future of the company," says Michael Anderson, program director of office information systems for Gartner Group.

Race to Stay Ahead

But Lotus will not long be alone in the workgroup market: Microsoft is reportedly develop-

A raft of banks has seized on Lotus' groupware concept.

ing a similar document-sharing system.

Industry observers say Lotus has at least a year's head start.

"There's no product that does all of what Notes does," says Michael A. Mandelbaum, a vice president at Chase Manhattan Bank and Notes specialist.

"We want to establish Notes as a standard environment for workgroup computing," said Mr. Manzi. "That way, we're more likely to connect [banks'] customers."

A Bridge to Customers

Establishing communications links with customers using Notes is just what many banks are contemplating.

At J.P. Morgan, between 2,500 and 3,000 employees worldwide use Notes. Sources say that Morgan is working with Lotus to use Notes for linking the bank with its customers.

"The problem we have is we are doing business globally with different technologies, with people [working] in a taxi, some in a hotel room," said Jean-Louis Bravard, managing director at Morgan. "With this product, people can work together irrespective of location, irrespective of time zone."

Craig Goldman, chief information officer at Chase, was one of Notes' earliest proponents. Chase began testing the software in 1989, and now about 3,500 employees on both the retail and wholesale sides of the bank using it. By the end of the year, Chase expects to have 6,000 Notes users, Chase officials said.

Notes has enabled Chase to do more cross-selling in corporate finance and in cash management, Mr. Mandelbaum said. "Now we can see what is really going on with that customer," he said.

Marketing to Banks

Ultimately, Chase would like to provide a link to customers using Notes, allowing them to view information, send messages, and share documents with their bankers. "We believe Notes is a very strategic tool for us, and we'll continue to roll it out worldwide," says Mr. Goldman.

Although in general Lotus sells through third-party resellers, the company has set up its own marketing arm for bigger banks. Mr. Manzi said he personally handles some of Lotus' biggest bank clients, including Morgan and Citicorp.

Mr. Manzi has developed some longtime relationships with bankers – before joining Lotus in 1983, he was a management consultant at McKinsey & Co.'s Manhattan office, where he worked on operational studies for banks.

Today, Chase's Mr. Goldman and J.P. Morgan's Mr. Bravard are members of Lotus' executive council, a group of 20 corporate customers from a variety of industries that meet periodically to tell Lotus what their problems are and what standards they see emerging.

The key with money center bankers "is they want to make sure they have a strategic relationship with Lotus," said Robert Wyler, senior vice president of North American sales, marketing, and support.

Rough Edges

But it has not been all smooth sailing for Lotus, as it makes its shift in emphasis to groupware. The company's fortunes were built on the popular 1-2-3 program, which is still widely used in banks, although there have been inroads by Microsoft's Ex-

See **LOTUS** *next page*

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SEI Service 'Sweeps' Excess Cash into Mutual Funds

By DEIDRE SULLIVAN
Special to the American Banker

Seeking to help banks capitalize on the boom in investment products, SEI Financial Services Co. has introduced a new service that allows investors to easily move cash in and out of money market mutual funds.

The service, called Cash Management Investment Services, provides financial institutions with the technology to automatically invest excess cash from checking accounts in designated money market mutual funds.

Using SEI's systems, banks can "sweep" cash balances into their own proprietary mutual funds or into the Wayne, Pa.-based company's family of investment instruments, including a money market mutual fund with more than $18 billion under management.

The program allows a banker to generate fee income from the flow of funds rather than rely on interest spreads.

Repurchase Programs Devalued

Until now, most banks have swept excess customer cash into repurchase agreements in order to provide higher returns than traditional savings instruments.

According to Tony Carfang, a consultant with Treasury Strategies Inc., a Chicago-based consulting firm, the value of assets in repurchase programs has begun to decline as both companies and individuals demonstrate a preference for money market mutual funds.

"Traditionally, sweep products have been viewed as cannibalizing bank deposits, but the attractive feature of the SEI program is that it enables a banker to generate fee income from the flow of funds rather than rely on generating income from interest spreads," he said.

Mr. Carfang also said that it is critical that banks come up with ways to benefit from the movement of funds out of demand and savings accounts.

A Competitive Imperative

Treasury Services recently completed a study which indicated that for every dollar a midsize corporate customer had in a savings account, it had $4 in a money market account or mutual fund. "In order to compete, banks have to recapture these assets and increase profitability," Mr. Carfang said.

Cash Management Investment Services is targeted to banks of all sizes. Rick Lieb, President of SEI Investment Services, indicated that both a money-center bank and a community bank had recently made verbal commitments to use the sweep service. He declined to name either institution.

"Bank customers enjoy higher yields on their excess operating cash and still retain daily liquidity" while boosting a bank's fee income, Mr. Lieb said.

Ms. Sullivan is a freelance writer based in New York.

Lotus Aims to Carve Niche in Workgroup Computing at Banks

Continued from *page 12*

cel spreadsheet.

But while 1-2-3 was designed to run on a single PC, Notes has the additional technical complexity of running on networks of computers, and as such is more difficult to troubleshoot when system glitches arise.

Early purchasers of Notes complained about Lotus' technical support, which was still geared to the less complicated problems of the individual spreadsheet user.

"Lotus as a company is learning that Notes needs to be supported differently than 1-2-3," said Chase's Mr. Mandelbaum. Notes is "more of an environment that's built and maintained by systems professionals, and so it needs to be supported differently."

Some bankers say that it still can take a long time to get questions answered, and to get to the right person to answer a question, particularly if it is a particularly technical one.

Joining Forces

Crucial to Lotus' goal of becoming the standard for workgroup computing in banks is its ability to sign up other technology firms to develop software specifically for banking.

For example, Lotus has teamed with Eastman Kodak Co., Rochester, N.Y., to develop a system that captures and stores the images of documents with Notes. Bankers Trust New York Corp. and Chemical are using the system in their securities custody business.

Chemical is using the system initially to improve customer service on private placement issues where documents must be periodically reviewed.

On another technology front of interest to banks, Lotus decided to abandon discussions with Philips NV to develop software for a computerized telephone. One of the applications could have been for home banking.

Lotus decided not to pursue the discussions with Philips, because there already was too much competition in the market to produce these new telephones, Mr. Wyler said. □



Karen Calhoun

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AUCTION NOTICES

M. SOKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 884137 Sale August 3, 1993 10:00 AM 4075 Boston Rd Bronx 1982 Plymouth Reliant Subn 1FL-BP5D3CT218864 Re: J. Goldberg: 10:30 AM 609 Fortunant Ave Bronx 1981 Honda Accord 2 Dr H/B JHMSM5325BC039108 Re: R. Bennett 1987 Chevrolet Beretta 2 Dr Sdn 1G1LV11W0HE225782 Re: F. Miranda: 11:00 AM 1941 Jerome Ave Bronx 1973 White 9000 Truck BQ051-104737144 Re: Radisch Bros. 1982 Honda Civic 2 Dr H/B JHMSL4312CS022021 Re: C. Hernandez: 11:30 AM 245 E. 138th St Bronx 1986 Oldsmobile Calais 4 Dr Sdn 1G3NY69L7GC833194 Re: M. Jawando: 12:00 PM 137 W. 108th St. N.Y.C. 1979 Buick Regal 2 Dr Cpe 4D47Y9H532010 Re: P. Worthen, 1986 Cadillac Fleetwood 4 Dr Sdn 1G6AW69Y0GR703422 Re: D.P. Nance: 12:00 PM 137 W. 108th St. N.Y.C. 1985 Buick Regal 2 Dr Sdn 1G4GJ1470FP235761 Re: B. Jorge: 12:30 PM 1832 Second Ave N.Y.C. 1985 Dodge Aries 4 Dr Sdn 1B3BD36C6FN179098 Re: F. Sanchez: 1:15 PM 425 W. 60th St. N.Y.C. 1980 Mercedes Benz 240D 4 Dr Sdn WDBAB23A3BB229843 Re: G. Anderson: 2:00 PM 343 10th Ave N.Y.C. 1985 Isuzu I-Mark 4 Dr Sdn JABRT69FB5100238 Re: S. Cruz-Gonzalez: 2:30 PM 464 W. 188th St. N.Y.C. 1985 Condor MV2350 Boat FL-1353-CD Re: S. Lewis: 3:00 PM 504 E. 13th St. N.Y.C. 1990 Jeep Wrangler U/V 1J4FY19L1LL945327 Re: D. Levine: 3:30 PM 225 Thompson St N.Y.C. 1982 Honda Accord Sedan 4 Dr Sdn JHMAD6403CS-3682 Re: S. Johnson: Metropolitan Auctioneers, Inc.

M. SOKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 884137 Sale August 9 10:30 A.M. 3179 Cherreden Rd Bronx 1978 Buick Regal 2 Dr Sdn 4M4CH8H190241 Re: B. Jordan: 10:00 A.M. 2201 Tiden Ave Bklyn 1983 Chevrolet Caprice Classic Sdn 2G1AN35HXD-9329-339 Charleston Ave Bklyn 1979 Toyota Celica 2 Dr H/B JT2TA52N7B3127382 Re: C. Gayle: 11:30 A.M. 259-269 Gold St Bklyn 1984 Audi 4000S 4 Dr Sdn WAUHC8041EH015-4084 Re: I. Hernandez: 12:00 P.M. 37 Carlton Ave Bklyn 1988 Chevrolet Chevy Van 30 Van 1GCEG25K0J7133045 Re: K. L. Lak: 1:00 P.M. 524-540 Halsey St Bklyn 1984 Chevrolet Cavalier 4 Dr Sdn 1G1AN-C9PBE7214532 Re: O. Wall: 1:45 P.M. 56 Milford St Bklyn 1978 Oldsmobile Cutlass Supreme 2 Dr Sdn 3M47F8244439V Re: Property Clerk/J.I. Sez: 2:15 P.M. 5000 Fremont Ave Bklyn 1989 Nissan Sentra 2 Dr Sdn JN1GB12T2-4LU126144 Re: H. Forbey: H Boyd: 2:45 P.M. 52 Arlington Ave Bklyn 1985 Lincoln Mark/VII 2 Dr Sdn 1MRBP98F9FY765443 Re: I Fordyce: 3:30 P.M. 8720 Foster Ave Bklyn 1985 Buick Park Ave 4 Dr Sdn 1G4CW69D6F1-497193 Re: D. Walker: 4:00 P.M. 1648 Schenectady Ave Bklyn 1980 Buick Century 4 Dr Sdn 4A0104AG1A160 Re: P. & R. Pyle. Metropolitan Auctioneers, Inc.

DEFAULT In Security Agreement Made By Eddie Rodriguez Doing Business As Refrigeration & Equipment Co. Inc. I Will Sell On 7/26/93 At 11:00 AM At 640 Thwaites Pl., Bx., N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct/ Lic #732334 of F.E.S. AUCTIONS INC. As Agents.

DEFAULT In Security Agreement Made By Josefina Rodriguez to Latino Business Management Corp. I Will Sell On 7/26/93 At 1:00 PM At 451-01 108th St. Corona, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct/ Lic #732334 of F.E.S. AUCTIONS INC. As Agents.

Lien Sale 8/6/93 9:00AM 43-20 Astoria Blvd Astoria 83 Ford #2FDJF37Y1DC-A31154 Re: Lancer Metal. Pub 7/23 & 7/30/93.

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M. SOKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 884137 Sale August 10, 1993 10:00 AM 762 Bergen St. Bklyn 1982 Oldsmobile Delta 88 4 Dr Sdn 1G3AN69Y8CM183792 Re: F & B Goddard: 10:30 AM 1914 Clifton Pl. Bklyn 1975 Mercedes Benz 450SEL 4 Dr Sdn 11603120381106 Re: R. Christopher: 11:00 AM 37 Carlton Ave Bklyn 1982 Chevrolet Camaro 2 Dr Sdn 1G1AP8711CN165090 Re: A. Lopez / D. Lewis: 11:15 AM 220 Vanderbilt Ave Bklyn 1981 Toyota Corolla 4 Dr Sdn JT2MX62E4B0018747 Re: L. Nelson: 12:00 PM 46 Hall St. Bklyn 1983 Pontiac Trans Am 2 Dr Sdn 1G2AW87H-3DN234675 Re:A. Lopez: 12:30 PM 2870 Fulton St. Bklyn 1985 Honda Accord 4Dr Sdn 1HGAS1431FA004104 Re: M. Martinez: 1:30 PM 382 Remsen Ave Bklyn 1988 BMW 135IS 4 Dr Sdn WBADC7402-2J1719089 Re: Warehouse H & Associates/P. Chase: 1987 Toyota Camry 4 Dr Sdn 4T1SV24E9HU009166 Re: S. Cuzco: 2:00 PM 476 Utica Ave Bklyn 1985 Datsun 280ZX 2 Dr H/B JN1HZ04ZSDX-413412 Re: M. Traver: 2:30 PM 651-659 Utica Ave Bklyn 1989 Suzuki Samurai 2Dr Sdn MJC3J52R7BA8K2100665 Re: M.R. Kelly: 3:00 PM 1911 Utica Ave Bklyn 1981 Pontiac Grand Prix 2 Dr Sdn 2G2AZ37-AB230360 Re: M.A. Rivera: 3:30 PM 2600 Foreign Rd Bklyn 1985 Chevrolet Corvette 2 Dr Conv 1G1YY2187F5113644 Re: L. Tuttleman: Metropolitan Auctioneers, Inc.

M. SOKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 884137 Sale August 11, 1993 10:30 AM 1993 Toyota Camry 4 Dr Sdn JT2SV16E2P3003469 Re: M. Yolsaint: 10:30 A.M. 750 Zerega Ave Bronx 1986 Chevrolet Camaro 2 Dr Sdn 1G1FP87S0-GN145985 Re: D. Piacitelo/Snappy Car Rental Inc: 11:00 A.M. 103 W 116th St NYC 1975 Triumph Spitfire 2 Dr Cnvrt FH3434541 Re: L. Hussain: 11:45 A.M. 276 7th Ave NYC 1984 Ford Mustang 2 Dr Sdn 1-FABP28A6EF235456 Re: Y. & Defensa/S. Perez: 1983 Buick Skylawk 4 Dr Sdn 1G4AS69R9DE-403568 Re: Y. Gonzalez/B Betancourt: 12:15 P.M. 422 W 150th St NYC 1990 Chevrolet Lumina 4 Dr Sdn 2G1WX54939F433728 Re: A. Young: 1:00 P.M. 196 Staunton St NYC 1982 Cadillac Cimarron 4 Dr Sdn 1G6AG-6C69CJC402751 Re: J Castro Metropolitan Auctioneers, Inc.

Promis Lien Service, Lic# 869242 Sells on 8/09/93 at 10AM at 123-127 Nelson Ave Bx NY. 81 Chev Camaro #1G1AP8718-BL-136129 C. Milan; Sale 11/08 Voltmer Ave. Bx. NY 87 Mazda RX7 #JM1FC332-1H0133642 Re: W. Martinez; 10 AM 31 W Tremont Ave Bx. NY 82 Olds Delta 88 #1G3AY69W8CD-329020 Re: A. Sanchez; 86 Olds 2DSD #1G3NF27U4GM365233 Re: S. Flores, 79 Buick 2DHD #4Z37K-J171317 Re: A. Rivera; 10:30 AM 222 Main-Cpe #1MEBM6630HH615960 Re: State Farm Ins. Co. 84 Chev Caprice Sedan #1CHBS-6PEX621738 Re: D. Cuello; 11 AM 1544 E 173 St Bx NY 84 Honda Civic #JHM-AH533M5025139 Re: D. Osborne: 83 Dodge 4DSD #1B3BD46K3DF135458 Re: A. Deolco. Published 7/23 & 7/30/93.

M. SOKOLNICK DCA # 793108 and/ or S. GORELICK DCA LIC # 884137 Sell August 4, 1993 10:00 AM 1982 Honda 1983 pontiac Grand Prix 2 Dr Sdn 2G2GJ37AXF2301172 Re: R. Rosenstock 1984 Buick Regal 2 Dr Sdn 1G4AH37-CXEJ435458 Re: A. Deolco. Published 7/23 & 7/30/93.

Lien Sale 7/30/93 9:00AM at 790 Rossen Ave Bklyn 85 Chrip #1C1BA5465FG-104017 Re: Y. Rivera & C. Lourenzi. 10:00AM 2495 Coopey Ave Bklyn 87 Ford #1FMCA11U2HZB52313 Re: G.L. Alexander & JJ Blanc-Castello. Publ. 7/16 & 7/23/93.

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CITATION NOTICES

File No. 3586-1991

CITATION

THE PEOPLE OF THE STATE OF NEW YORK, BY THE GRACE OF GOD, FREE AND INDEPENDENT, TO Gary Rawls;

Tanaka Rawls;

Barbara Lee as guardian of

Benjamin F. Rawls III;

Benjamin Rawls, Sr.;

And to the distributees of Benjamin F. Rawls, Jr., also known as Benjamin Rawls, Jr., deceased, whose names and post office addresses are unknown and cannot after diligent inquiry be ascertained by the petitioner hereto, being the persons interested as creditors, legatees, devisees, beneficiaries, distributees or otherwise in the estate of Benjamin F. Rawls, Jr., also known as Benjamin Rawls, Jr., deceased, who at the time of his death was a resident of 630 Lenox Avenue, New York, N.Y.,

Send Greeting:

Upon the petition of the Public Administrator of the County of New York, the Temporary office in Room 311, in the Surrogate's Court Building, 31 Chambers Street, New York, N.Y.,

You and each of you are hereby cited to show cause before the Surrogate's Court of New York County, 31 Chambers Street, in the County of New York, on AUGUST 25, 1993, at 9:30 a.m., why the account of proceedings of the Public Administrator of the County of New York, as administrator of the goods, chattels and credits of said deceased, should not be judicially settled, why a hearing should not be held to determine the identity of the distributees of decedent and why the fee of Philip Bekerman, P.C., in the sum of $4,125.00, of which $2,475.00 has been paid, should not be approved and reasonable additional fee be fixed and allowed for Philip Bekerman, P.C., for any services to be hereafter rendered by Philip Bekerman, P.C., in connection with proceedings on kinship, claims, etc., prior to the entry of a final decree on this accounting.

Dated, Attested and Sealed, June 24, 1993

HON. EVE PREMINGER (L.S.)

A Surrogate, New York County

ROBERT M. HEAVES

Chief Clerk

Name of Attorney: Philip Bekerman, P.C.

Address of Attorney: 291 Broadway New York, New York 10007

Tel. No. (212) 732-9400

AUCTION NOTICES

L. Posner lic #843081 sells for cash 8/09/93 at 10AM at 220-21 Northern Blvd. Qns. Ref Auction #JN1HZ16S0E0016997 Re: M. Perez; 10:30AM at 90-21 Linden Blvd. Qns. 88 Suzuki Mky #JS1GR77A9J2102-2568 Re: S. Gibbs; 11AM at 20-20 80th St. Qns. 67 Chevy #1638J7F243178 Re: G.Lic.Cushion & J. Catalano. 57 Ford Thunderbird #D7FH1936499 Re: T. Basile. 11AM at 250-23 Northern Blvd Qns. 81 Dodge #1B3BL28BXDB204600 Re: R. Pawelkowski; sells 8/10/93 at 10AM at 6 E.Main St. New Rochelle Re: Toyota Celica #T2TS85CSG1020184 Re: Dover Nissan Inc.; 10:30AM at 222 Mulberry St. Bklyn 84 Mitsubishi Starion #JA3BC34U2EZ004345 Re: A. Thomas.

Hal Zakow Lic #0733454 Sells 8/06/93 Bx. NY 1994 2.1L Anthar Ave 80 Buick #4N94BAXS1E144194 Re: RE Schwarz; 2794 276 Jhon Ave 92 Mitsu #JA3XC75B8NV0-10020 Re: DA Moreno. 82 Nissan #JN1HB15SXC1003324 Re: J. Rodriguez; 87 Volks #1VWFA0173HV015754 Re: M B Acosta. Publ. 7/23 & 7/30/93.

Magrill Auctioneers Co., Inc. 194 Broadway, Bklyn., N.Y., (selling since 1921), as agent for Pikin Pawnbrokers Inc. 1730 Pitkin Ave. Bklyn., N.Y. 10Al4 July 27, 1993 unredeemed pledges of diamonds, watches, jewelry, etc., also holdovers from previous sales: 9378? May 20, 1986 to

CITATION NOTICES

SURROGATE'S COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
File No. 3755/93

CITATION

THE PEOPLE OF THE STATE OF NEW YORK

BY THE GRACE OF GOD
FREE AND INDEPENDENT

TO PUBLIC ADMINISTRATRIX

And to the heirs at law, next of kin and distributees of HENRY OTTLEY, deceased, if living and if any of them be dead, to their heirs at law, next of kin, dcrditors, legatees, Executors, Administrators, assignees and successors in interest whose names are unknown and cannot be ascertained after due diligence.

A petition having been duly filed by VERA CANTON GAINES, who is domiciled at 480 St. Nicholas Avenue New York City New York 10030

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court, New York County, at Room 503 31 Chambers Street, New York, on September 21, 1993, at 9:30 a.m., why a decree should not be made in the estate of HENRY OTTLEY, Deceased. lately domiciled at 2369 Adam Clayton Powell Blvd. New York New York 10039 in the County of New York, admitting to probate as a will a certain writing and personal property a paper dated November 22, 1988, a copy of which is on the records of the Public Administrator of the County of New York, as administrator of the goods, chattels and credits of said deceased, should not be judicially settled, why a hearing should not be held to determine the identity of the distributees of decedent and why the fee of Philip Bekerman, P.C., in the sum of $4,125.00, of which $2,475.00 has been paid, should not be approved and reasonable additional fee be fixed and allowed for Philip Bekerman, P.C., for any services to be hereafter rendered by Philip Bekerman, P.C., in connection with proceedings on kinship, claims, etc., prior to the entry of a final decree on this accounting.

Dated, Attested and Sealed, June 24, 1993

HON. EVE PREMINGER (L.S.)

A Surrogate, New York County

ROBERT M. HEAVES

Chief Clerk

Name of Attorney: Philip Bekerman, P.C.

Address of Attorney: 291 Broadway New York, New York 10007

Tel. No. (212) 732-9400

NOTICE TO CREDITORS

All creditors of and claimants against Lyle Metzdorf, Inc. dissolved July 14, 1993 must present their claims in writing and in detail on or before January 23, 1994 to said Corporation at 1170 NASA Parkway, Ste. Suite 101, Houston, Texas 77058 in accordance with BCL § 1006. Any such claims shall be forever barred as against said Corporation, its assets, directors, officers and shareholders.

CORRECTION NOTICE

CORRECTION NOTICE: M. SKOLNICK DCA LIC #793108 and/or S. GORELICK DCA LIC #884137 Sell JULY 29, 1993 10:00 AM Foot Of Bay 50th St. Bklyn 1968 Stickcraft #SS2319 27 Boat #SS2319K0887 Re: M. Goldfluss: Metropolitan Auctioneers, Inc.

FOUNDATION NOTICE

NOTICE

The annual report of THE ROBERT G. WILSON FOUNDATION for the fiscal year ended April 30, 1993 is available at its principal office located at c/o Grant Thornton, 1221 Brickell Avenue, Miami FL 33131 (305) 358-0077 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Nat Wechsler.

Regulators Ease Rules to Spur Flood Loans

WASHINGTON — Federal regulators on Thursday moved to ease rules governing loans to banks in the aftermath of the Midwest flooding.

The Comptroller of the Currency and the Federal Reserve Board's chief bank examiners will go easy on banks that lose loans for customers who live in flood areas.

During flood seasons, banks on their feet in the future had been criticized by bank examiners for not setting aside enough money to cover losses.

The FDIC is creating a Community Investment Act zone to the southeast of Cincinnati, aimed at helping banks in Ohio, Kentucky and Indiana.

strong, even if they are weaker in the bank's market.

In addition to extending repayment schedules for existing loan customers, the agencies said, banks may extend new credit on more favorable terms and free of criticism from examiners.

Banks that see a jump in delinquent and nonperforming loans can expect the same examiner mercy, the Comptroller's office and FDIC said.

Appraisal Requirement Stayed

Banks that were adequately capitalized before the disaster may let their leverage level dip to a point that is one percentage point above the minimum ratio allowed, officially because customers are depositing government assistance funds or insurance proceeds in their accounts.

needed for affected real estate for up to three years, the regulators said.

The agencies also are giving banks in flooded areas more flexibility to file June 30 call reports. The amount of time depends on the bank's individual circumstances.

Finally, for banks that have damaged branches or want to set up temporary branches near flood victims, the regulators agreed to waive the formal application process.

For state-chartered member banks and bank holding companies, the Federal Reserve Board is expected to issue a similar statement soon. For thrifts, the Office of Thrift Supervision eased many of the same rules last week.

Columbia Plans Issue Of 1.25 Million Shares

BELLEVUE, Wash. — Columbia Banking System Inc. has filed a registration statement with the Securities and Exchange Commission to issue 1.25 million common shares.

Columbia shares were trading Tuesday at $12.75. The offering would raise $15.9 million at that price.

The company said $14 million of the proceeds would support plans to expand into the Tacoma-Pierce County, Wash., area.

Kemper Securities Inc. and Ragen MacKenzie Inc. will co-manage the public offering, which is expected to be completed by Aug. 17, the company said. — Dow Jones

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Banker experienced in commercial, A regional commercial, international & swing banks; also with FDIC for 3 yrs. Broad background as President, Senior Credit Administrator, Private Banking, & Marketing desires position as Director or temporary professional. Will consider investment. Resume & references in confidence upon request. Prefer North/Central N.J., So. Conn or N.Y.C. Call 201-825-9680.

PARTNERSHIP NOTICE

Notice of formation of limited partnership ("L.P."). Name: 310 LENOX ASSOCIATES,L.P. Certificate filed with Sec. of State of NY ("Sec.") on 5/6/93. Office location: NY City. The Sec. has been designated as agent of the L.P. upon whom process against it may be served. The Sec. may mail a copy of any process to c/o Hoffinger Friedland Dobrish Bernfeld & Stern, P.C., 110 E. 59th St., NYC 10022. Hoffinger Friedland Dobrish Bernfeld & Stern, P.C., 110 E. 59th St., NYC 10022 is the registered agent of the L.P. upon whom process may be served. The name and address of each general partner is available from the Sec. Latest date to dissolve: 12/31/2073. Purpose: to buy, sell, operate and manage real estate.

Do You Have an Important Legal Notice? Call Lisa Logan at 212/943-5739

CITATION NOTICE

SURROGATE'S COURT
OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
File No. 1346-1992

CITATION

THE PEOPLE OF THE
STATE OF NEW YORK,
BY THE GRACE OF GOD
FREE AND INDEPENDENT,

TO

Attorney General of the State
of New York

The heirs at law, next of kin and distributees of LEON J. NORRIS, the decedent herein, if living and if any of them be dead, to their heirs at law, next of kin, distributees, legatees, executors, administrators, assignees and successors in interest whose names are unknown and cannot be ascertained after due diligence.

A petition having been duly filed by Ethel I. Griffin, Public, who is domiciled at Administrator of the County of New York 31 Chambers Street, Room 311, New York, New York 10007.

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court, New York County, at Room 509 31 Chambers Street, New York, on Aug 11, 1993, at 9:30 a.m., why a decree should not be made in the estate of Leon J. Norris, lately domiciled at 57 West 82nd Street, New York, New York in the County of New York, admitting to probate as a will of real personal property a paper dated August 19, 1965, (a copy of which is attached), and ordering the Letters of Administration with the Will Annexed issue to the Public Administrator of the County of New York.

Dated, Attested and Sealed, June 25, 1993.

(L.S.) HON. Eve Preminger
Surrogate, County of New York

Robert M. Reaves
Clerk of Surrogate's Court

Name of Attorney: Robert M. Hall, Esq.
Address of Attorney: 233 Broadway
Suite 3110
New York, New York 10279
Telephone Number: (212) 406-4600

This citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that do not object to the relief requested.

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Storm Brewing over Banks' Errors on HMDA Data

Continued from page 1

tween 5% and 50%.

Community groups say they have found every kind of error imaginable. The most common mistakes: miscoding loans to whites as minority loans, mischaracterizing loans in upper-class neighborhoods as low-income neighborhood loans, and including non-HMDA loans in the HMDA data base. In at least one case, for example, a loan to a car wash was counted as a home loan.

"We do not take at face value the loan application records that financial institutions supply to federal regulators," said Stanley A. Loeb, an official at the Pittsburgh community group.

Among common mistakes are miscoding loans to whites as minority loans and mischaracterizing loans in upper-class neighborhoods as low-income neighborhood loans.

NEWS ANALYSIS

The possibility that the HMDA data may have significant errors puts regulators in a tough spot. Given the magnitude of the HMDA effort, they are angry that some banks are not making a good-faith effort to submit accurate information. They want to send a message to the lenders that they need to shape up.

Data Base in Question

But in making an issue of the problem, they open themselves to criticism on the integrity of the data base, which has been used as evidence that there is widespread discrimination against minority borrowers.

Advocacy groups are ready to get the numbers straight if regulators don't.

"In my mind, the regulatory agencies have a real dilemma," said David C. Fynn, a corporate compliance officer of National City Bank. "They need to emphasize the accuracy of the HMDA data, but every time they talk about inaccuracies, they undermine its credibility."

Added Ms. Griffin: "The regulators are taking on two burdens they don't like: first, it takes a lot of time to correct errors, and that's expensive. Second, they risk taking pressure from Congress. And that's not a pleasant experience."

Some banks have taken strong precautions to make sure their data are as accurate as possible. National City Bank, for example, uses software developed by a private firm to check for accuracy. It also pulls a sample of loan files to compare with the computer-generated data. An error rate in excess of 3% generates a more thorough check of the records.

Careful review has enabled the agency to submit to regulators HMDA data that are "significantly accurate," Mr. Fynn said.

Pitfalls in Handling Data

In making sure reviews are accurate, compliance experts recommend many banks review how their loan application records are developed and emphasize the importance of careful compilation of the data.

"Every time the data is handled, there's an opportunity for error," Ms. Griffin said.

And just as important, the experts say, is developing a system of frequent and thorough self-auditing, comparing data from loan application records with individual loan files. While time-consuming and tedious, this internal review could stave off complaints from bank examiners.

The possibility of prolonged scrutiny from regulators, and possibility even civil money penalties, should be enough to convince banks to look more closely at the integrity of their data, regulators said.

And if banks do not do this themselves, public advocates and community groups may do the job for them. John Taylor, executive director of the National Community Reinvestment Coalition, said the 250 groups in his organization are waiting in the wings to take action if the industry and regulators don't. □

Imperial Bank of L.A. Wins an Export Award

LOS ANGELES — Imperial Bank of Los Angeles and one of its customers, Systems Integrated, received awards from the export finance office of the California World Trade Commission.

Systems Integrated, which has provided automation systems for hydroelectric dams in Asia, was named California exporter of the year for small.

The $3 billion-asset Imperial Bank, which concentrates on middle-market businesses, was named export lender of the year.

"We do not attempt to be all things to all businesses," said Imperial president Norm Creighton. "If we weren't focused on certain industries, we could never provide adequate service to entrepreneurs like Susan Corrales-Diaz," owner of Systems Integrated. □

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WALL STREET VIEW

Morgan Stanley Analyst Places His Bets On BayBanks, Boatmen's, Bank of N.Y.

By RICHARD LAYNE

Dennis F. Shea, regional bank analyst with Morgan Stanley & Co., recommends that investors remember the three B's when buying bank stocks: BayBanks Inc., Boatmen's Bancshares Inc., and Bank of New York Co.

BayBanks and Bank of New York stand to benefit most from falling loan-loss provisions and other credit costs, while Boatmen's is a good bet to substantially boost revenues in the future, he said.

Mr. Shea joined the brokerage firm in 1985 after spending five years as a vice president and manager of corporate finance with Mellon Bank Corp.

He started his career at Morgan by issuing "sell" recommendations on six Texas banks. But he's been bullish on banks in general since early 1991.

Since 1989, Mr. Shea has been recognized by Institutional Investor *magazine as one of the top regional bank analysts. He is a past president of the Bank and Financial Analysts Association.*



Frank Veronsky

DENNIS F. SHEA says banks are in the second leg of their bull market, which started in October 1990. While earnings, driven by lower credit costs, are now the key, the final leg will be based on loan growth.

Q.: Has the recent selloff in bank shares shaken your faith?

SHEA: I believe banks will continue to do well. My index of 33 regional banks was up 64% in 1991 and 44% in 1992.

I think it can outperform the Standard & Poor's [500 index] this year by 20 percentage points.

Q.: What's out there to make you confident?

SHEA: We are at the second stage of the bull market for bank stocks. The first stage began in October 1990, and the bell that rang at the time was that the Federal Reserve lowered rates. We had a sharp rise in net interest margins starting in early 1991 because of the wide spread between the prime rate and the fed funds rate.

In the second leg, earnings are driven by declining credit costs. That's where we are now, and we are about halfway through it.

Q.: How much further is there to go?

SHEA: Look at loan-loss provisions and all costs associated with foreclosed property in 1991 and 1992. They got as high as 23% of revenues. That's extraordinarily high.

Maybe the long-term average is 8%. What I think will happen is that credit costs will fall to 1% of revenues in 1993 and 8% in 1994.

The lower credit costs can carry the banks for a while. That's true, even if rates come up.

In this stage, you want to concentrate on banks such as Shawmut National Corp., the Bank of New York, and BayBanks — banks that have the greatest potential to benefit from the decline.

Q.: What's the last leg in the cycle?

SHEA: It's loan growth. It takes a while to see, and everyone is clamoring for it. Some banks are having loan growth, such as NationsBank and Banc One.

The lower credit costs can carry the banks for a while. That's true, even if rates come up.

We've seen reasonable loan growth in the Southwest. What's lagging is the Mid-Atlantic states, the Northeast, and California.

Everyone is saying we need loan growth. I don't care about it in the near term. Earnings will be fine this year without loan growth because of falling credit costs.

Loan growth comes late in the cycle. When you see too much of it, it means rates are going to rise; I don't want to see pressure on rates. I want a slow-growth economy.

Q.: During the recent inflation scare, banks said they could make money when rates rise. So what's the problem?

SHEA: You could see earnings expand in that period as spreads widen. There would be rising returns on loans and investment opportunities in securities and money markets, while deposit rates would lag.

You would get an expansion in earnings, but the stocks wouldn't respond.

Banks stocks won't do well if the next big move for long-term rates is to go to 8% or higher. Banks have shown little ability over time to push their returns on equity higher during times of higher inflation or higher interest rates.

The ROE for the banking industry has been steady for a long time at around 13% to 14%.

I think the ROE for the regionals will peak in 1995 between 16% and 16.5%. That's a cyclical peak, not a sustainable level.

Q.: Which stocks do you like today?

SHEA: I like BayBanks, which is the least understood and least followed company in my group. It is the one with the greatest chance for appreciation.

They are the purest consumer marketing company I follow — the U.S. Bean of banking.

They've got a catalogue of services they sent to customers. They've got 1,000 ATMs and a branch system. They've got the consumer locked up in eastern Massachusetts. This company could double in size out of two houses holds in the area. The stock sells at 12.9% of book. It has a high P/E, but how many banks will grow their per-share earnings $1 or more a year for the next few years?

Banks stocks won't do well if there's a big move in long-term rates to 8% or higher.

Q.: Who else looks good to you?

SHEA: Bank of New York is a company that is going through a gradual change. It was an classic money-center bank before it bought Irving. What Irving did was give them critical mass in a number of areas, particularly processing.

The bank isn't lending as much in big dollars to big companies as it did. That's being replaced by incredibly strong retail and processing businesses.

This is a company that is going to generate 40% to 50% of revenues for noninterest businesses. The securities processing business is growing rapidly, and their competition is in disarray.

If you look at them on a retail side, they have the biggest branch distribution network in the New York suburbs. They dominate Westchester County, which is a profitable place for banks.

They are very good at cost control. I went to see them in 1985 or 1986, and they were one of only two banks that had rotary dial phones and IBM Selectric typewriters — not computers. The other bank was Bank of Boston. Not coincidentally, these have two of the best efficiency ratios in the business.

Q.: What kind of banks would you recommend in the third leg of the rally?

SHEA: I look for value banks or cheap stocks, or companies that can grow revenues rapidly without taking extraordinary risks.

Boatmen's Bancshares particularly has been a wonderful company. I like them today, too.

They have a prejudice against Boatmen's because it did acquisitions between 1984 and 1988 that were very dilutive to earnings. They were done under a former chairman.

But in 1990, they did the most important acquisition for them, buying Community Federal Savings and Loan, a failed thrift in St. Louis, for $72 million. They got 200,000 household accounts. Plus, Community was the disruptive force in the market.

Boatmen's bought the thirdlargest banking company in Oklahoma. It bought the largest healthy thrift in Arkansas. That deal alone adds 4 to 5 cents per share per quarter to Boatmen's earnings.

It got into New Mexico with SunWest. Frankly, the deal was thought to be modestly dilutive to earnings. But I thought it had a very good return on investment.

The icing on the cake is that Boatmen's has a very large and incredibly profitable trust department that is run as an independent money management company. It generates about 15% of the bank's earnings.

People said the bank could never earn over $4 a share. It will earn close to $6 this year.

The stock has relatively low price-to-earnings and price-to-book [ratios] and a relatively high dividend yi'ld.

Q.: Which of your picks hasn't done well this year?

SHEA: Amsouth-Bancorp, hasn't done as well as I hoped. I put it on my "buy" list early in the year on a dip. It's flat so far.

And Banc One Corp. hasn't done well either. I recently dropped Banc One to a "hold" and upgraded Norwest, which I think can be a $36 stock in 12 months.

Q.: Is there any stock that you've continued to recommend since you turned bullish in 1991?

SHEA: I still recommend Sun-Trust. The stock trades at 2.5 times book. But if you give them full credit for the Coca-Cola holding, that's another $8 a share.

That means the stock trades at 1.65 times book for what is arguably one of the best-managed banks in the industry. I've always billed them as a stock you can own and go home and sleep well. The price moves glacially, but glacially up.

Highlights for Thursday, July 22

TOP 10 GAINERS %

Pacific Western Bancshares	15.4
FNB Corporation	5.4
Victoria Bankshares, Inc.	4.6
Shoreline Financial Corp.	3.6
Frankford Corporation	3.7
Chemical Financial Corporation	3.4
Pinnacle Banc Group, Inc.	3.0
Trans Financial Bancorp, Inc.	2.9
Trustmark Corporation	2.7
Constellation Bancorp	2.6

TOP 10 LOSERS %

Cathay Bancorp	-8.3
City Holding Company	-5.5
AMCORE Financial, Inc.	-4.0
Citizens First Bancorp, Inc.	-3.6
First Merchants Corp	-3.6
Bank of Granite Corp.	-3.5
Synovus Financial Corp.	-3.5
First Eastern Corp.	-3.4
Central Fidelity Banks, Inc.	-3.4
River Forest Bancorp	-3.3

MOST SHARES TRADED

Citicorp	2918200
BankAmerica Corporation	1342300
Chemical Banking Corp.	1124300
Chase Manhattan Corporation	748100
Shawmut National Corporation	609200

VOLUME AS % OF AVERAGE

First Commonwealth Financial	1592.2
United Missouri Bancshares Inc	684.2
Farmers Capital Bank Corp.	679.5
FBS Bancorp	622.1
First Eastern Corp.	503.2

Stock Index Trends

*Weighted averages of top 225 banks and 25 thrifts.

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.85	-0.72	0.79	-0.66	-0.69	1.96	-0.43	1.33	7.76

Top 225 Banks

52 Wk.		Name	PE	Mkt	Cls.	Chg.
Hi	Lo			to ten		
39¾	19	1stCorp	11.1	187.0	23¾	
37¾	18¾	AMCORE Fnl.	11.5	128.7	24¼	-1
17⅛	8¼	ANB Financial	10.5	47.2	15¾	
35¾	20¾	AmSouthBancorp	10.0	148.2	31¼	-¼
25¾	15¾	Ameritrust Cp	10.0	98.2	23⅛	
35¾	27¾	BB&T FinCorp NC	11.9	152.5	33¾	
27½	12	BOKMountain	13.7	72.7	25¾	-¼
33	21⅛	BT FinCorp PA	11.3	139.3	30¾	-¼
7⅝	3	BalboaBancMD	11.0	12.6	3⅞	
21⅜	24⅜	BankFinancCorp FD	9.0	121.7	28¾	-¼
41¾	42¾	BancorpHawaii HI	9.7	2310.0	54¾	-¾
52⅜	40⅜	BancorpHawaii HI	9.8	1433.9	43¾	-¾
30¾	27¾	BankAmerica CA	10.4	1483.2	29¾	-¼
54⅜	41	BankAmericaCorp CA	10.4	1181.1	49	-¾
54⅜	41	BankAmericaCorp CA	10.4	1181.1	49	-¾
51⅝	39	BankersTrustCp NY	9.8	1753.3	50¼	-¼
77⅜	59	BankersTrustNY	9.8	1753.3	76	-1¼
36⅜	18⅜	BankAtlantic A	8.4	117.7	19¾	
36⅜	18⅜	BankBoston Mass	8.4	1098.8	23¾	-¼
61⅜	39⅜	BankersFirstCp	10.8	1911.2	39¾	
50¾	34⅜	BarnettBanks FL	10.3	1764.4	47¾	-¾
34⅜	34⅜	BayBanks Inc MA	8.9	1292.6	34¾	-¼
56¼	49¾	BeaconHillBancs MD	12.1	158.5	51¾	-1
18¾	12¾	BeneficialCp	10.1	1.4	13¾	
31¾	23¾	BeneficialNat'l	10.3	134.4	25¾	-¾
34⅜	34⅜	BerkshireBk MA	8.9	1292.6	34¾	-¼
30¾	20¾	CBT Corporation CT	11.7	143.9	30	-¼
42⅜	33⅜	CBT Corporation CT	11.7	143.9	30	-¼
34	23⅜	CNB Bancshares IN	10.8	198.1	33¾	
30¾	20¾	CNB Fin Corp CA	8.8	1292.6	34¾	-¼
13⅝	7¾	CNB FinCorp CA	8.4	107.8	12¾	-¼
31¾	19	CalFed Inc CA	8.4	1107.8	12¾	-¼
31¾	19	CalFed Inc CA	8.4	1107.8	12¾	-¼
38¾	19	CentraCorp NJ	11.3	177.4	28	-¼
38¾	19	CentraCorp NJ	11.3	177.4	28	-¼
38¾	19	CentraCorp NJ	14.8	155.7	23¾	-¾
38¾	19	CentraCorp NJ	14.8	155.7	23¾	-¾
37¾	21	CharterMedNat MD	8.6	97.4	32	
37¾	21	CharterMedNat MD	8.4	115.7	36¾	-¼
47¾	32¾	CharterOneCp OH	10.4	178.6	45	-¼
47¾	32¾	CharterOneCp OH	10.4	178.6	45	-¼
32	14⅜	CitizensFin'l	11.4	131.0	31¾	-¾
32	14⅜	CitizensFin'l	11.4	131.0	31¾	-¾
23⅜	10⅜	CitizensBancMI	12.4	138.1	23	
7¾	3¾	CitizensBancMI	12.4	138.1	23	
30	17¾	CityHoldingCo WV	15.8	185.0	27¾	-¾
31¾	4¾	ColonialBancGp AL	9.1	130.2	30¾	-¼
31¾	4¾	ColonialBancGp AL	9.1	130.2	30¾	-¼
31¾	4¾	ColonialBancGp AL	9.1	130.2	30¾	-¼
31¾	11¾	CommercialBkSvc	11.8	165.8	17¾	
31¾	11¾	CommercialBkSvc	11.8	165.8	17¾	
45¾	34⅜	CommercialBk FL	13.0	205.3	42¾	
45¾	34⅜	CommercialBk FL	13.0	205.3	42¾	
9¾	3¾	ConsolidatedCp	NM	177.9	9¾	-¼
9¾	3¾	ConsolidatedCp	NM	177.9	9¾	-¼
40¾	41¾	CoreStatesFinCp	12.2	1856.4	58¾	
40¾	41¾	CoreStatesFinCp	12.2	1856.4	58¾	
40¾	21	CulbertsonCt	10.3	164.4	35	
27¾	20¾	DauphinDeposit PA	11.8	105.3	23¾	
35¾	20¾	DepositGuaranty MS	10.2	159.2	30¾	-¼
35¾	12¾	F & M NatCorp PA	11.4	159.7	14¾	
22	10⅜	FBOMidwest MO	10.0	148.2	21¾	
22	10⅜	FBOMidwest MO	10.0	148.2	21¾	
29	24	FarmersCapBkCp	17.5	39.2	29	
29¾	20¾	FidelityBkshrs FL	17.5	295.2	23¾	
29¾	20¾	FidelityBkshrs FL	17.5	295.2	23¾	
29¾	20¾	FidelityBkshrs FL	13.8	230.7	29¾	

52 Wk.		Name	PE	Mkt	Cls.	Chg.
Hi	Lo			to ten		
19¾	17¾	FirstAmerica IL	12.2	1856.4	58¾	
19¾	10¾	FirstAmerBk TX	5.7	154.1	19	
19¾	10¾	FirstAmerBk TX	5.7	154.1	19	
50¾	39¾	FirstBancorp CA	11.3	159.2	46¾	
33¾	29¾	FirstBancorp NC	11.3	159.2	46¾	
45	28¾	FirstChicago IL	117.4	1210.6	44¾	-¾
45	28¾	FirstChicago IL	8.6	1210.6	44¾	-¾
18¾	14¾	FirstCitizensBk IL	15.5	136.2	18¾	-¼
18¾	14¾	FirstCitizensBk IL	10.2	136.2	18¾	-¼
74¾	40	FirstCommerceNC	10.7	159.0	73¾	
74¾	40	FirstCommerceNC	10.7	159.0	73¾	
31¾	25¾	FirstCommMn PA	12.3	181.0	30¾	
31¾	25¾	FirstCommMn PA	NM	181.0	30¾	
157⅛	128	FirstDataRes	11.4	1951.4	142¾	1¼
157⅛	128	FirstDataRes	11.4	1951.4	142¾	1¼
34¾	24¾	FirstEmpire NY	11.3	159.2	46¾	
34¾	24¾	FirstEmpire NY	16.2	154.4	23¾	
65	39¾	FirstFidelityCp	9.0	181.0	64¾	
65	39¾	FirstInterstateCo	9.0	181.0	64¾	
24¾	15¾	FirstInterstateCo	13.3	181.0	64¾	
24¾	15¾	FirstInterstateCo	16.2	154.4	23¾	
24¾	15¾	FirstInterstateCo	16.2	154.4	23¾	
29¾	21¾	FirstKentuckyCp	11.8	163.0	27¾	-¼
29¾	21¾	FirstKentuckyCp	11.8	163.0	27¾	-¼
39¾	30	FirstNHBanks	10.8	180.2	39¾	
39¾	30	FirstNHBanks	10.8	180.2	39¾	
24	9¾	FirstNorthA A	12.1	188.8	37	
24	9¾	FirstNorthA A	12.1	188.8	37	
29¾	20¾	FirstOhioBncp OH	11.2	181.3	28	-¼
29¾	20¾	FirstOhioBncp OH	11.2	181.3	28	-¼
33	24¾	FirstTennessBkg	12.3	167.9	30¾	
33	24¾	FirstTennessBkg	12.3	167.9	30¾	
174	139	FirstTennessCp	7.6	129.4	15	
174	139	FirstTennessCp	7.6	129.4	15	
30¾	24¾	FirstUnionCp NC	11.0	1461.3	30¾	-¼
30¾	24¾	FirstUnionCp NC	11.0	1461.3	30¾	-¼
30¾	24¾	FirstUnionCp NC	15.3	181.2	30¾	-¼
30¾	24¾	FirstUnionCp NC	15.3	181.2	30¾	-¼
19¼	12¾	FirstVirginiaBks	11.4	154.9	14¾	
19¼	12¾	FirstVirginiaBks	11.4	154.9	14¾	
27¾	18¾	FirstWisconsinCp	13.3	211.8	20¾	
27¾	18¾	FirstWisconsinCp	13.3	211.8	20¾	
23¾	22¾	FirstbancorpPR	10.2	187.2	48¾	
23¾	22¾	FirstbancorpPR	10.2	187.2	48¾	
47	38	FleetFinGroup RI	10.9	124.5	45¾	
47	38	FleetFinGroup RI	10.9	124.5	45¾	
34¾	20¾	FleetMortgage	9.9	178.0	69¾	
34¾	20¾	FleetMortgage	13.4	177.9	32	
40	30¾	FstCpNY	11.1	180.2	39	
40	30¾	FstCpNY	11.1	180.2	39	
34¾	19¾	LaSalleNat'l	13.0	187.0	22¾	
34¾	19¾	LaSalleNat'l	13.0	187.0	22¾	
34¾	19¾	LibertyBancCp	14.7	192.2	27¾	-¼
34¾	19¾	LibertyBancCp	14.7	192.2	27¾	-¼
16¾	10	MNC Financial MD	10.1	122.4	14¾	
16¾	10	MNC Financial MD	10.1	122.4	14¾	
19¾	13¾	MarshallBancp WI	13.9	194.9	23	
19¾	13¾	MarshallBancp WI	13.9	194.9	23	
35¾	23¾	MarshallIlsk WI	11.0	145.9	49¾	
35¾	23¾	MarshallIlsk WI	11.0	145.9	49¾	
62	44¾	MercantileBcp MI	19.9	188.6	55	

52 Wk.		Name	PE	Mkt	Cls.	Chg.
Hi	Lo			to ten		
62	44¾	MercantileBcp MI	8.1	124.0	55¾	
40¾	36¼	UnitedMissouri MO	14.0	131.9	39	
35¼	17	UnitedNetMktgs NJ	13.7	143.1	33¾	
45¾	34¼	VolleyBancorp MI	13.7	178.3	44¼	¼
17¾	12¾	WSFS Financial	13.0	261.9	25	
27¾	20¾	WachoviaCorp GA	10.9	1330.4	34¼	
42¾	29	WachoviaCorp GA	10.9	330.4	34¼	
120	61¾	WellsFargo CA	120	1852.6	119¾	-¼
32	21¼	WellsBancorp NV	15.2	170.9	30¾	-¼
32¾	21¼	WellsBancorp NV	12.2	170.9	30¾	-¼
29¾	19¼	WestamericaBan CA	10.6	137.4	29¼	
33¾	20¾	WestamericaBan CA	10.6	205.5	29¼	
36¾	21⅜	WhitneyHoldingLA	14.5	179.7	36	
31¾	6¾	WorthenBanking AR	13.0	98.6	23¾	
27¾	20¾	WorthenBanking AR	8.6	142.8	23¾	-¼
27	21	YoroCalBancCp ST	11.1	198.6	40¼	

Top 25 Thrifts

52 Wk.		Name	PE	Mkt	Cls.	Chg.
Hi	Lo			to ten		
18¾	12	AUBAYFinancialNY	11.0	41.8	18¼	-¼
21¾	13¾	AmericanCo CA	15.6	89.7	19¾	
18¾	11¾	CalFedBancpFd CA	NM	33.6	13¾	
34¼	22¾	CharterOneOH	7.8	140.5	30¾	
31¾	6¾	CharterOneBancpOH	12.5	67.6	30¾	
35¾	19¾	CollectiveBcp NJ	9.0	186.1	32¾	-1¼
27¾	11¾	CommercialFedCpNE	11.0	118.0	24¾	
35¾	15¾	CraigAnTe Cp FL	12.6	159.6	35¾	-¼
19¾	11¾	FirstFederalCp CA	5.5	70.1	19¾	
15¾	7¾	FirstFedCorp MI	9.2	180.9	14¾	
34¾	27¾	FirstFederalNY	9.2	180.9	14¾	
59¾	35¾	GoldenWestFn CA	9.0	144.3	42¾	-¼
59¾	35¾	GoldenWestFn CA	9.0	144.3	42¾	-¼
29¾	18	JSB Financial NY	9.7	91.8	29¾	
18¾	11¾	MetroFinCpMN	9.9	109.5	18¾	
18¾	18¾	MBB Bancorp CA	10.1	109.5	18¾	
32¾	21¾	NSBancorp IL	8.7	113.9	30¾	-¼
32¾	21¾	NSBancorp IL	8.7	113.9	30¾	-¼
11¾	6¾	Sovereign PA	11.2	160.7	11¾	-¼
29¾	21¾	SPSBancorp MA	9.2	113.4	27¾	-¼
29¾	17¾	StandardFedBk MI	7.7	138.8	25	
29¾	17¾	StandardFedBk MI	7.7	138.8	25	
38¾	24	WashMutualBkWA	10.3	174.0	39¾	-1¼
38¾	24	WashMutualBkWA	10.3	174.0	39¾	-1¼
14¼	13	WayneBkMIC OH	22.7	100.4	14¼	

Bank Stock Table Explained: The table lists in alphabetical order the 225 largest publicly traded banks as measured by the market value of all common stock outstanding at the end of 1992, and the 25 largest publicly traded thrifts as measured by the market value of all common stock outstanding at the end of 1990. The smallest market value cutoff for banks was $75.06 mil. and for thrifts $244.20 mil. Bold face type is used for the names of banks with trading prices for the stock. PE: the price-earnings ratio. It is the current price of a share of stock divided by the last four quarters of earnings per share adjusted for stock splits and dividends. It is not computed for companies with less than four quarters of data. Mkt. to ten: Market value of the common stock at the closing price to the stock's book value, expressed as a percentage. Book value is adjusted for stock splits and dividends. Cls.: Closing price. Chg.: Change in closing price from previous day. Hi: Highest price in the last 52 weeks and 5 trading days. Lo: Lowest price in the last 52 weeks and 5 trading days. NM: Not meaningful. Footnotes: ¼ equals 0.25; ½ equals 0.50; ¾ equals 0.75. Highlights show largest percent gainsAnd losses in price and two volume leaders. Stocks must have a closing bid today's price and an average of average shares traded daily equal to or greater than 1,000.

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Selected Data from the Federal Reserve Board

From the New York Fed's weekly press release of July 22, 1993 ($ billion)

Monetary Aggregates*	7/12/93	7/5/93	Change	6/28/93	52 wks	6/21/93	6/14/93
M1- weekly average	$1,094.7	$1,077.7	+$ 7.0	$1,076.6	$1,075.5	$1,070.8	
M2- weekly average	3,515.9	3,501.9	+$ 3.2	3,508.2	3,416.2	3,516.9	
M3- weekly average	4,160.3	4,155.2	+$ 5.1	4,155.7	4,176.5	4,173.6	
Growth in aggregates*	M1	M2	M3				
Latest 13 weeks	+12.5%	+2.0%	+ 2.5%				
Latest 26 weeks	+ 6.9%	+ 0.3%	- 0.3%				
Latest 52 weeks	+12.1%	+ 1.1%	- 0.3%				
One day	7/14/93	7/7/93	Change	6/30/93	52/52/93	6/16/93	
Business Loans*	$ 40.9	$ 41.6	-$ 0.7	$ 41.4	$ 41.8	$ 42.0	
6 New York City banks	52.4	61.7	-$ 9.3	53.2	50.8	56.7	
Commercial Paper							
All issuers	541.1	545.0	-$ 3.9	543.3	551.9	554.3	
Finance companies	383.1	385.3	-$ 2.2	360.2	360.0	360.3	
Non-financial companies	158.0	159.7	-$ 1.7	183.1	191.9	194.0	

(*)—Seasonally adjusted. (**)— Annualized rate. (***)— Excludes bankers' accept, and commercial paper.

Key Rates*

(July 22, 1993)

	7/22	7/21	7/15	7/22/92
Federal Funds domestic range	3%	3⅛-3⅜	3⅛-3⅜	3-3⅜
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit*				
3 Month Postex	2.78	2.73	2.78	2.90
6 Month Postex	2.97	2.97	2.97	3.10
1 Year Postex	3.25	3.25	3.15	3.25
Eurodollar deposits*				
3 Month	3⅛	3⅛	3⅛	3⅛
6 Month	3⅛	3⅛	3⅛	3⅛
1 Year	3⅛	3⅛	3⅛	3¹¹/₁₆
Dealer Commercial Paper*				
1 Month	3.15	3.15	3.10	3.40
3 Month	3.18	3.20	3.14	3.40
6 Month	3.35	3.35	3.27	3.49

(*)— Late afternoon quotes, New York market. (**)— Highest offering rates (annual % yield) at selected NYC money center banks. (***)— Late London bid. (****)— AA rating or the equivalent.

STOCKS

CoreStates Shares Get 'Buy' Nods of 2 Firms

By GORDON MATTHEWS

Banking analysts unveiled a number of changes in investment ratings and earnings estimates Thursday in the wake of the industry's second-quarter results.

The biggest beneficiary was CoreStates Financial Corp., which received "buy" ratings from two firms, Bear, Stearns & Co. and S.G. Warburg & Co. The Philadelphia company's stock was up 87.5 cents to $58.25 in late trading.

Citicorp was upgraded to "hold" from "may sell" by Brown Brothers Harriman & Co. Its shares lost 37.5 cents to $31.125.

NationsBank Figures Lowered

Earnings estimates this year and next were raised significantly for both banking companies.

Estimates for NationsBank Corp. were lowered, however, by Robinson-Humphrey Co. Shares of the North Carolina superregional edged 75 cents to $49.

Bear Stearns analyst Carla A. D'Arista initiated coverage of CoreStates with a "strong buy" rating, saying she expected the stock to reach a target price of $79 within 12 months.

"Investors have been slow to recognize the bank's revitalized financial strengths," she said. "As perceptions catch up to the sustainability of CoreStates' growth prospects, look for significant stock price appreciation."

Ms. D'Arista noted that the stock is trading at 186% of book value, well below its mid-April high of 204%.

The earnings estimates for NationsBank were lowered.

"CoreStates' operating fundamentals were tarnished following the 1990 acquisition of First Pennsylvania Corp., which doubled nonperforming assets, and by the effects of the recession on the bank's primary markets," she said.

"After two years of aggressive chargeoffs and a difficult consolidation effort, CoreStates has regained its former stature among the most conservative but fastest-growing superregionals in the industry."

She compared the bank to Wachovia Corp., Winston-Salem, N.C., whose stock trades at 198% of book value, and SunTrust Banks Inc., Atlanta, now at 204% of book value.

Wachovia Shares Gain

Wachovia shares were up 62.5 cents to $34.25, while SunTrust stock was down 37.5 cents to $45.375.

Ms. D'Arista also said that CoreStates is "an attractive takeover candidate for other banks seeking to establish a larger superregional presence."

At Warburg, Francis X. Suozzo said he was "impressed by the strong earnings prospects for the bank," which has the largest market share in Philadelphia and has been noted for its electronic banking innovations.

Raphael Soifer of Brown Brothers raised his rating on Citicorp because of significantly higher earnings estimates for the bank.

The analyst raised his estimate for fully taxed, fully diluted operating earnings this year by 20%, to $2.75 per share from $2.30. His 1994 estimate was raised by 27%, to $3.50 from $2.75.

The rating amounts to a "long-term hold" rating, said Mr. Soifer, who still thinks the bank will have to raise additional equity in the future. But the analyst now considers the stock "fairly valued rather than fully-valued."

Estimates for NationsBank were cut by Susan Leadem of Robinson-Humphrey because problem real estate loans and unexpected costs for data processing dampened second-quarter results.

The analyst reduced her 1993 estimate to $5.60 per share, from $5.80. Ms. Leadem said she had expected the cost of holding problem loans to drop by $10 million during the second quarter, but it remained steady. □

Thumbs Up

Investment rating changes on Thursday

CoreStates
- Initial "buy"
- "Buy" from "hold"

Citicorp
- "Hold" from "may sell"

U.S. Bancorp Unit Extends $90 Million Credit

DALLAS — Valhi Inc. said its subsidiary, Medite Corp., signed a definitive agreement for a $90 million credit facility with United States National Bank of Oregon, the principal unit of U.S. Bancorp.

Valhi said it will withdraw a registration statement at the Securities and Exchange Commission for a proposed $125 million offering of senior notes, because the bank credit is priced more favorably. — Reuters

DEALS

Bank of America to Provide Financing For $260 Million Purchase of Timberland

By DAVID SIEGEL

Bank of America has committed to provide up to $260 million in financing for Plum Creek Timber Co.'s purchase of timberland from Champion International Corp.

The deal is one of a spate of financings this year stemming from the sale of assets in strategic corporate divestitures.

Plum Creek, a Seattle-based forest products company, is buying 867,000 acres of Montana timberland for $260 million.

Terms of the loan have not been finalized, and the company will probably not finance the acquisition completely through debt, said Rick Holley, chief financial officer of Plum Creek.

Mr. Holley said Bank of America will probably bring a small number of other banks into the financing.

Plum Creek has $35 million in working capital lines, which are undrawn, he said.

The company has no publicly rated debt, but it has $310 million in privately placed debt due in 2007 that is rated "2" by the National Association of Insurance Commissioners. A "2" rating on private debt is equivalent to a low investment-grade public debt rating of BBB, Mr. Holley said.

The company will probably maintain that rating after the purchase is financed, he said.

Greater Flexibility

Plum Creek opted for a bank loan over privately placed debt because revolving bank credit gives it more flexibility in paying down debt without penalty, he said.

The company expects the financing to be a revolving credit with a maturity of eight to 10 years.

In another acquisition-related loan, Morgan Guaranty Trust Co. underwrote a $425 million loan to finance Louisiana Land & Exploration Corp.'s $353.7 purchase of Nerco Oil & Gas Inc., according to a market source.

In the next few weeks, Morgan will lead a general syndication of a larger loan for Louisiana Land, the source said.

Nerco is a subsidiary of RTZ Corp., a British mining company, which is selling the company because it does not fit its focus on coal production.

Officials at Louisiana Land and Morgan declined to comment. □

THE MARKETS

Rates Rise on Greenspan Comments

Interest rates increased on Thursday, as Federal Reserve Board Chairman Alan Greenspan continued his hard line about inflation and a possible tightening.

The price of the 30-year Treasury bond, down ⅜ on Wednesday, had lost another ½ by Thursday at 4 p.m. This raised the yield to 6.66% from 6.62%.

Anti-Inflation Message

Ten-year notes yielded 5.89%, up from 5.83%; five-year notes yielded 5.23%, up from 5.16%; and two-year notes yielded 4.19%, up from 4.12%.

Alan Levenson, money market economist at UBS Securities, said Mr. Greenspan, delivering the Senate version of his Humphrey-Hawkins testimony, did not soften the anti-inflation message delivered Tuesday at the House version.

Steve Ricciuto, economist at Barclays de Zoete Wedd, said a disappointing response to a sale of $15.25 billion in one-year Treasury bills hurt bonds.

— Bart Frost

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AMERICAN BANKER

VOL. CLVIII NO. 141 — Monday, July 26, 1993 — 158th year

Fed's Secrecy Comes Under More Scrutiny

By BART FRAUST

When it comes to open-market operations, the Federal Reserve is anything but open.

Here's how the world learns about what the Fed has in mind on any given day:

At about 11:29 a.m., a wire-service reporter places a call to a primary dealer of Treasury securities. At 11:30, another reporter calls the public information officer at the Federal Reserve Bank of New York.

The first reporter shouts, "Add, $2.5 billion, customer repo," meaning the dealer said the Fed entered the market and added $2.5 billion in reserves to the banking system via a repurchase agreement for a customer, usually a foreign central bank.

ECONOMIC OUTLOOK

The second reporter then confirms the action with the New York Fed. The official simply confirms or denies the action without the embellishment of an explanation. A headline goes out to the wire service's subscribers.

A legion of money market economists then interpret the action, which more often than not is routine and without importance to monetary policy.

Demand for More Openness

Why such a convoluted system? That question is being asked by lawmakers and economists, who increasingly are demanding more openness.

"I don't know why the Fed needs to send a signal," said Sung Won Sohn, chief economist at Norwest Corp. "Why can't they just say what they are doing in English?"

The secrecy starts with closed meetings of the Federal Open Market Committee, which sets the Fed's monetary policies. An edited version of the minutes of those meetings is not released for six weeks.

House Banking Committee Chairman Henry Gonzalez; for one, wants the Fed to release the FOMC minutes sooner and has proposed videotaping the proceedings.

The secrecy then extends into the transactions conducted by the New York Fed to implement the FOMC's policies.

Danger of Mixed Signals

The lack of openness can have major consequences.

For example, just before Thanksgiving in 1991, the Fed added reserves in a transaction widely interpreted as an easing

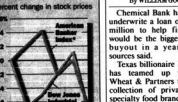
See **FED'S** *page* **16**

INSIDE NEWS

FINANCE

Underachievers

Percent change in stock prices



Weighted average of top 225 banks as ranked by market capitalization

Source: BNC Securities

STELLAR EARNINGS reports in the past two weeks failed to light a fire under bank stocks, leaving money managers worried about the sector's performance in August. *Back page*

WASHINGTON

A HOUSE VOTE on funding for failed savings and loans could be on again this week. *Page 2*

REGIONAL BANKING

BOATMEN'S BANCSHARES agreed to buy First Amarillo Bancorp. in a stock swap valued at roughly $175 million. *Page 7*

COMMUNITY BANKING

AN OHIO thrift got an abrupt lesson in the difficulties of merger conversions when the target backed away. *Page 8*

MORTGAGES

COMMERCIAL BANKS appear to have been working hard to build their home-loan portfolios. *Page 12*

INVESTMENT PRODUCTS

CONSULTANT William Wyman says he gives all his clients the same advice about mutual funds: Get into them. *Page 10*

CREDIT, DEBIT, ATMs

SEVEN MIDWESTERN banking associations, hoping to offset big banks' credit card advantages, signed a pact with TRW Information Services to get group rates on credit reports. *Page 11*

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Chemical Said To Finance Big Buyout

By WILLIAM GOODWIN

Chemical Bank has agreed to underwrite a loan of over $500 million to help finance what would be the biggest leveraged buyout in a year, banking sources said.

Texas billionaire Robert Bass has teamed up with Haas, Wheat & Partners to acquire a collection of privately owned specialty food brands for a little over $1 billion, the sources said.

Chemical declined to comment on its financing role. A Bass spokesman also had no comment, while a spokesman for Haas Wheat said the firm has "not announced any deals."

The buyout, if completed, would mark the biggest LBO since the $1.4 billion acquisition of American Re-Insurance Co. by Kohlberg Kravis Roberts & Co., announced in April 1992.

Drop-Off Since the 1980s

There have been just four LBOs worth $1 billion or more that have been completed so far this decade, according to Securities Data Co.

In 1988, when the buyout boom was still in full swing, there were 16 completed deals worth $1 billion or more, including KKR's $30 billion buyout of RJR Nabisco Inc.

While no one is predicting a return to the overheated envi-

See **DEALS** *page* **18**

Community Loan Bill May Rival Clinton Plan

By ROBERT M. GARSON



Barbara Kelly

Rep. Jim Leach
Co-sponsors measure

WASHINGTON — A politically potent group of House Banking Committee members is sponsoring a community development lending bill that would provide more financial incentives for banks than President Clinton's program.

The measure, sponsored by Rep. Floyd Flake, D-N.Y., and Rep. Jim Leach, R-Iowa, appears to have a better-than-even chance of prevailing over the President's approach.

Six Democrats, including four minority legislators, have signed on as co-sponsors. If all 20 Republicans back the bill, it would have a bare majority when the full committee votes, even if no other Democrat signs on.

Other Influential Backers

In addition to Rep. Flake and Rep. Leach, the bill's sponsors include a number of influential Banking Committee members, among them Rep. Barney Frank, D-Mass., and Rep. Thomas Ridge, R-Pa.

"That's a very potent combination," Edward L. Yingling, chief lobbyist for the American Bankers Association, said of the coalition. "You can see the influence of the black caucus and the impact of the Republicans. It's something we would take very seriously."

The Flake-Leach package would make commercial banks eligible for funding if they want to start or expand a community development unit. In addition, it would divert half the money in the bill to the Bank Enterprise Act, which awards banks a rebate on deposit insurance premiums if they lend in low-income areas.

'Safe-Harbor' Provision

Another section of the bill would give commercial banks with a good CRA record a "safe harbor" that would shield them from CRA protests. In addition, investment in a community development financial institution would count as a factor in a bank's CRA evaluation.

The bill also gives community groups an opportunity to challenge a bank's lending record before it is rated under the Com-

See **COMMUNITY** *page* **17**



Chris Hein

Union Bank Maps Plan To Stand Out In California

"I TELL MY BRANCH managers: You've got to act like a bank president. You've got to be the absolute master of your market," says vice chairman Richard C. Hartnack.

See story on page 6

NEWS *briefs*

Wachovia to Put 'Visa Check' on ATM Cards

ATLANTA — Wachovia Corp. said its banks in Georgia and North Carolina will be the first in the country to print "Visa Check" on automated teller machine cards.

The name is applied to the service formerly called Visa Debit and is said to be more descriptive of the way the card can be used in place of cash or checks.

In August, the Wachovia Banking Card with Visa Check will be introduced free for six months. Thereafter, the fee will be $1 a month, allowing unlimited point of sale purchases.

Chase to Manage Brady Bond Sale by Brazil

NEW YORK — Chase Manhattan Bank said its corporate trust division was named fiscal agent by the Brady bonds once its commercial bank debt restructuring plan is finalized.

First of America in a $500 Million Filing

WASHINGTON — First of America Bank Corp. filed for a shelf offering of up to $500 million of debt securities, preferred stock, common stock, and other securities.

In a filing with the Securities and Exchange Commission, the company said proceeds from the offering would be use for general purposes, including debt repayment and preferred-stock redemption.

No underwriters were listed.

Wachovia to Buy Back Five Million Shares

WINSTON-SALEM, N.C. — Wachovia Corp. said its board authorized the repurchase of up to five million common shares, an increase from the three million shares originally authorized for the buyback.

In a press release, the company said it had 173,498,420 common shares outstanding as of June 30.

Wachovia said it intends to use some or all of the shares repurchased for its employee stock plans, dividend reinvestment plan, and other appropriate purposes.

$100 Million Set Aside for Flood Loans

CHICAGO — The Federal Home Loan Bank of Chicago set aside $100 million in low-cost financing that member banks and thrifts may use to help flood victims in Illinois and Wisconsin.

Lenders in officially declared disaster areas may borrow money at interest rates barely above Treasury rates. The actual rate varies with the term of the loan, but it is set 5 basis points below the bank's special Community Investment Program, which makes loans at the bank's cost.

The funds will be available through January 1994, and terms are flexible, from one month to 20 years. The money may go to homeowners whose income does not exceed 115% of the area median, or to businesses in areas where a majority of households have incomes of 80% of the median or less.

The money can be used to help those waiting for insurance reimbursement for rehabilitation and repair loans, construction loans, and permanent mortgage financing. It can also be used to finance commercial projects which are in low-income and moderate-income neighborhoods, or which employ low-income and moderate-income people.

The briefs were compiled from staff and wire reports.

House Appears Close to Vote On Re-Funding Thrift Bailout

By ROBERT M. GARSSON

WASHINGTON — The once-again, off-again House vote on funding for failed savings and loans could be on again this week, with a vote tentatively scheduled for Wednesday.

Even if that schedule holds, however, it is by no means clear what the House will be voting on. Rep. Richard Baker, R-La., has been talking to House Democrats – including Rep. Stephen L. Neal of North Carolina, the likely floor manager for the measure – about a package that would provide $18.3 billion for the Resolution Trust Corp., but no money for the infant Savings Association Insurance Fund.

By far the most delicate set of talks involves Rep. Baker and Rep. Kweisi Mfume, D-Md., a member of the House Banking Committee and chairman of the Congressional Black Caucus.

Provision Stirs Debate

Rep. Mfume sponsored a minority contracting provision that many Republicans and some Democrats regard as a "quota" measure.

Rep. Baker is seeking a compromise that would retain the contracting provision, but subject it to the "least cost" test that other provisions in the bill are under.

Although Rep. Baker's approach is less favorable from Rep. Mfume's perspective, a compromise might be the only way to pass a bill.

Earlier in the week, Rep. Mfume told Rep. Baker that they two sides appeared to be "getting close," according to congressional sources. By week's end, however, an aide to Rep. Baker said the prospects were dimming.

While the bill has been tentatively scheduled for consideration by the House Rules Committee and a floor vote as early as Wednesday, that schedule could easily slip. The House leadership is reluctant to bring the measure up unless it is sure that a majority can be mustered.

Counting the Votes

Supporters of the bill have been encouraged by recent "whip" counts that showed 172 Democrats in favor of the RTC bill and another 18 leaning toward it. If those counts are accurate, only 28 Republicans would be needed for a bare majority if the full House votes.

However, Republican sources say that the number of GOP votes for the bill has been dropping since just before the July 4 recess. At that time, Republicans were confident they could deliver at least 30 votes.

As a result, Democrats have to take any Republican initiative seriously.

Rep. Baker said last week he was hopeful a deal could be struck on the RTC bill. "The overall concern for me is stability in the marketplace," he added. "To stand by and not do anything could lead to a calamity in the marketplace next year." □



Rep. Richard Baker
Fears market instability



Rep. Stephen L. Neal
Likely floor manager

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

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PNC to Process Bill Payments for Hospital

By MATT BARTHEL

PNC Bank Corp. has signed an agreement to electronically process medical bill payments for the University of Pittsburgh Medical Center.

The bank will act as a receiver of electronic payments and remittance information to the medical center's account from Blue Cross/Blue Shield and other insurance companies that manage health coverage for Medicare recipients.

With the Clinton administration formulating proposals to reform the nation's health care system, processing of medical claims is expected to be one of the fastest growing areas of financial electronic data interchange.

And many banks like PNC are interested in getting in on the ground floor.

"There is a huge opportunity to save administrative costs by converting to electronic transactions," said Joseph McKitrick, electronic data interchange product manager at PNC. "We feel those opportunities are something that health care providers want to take advantage of."

Several Players

A number of financial institutions, including First Chicago Corp., Chase Manhattan Corp., and First Interstate Bancorp, offer extensive electronic data interchange services – the electronic transmission of payments and related information using standardized computer formats.

According to the EDI Group Inc., Aurora, Colo., 65% of corporations engaging in data interchange rely on banks to provide the service.

Yet despite the banking industry's strong presence in the market, experts said most banks offer the services mainly as a way to induce companies to use other cash management services. As a stand-alone business, financial electronic data interchange has not been very profitable.

But a number of institutions, including PNC, believe this will soon change, as banks grow increasingly willing to handle a range of nonpayment data in addition to a cash management customer's electronic payments and receipts.

The additional information services, which include remittances and other communications, are something that bankers view as a "value-added" service for which they can gather lucrative fees.

And it appears many health care providers, searching for ways to contain skyrocketing costs, are backing bankers' efforts in this area.

"The University of Pittsburgh Medical Center is enthusiastic about improving cash flow and updating patient receivables faster through the use of EDI," said Linda Zang, manager of treasury operations.

Although PNC already has about 500 financial electronic data interchange customers, the Pittsburgh Medical Center is its first customer in the health care industry.

Under the agreement, signed July 19, the bank will receive the hospital's Medicare payments and explanation of benefit information from the government's fiscal intermediary, usually Blue Cross or another insurance company.

PNC then will credit the hospital for the payment, translate the payment information into a standard electronic format, and send the information electronically to the computer housing the hospital's internal accounting files.

Because the information is sent in a standard format, the hospital's accounting files can be automatically updated without human intervention. The hospital said this will speed its internal accounting and reduce the number of errors.

PNC officials said the agreement only encompasses Medicare Part A payments, which are payments to hospitals. The bank is also interested in processing Medicare payments to physicians.

These payments, known as Medicare Part B, offer a huge potential source of revenue. □

Pulse ATM Network Expands into Mississippi

The Pulse automated teller machine network has decided to expand the geographic area it serves to include Mississippi.

The expansion brings the number of states in which Houston-based Pulse operates to seven. The other states are Texas, Louisiana, Arkansas, Oklahoma, Colorado, and New Mexico.

Pulse, a not-for-profit association of 1,468 financial institutions, has more than 5,600 ATMs and 9,140 debit point of sale terminals. It is the largest ATM network in the Southwest.

Two Mississippi banks already have joined the network. — **Matt Barthel**

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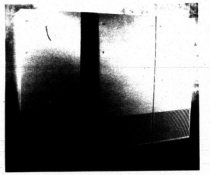

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Opinion

Comment

By Charles Wendel

Building Your Pension Business Through Defined Contributions

Many banks and other financial institutions have recently developed strategies to enter, or grow in, the pension market by building their defined contribution business. This product line is, in fact, generating impressive growth rates, but multiple challenges exist both for new entrants and established players.

In 1983, defined benefit plans accounted for more than 46% of the pension market, while defined contribution plans totaled 23% and government plans accounted for the remainder. In 1992, defined contribution plans and defined benefit plans each had 34%, with the remainder government-related.

Assets Grow

Defined contribution plans have registered a 6% real growth rate over that period, while defined benefits have suffered

MANY COMPANIES *have moved to the plans in response to tougher pension legislation.*

about a 2% real rate of decline. Total defined contribution assets now exceed $1 trillion with a nominal growth rate expected to be in the 9%-12% range.

The reasons for the shift to defined contribution plans are well known. Many companies have actively moved to defined contribution plans in direct response to tougher pension legislation.

The responsibility for investment performance is increasingly being placed with the employee, rather than the company, which could risk backlash for poor investment performance results.

In addition, defined contribution plans may enable firms to reduce their overall pension costs by requiring employee contributions, which are then matched by the employer.

High Returns

Many employees have responded favorably to these plans, welcoming the investment choices they offer. Going forward, the shift away from defined benefit and toward defined contribution plans should continue.

The economics of this business can be attractive to a bank that builds sufficient scale. The profitability of the existing book can continue to grow as the bank's cost to acquire a plan "runs off."

Overall, yearly account attrition is relatively low, at about 5%-10%. This varies by plan type.

Successful players providing defined contribution plans can generate returns on equity well in excess of 15% from a business that has a much lower risk element than many other banking businesses.

Further, given the access to plan participants, cross-selling opportunities exist for products such as brokerage services, retirement planning, and Individual Retirement Account rollovers.

Tougher Competition

In light of the growth of the defined contribution business and its fee-based profit potential, the competitive environment is, not surprisingly, getting tougher. Less sophisticated players risk finding that they are unable to generate the returns that they have projected.

Acquiring attractive accounts has become more expensive in two ways. First, customers are negotiating interest rate subsidies on guaranteed investment products and fee waivers for mutual funds.

The long-term trend away from guaranteed products, commonly known as GICs and BICs, and toward mutual funds may further reduce the profit margin for the defined contribution provider.

At the same time, distribution costs are rising as commissions increase. The net result is reduced revenue for the defined contribution provider.

A Free-for-All

Moreover, investment spreads on guaranteed products are shrinking as competitive pressures increase and interest levels remain low. Traditionally, companies in this business accepted low spreads (i.e., high participant credit rates) in the first few years of a plan and recouped this investment by gradually widening the spread.

Recently, large mutual fund companies such as Fidelity, Vanguard, and T. Rowe Price have leveraged their vast retail asset base to offer these low-load or no-load products to institutional investors.

While these companies have historically targeted 1,000-plus life plans, both Fidelity and T. Rowe have recently established separate units to pursue the 100-1,000 life segment.

Viewed in perspective, the defined contribution business offers an excellent example of how competition within the financial

Mr. Wendel is a vice president at Mercer Management Consulting in New York.

SUCCESSFUL *players in this area of the pension market can generate returns on equity well in excess of 15% with a much lower risk element than many other banking businesses.*

services industry now approaches a free-for-all.

Focus on Smaller Plans

An analysis of key segments of the defined contribution business emphasizes the need for a bank to choose where it wishes to compete. For example, companies with 1,000 or more participants buy unbundled plans in which the investment and record-keeping decisions are separate.

This market, in particular, is already highly penetrated. The only chance to build business in this segment is by taking it away from some other institution. That other institution will typically be a strong, "name brand" national player with deep pockets.

For regional and community banks, however, opportunities still exist with natural market segments – defined contribution plans sold to small (less than 100) or mid-size (100-500) par-

DEFINED *contribution plans have registered 6% real growth since 1983.*

ticipant groups. This is the one area in which local banks could have some competitive advantage.

Typically, smaller plans require a bundled product and easy-to-understand product features, as well as low cost. One factor that can weigh strongly in a local bank's favor in this market is the value that some small-er plans place on a local presence, both in follow-up service and marketing.

Low Penetration

Importantly, a decision maker buying the plan is the local business person. Having access to



him or her and being able to provide them the necessary "education" required is a key to selling to this market.

Today, only Norwest Bank appears in the list of the top firms servicing the 25-100 participant market. Insurance companies and investment firms are the biggest players.

With the exception of Norwest and Bankers Trust, State Street and Mellon on the high end, banks have been largely ineffective in building market share in this business.

Our analysis indicates that product penetration in the "small plan" end of the market is actually quite low, at about 10%. The fastest growing segments, both in assets and plan growth, will, therefore, be the small and lower-middle markets.

Setting Up for Growth

How should banks position themselves to grow in the small plan market?

First, banks must offer the right product, that is, a bundled product that is easy to understand.

Second, they need to provide a full range of products. Small companies often require profit sharing, ESOPs, and SEPs, as well as 401(k) plans.

Third, varied investment options are necessary for an increasingly demanding individual investor.

Fourth, to assure profitability, banks need to develop a cost-effective distribution system for selling smaller plans to existing and target customers.

Nontraditional Tactics

In pursuing this market segment, strategic alliances among banks, record keepers, benefit consultants, and mutual fund companies may be the essential infrastructure required to ensure both the right product offerings and low distribution costs.

Clearly, banks approaching this market will need to develop nontraditional tactics. A willingness to develop joint ventures and other "partnerships" will be required if they are to succeed at taking on some tough competition. The potential payoff to banks for doing so can be substantial. ❑

Reader Forum

The American Banker welcomes points of view on issues of interest and importance to the banking industry.

Please direct letters to Jeffrey Kutler, assistant managing editor, *American Banker*, One State Street Plaza, New York, N.Y. 10004.

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Comment

By Charles E. Keegan

New Help for Competing with Big Banks

Many medium-size banks have disappeared – a phenomenon resulting from closures of the least profitable and acquisitions of the more profitable.

In many markets, that leaves smaller and community-oriented banks competing against the big boys.

Meanwhile, many new banks are being formed in markets where the leading banks have gotten too big to serve the needs of certain communities. Local talent identifies these opportunities and seeks the capital required to obtain a new charter.

Growing Pains

Management of small banks requires credit knowledge and general, seat-of-the-pants management skills. As long as the bank stays small (in the range of 'rotte D. Kantrow, Franklin Smith. simple formula is successful.

Beyond a certain size, the executive's chart has been removed from operations about which they are called upon to make decisions.

The key factor that makes smaller, community banks successful is service.

THE KEY FACTOR *that makes community banks successful is service.*

cessful is service. The big banks have professionals dedicated to meeting this objective. How can the little guy compete?

A Pool of Expertise

The answer is simpler than one might think.

The individuals who lost jobs over the past two years as the industry has consolidated have expertise that community banks will require more and more as they grow.

Small banks may not be able to hire such people full time, but they can "rent" their expertise on a consulting basis.

Large consulting firms have ample capabilities to fulfill any need – but at what expense? The new independent consultants coming out of banking positions have the motivation to get the job done at only a fraction of the Big Six firms' fee schedules.

Trimming Expenses

For example, take my own area of expertise.

One of the toughest jobs facing bank executives is curtailing noninterest expense. Salaries and benefits are the largest segment of this category.

Branch managers are constantly asking for more staff. Executives fielding these requests need to know the answers to such questions as:

- What branches really need staff increases?
- Are the branches staffing for peak periods?
- Are tellers in short supply while employees in other areas are underutilized?

Mr. Keegan, a former banker, is a consultant based in Chandler, Ariz.

- How can staff requirements be quantified?

A program of work measurement, which I prefer to call work management, takes staffing concerns out of the realm of the unknown.

Such a program first sets time standards for various processes.

The next phase is to examine when these functions are required, thus creating a staffing model that addresses such issues as the number of work hours needed as well as daily, weekly, and monthly peaks and valleys.

The last step is to merge this information into the management process and expect managers to make good staffing decisions, just as we expect them to make good credit decisions.

Big Benefits

Small and medium-size banks cannot normally afford such a program except through the use of consultants.

I have fairly consistently seen productivity rise about 15% after implementation of this program, which costs perhaps $10,000 to $15,000 for a five-branch bank. The annual savings run around $100,000 to $200,000. In bankers' terms, that's an excellent ROI.

No business today can operate without the assistance of an accountant or attorney. Since many small to medium-size banks cannot afford to have these professionals on staff, they retain outsiders for these services.

I suggest that this makes sense for other areas of management expertise as well.



It is foolish to try to make decisions without seeking the proper advice and analysis to do the job right.

And you have nothing to lose in speaking to consultants. many of whom have been educated at larger firms and can use that expertise to improve your operations while reducing your expenses. ❑

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Union's Retail Gunner Aims at B of A, Wells

By SAM ZUCKERMAN

In the mammoth California banking market, San Francisco-based Union Bank seems a weakling despite its considerable size. Its $16 billion of assets are dwarfed by those of its powerful rivals, BankAmerica Corp. and Wells Fargo & Co.

But any competitor that tries to kick sand in Union's face will have to answer to Richard C. Hartnack, a 47-year-old ex-Marine who dropped bombs from the back seat of an F-4 jet during the Vietnam War.

As vice chairman of Union, the largest Japanese-controlled bank in the United States, Mr. Hartnack uses guerrilla tactics to harry the competition.

'More than Enough Size'

His arsenal includes supermarket branching, Sunday hours, and heavy promotion of debit cards. His bank is even making a play for check-cashing business in low-income neighborhoods.

"We have more than enough size to compete in California," insists Union's feisty retail chief.

Still, Mr. Hartnack is definitely an underdog.

Union, which is 71% owned by the Bank of Tokyo, is the Golden State's fourth largest bank. But Mr. Hartnack admits most consumers in San Francisco and Los Angeles scarcely know it exists. With just a 5% share of commercial bank deposits, Union trails far behind the market leaders.

Dwarfed by B of A, Wells

The bank's 209 branches are spread thinly over vast stretches, giving it a strong presence only in a few scattered locations, such as San Diego.



Chuck Porter

CLEAR STRATEGY: Richard C. Hartnack leans heavily on Union's branch managers to give the California company a community bank feel.

Competing in a Tough Market

	California branches	Domestic deposits ($bil.)
Bank of America	1,011	$86.6
Wells Fargo	618	41.0
First Interstate	326	16.6
Union Bank	209	12.4

Deposit totals are for California bank units as of March 31.

Source: Company reports

Union greatly expanded its territory when it bought 33 former Security Pacific Corp. branches from BankAmerica last year. But its retail offices still amount to less than one-third of Wells' total branches and about one-fifth of BankAmerica's.

"Without market concentration, they have a tough time," said San Francisco bank consultant K. Shelly Porges.

All the same, Mr. Hartnack contends he has advantages.

He is convinced that the sheer bulk of California's two banking giants leaves them musclebound.

And he argues that their top-down management and marketing approaches make them vulnerable to a nimble challenger that can move quickly.

In a recent interview, Mr. Hartnack summarized his formula for building market share: Offer customers the advantages of a big bank -- such as 24-hour telephone banking -- and the exceptional service of a community bank.

To accomplish that, he is pushing a decentralized banking strategy that gives branch managers wide-ranging authority and sales responsibility.

In essence, he is turning Union's branches into miniature community banks. His vision, he explained, is to sell Union as California's largest independent bank -- not as its smallest statewide bank.

"I tell my branch managers: You've got to act like a bank president," Mr. Hartnack stressed. "You've got to be the absolute master of your market."

In Sharp Contrast

That retail model contrasts sharply with those of his two major rivals.

Wells has downgraded the role of branch managers and is managing its sales force from headquarters.

BankAmerica operates its network the way McDonald's runs its burger franchise -- emphasizing efficient distribution through hundreds of locations instead of personal service.

Union's approach promises to differentiate it from its big rivals. But it is far from easy for a bank of Union's size to maintain service levels comparable with those at true community banks.

"Implementing Union's strategy is a challenge," said Lehman Brothers analyst James Rosenberg.

The statewide bank whose strategy most resembles Union's is First Interstate Bancorp's California unit, the state's third-ranking bank.

Mr. Hartnack said it makes sense that the two banks would compete on service since neither can match BankAmerica or Wells in advertising or location.

Union's success hinges on recruiting and training high-quality branch managers, Mr. Hart-

See next page



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Bank Insurance Marketing

Continued from *page 6*

nack said.

Former colleagues note that his views reflect his experience at First Chicago Corp., where he served as head of retail banking before jumping to Union two years ago.

In Illinois, then a unit banking state, First Chicago assembled its retail network by buying a series of independent banks. The presidents of those institutions stayed on as managers.

"I found the guys running those banks were very good," Mr. Hartnack said.

Banking is in Mr. Hartnack's bloodline. His father, Carl E. Hartnack, served for many years as president of Los Angeles-based Security Pacific.

Colleagues say the younger Mr. Hartnack is a confident and inspirational leader.

"He makes decisions quickly -- there's a real pace to everything Rick does," said Charles W. Shoemaker, who reported to Mr. Hartnack at First Chicago.

That action-oriented style has found a home at Union, whose retail strategy is rapidly evolving.

The bank took its current shape in 1988 when Bank of Tokyo's consumer-oriented California First Bank bought Los Angeles-based Union Bank, one of the state's premier commercial lenders.

Union has successfully balanced its retail and commercial businesses during California's economic slump.

While commercial real estate produced major losses, consumer banking has helped keep Union profitable throughout the recession.

Following the 1988 merger, James R. Gibson, Mr. Hartnack's predecessor as retail manager, turned to what were then unconventional methods, such as supermarket banking and Sunday hours.

Sunday Service 'Clearly Valued'

Mr. Hartnack has built on that foundation. He has built Union's network of branches in Ralphs Supermarkets to 23. He has extended Sunday hours from the supermarkets to six regular branches ,in Southern California, with plans for more.

Sunday service "is something clearly valued and understood by consumers," he explained. "It provides us with a distinctive difference."

On pricing, Union's interest rates are about the same as those of its major rivals. But Mr. Hartnack is making it easier for consumers to get free checking accounts. He's also planning one of the first major debit card promotions in California.

At the same time, Union's retail chief is making a strong bid for California's low-income market. Mr. Hartnack estimated that Union may ultimately be able to generate about 5% of its income from low-income customers.

As an experiment, the bank has opened a branch in a low-income community near Los Angeles. Competing directly with local check-cashing stores, the office has an area set aside for handling checks of customers who have no bank accounts.

At 1%, Union's check-cashing fee is lower than the specialty stores'. At the same time, the bank encourages customers to open regular accounts at the branch. □

Boatmen's to Buy 1st Amarillo for $175 Million

By STEVE KLINKERMAN

Boosting its presence in West Texas, St. Louis-based Boatmen's Bancshares on Friday agreed to buy First Amarillo Bancorp. in a stock swap valued at roughly $175 million.

The price is 2.2 times First Amarillo's book value.

First Amarillo is solidly profitable, earning $6.4 million before extraordinary items in the first half of 1993, for a return of roughly 1.7% on average assets.

$800 Million in Assets

First Amarillo holds roughly $800 million of assets and is solidly profitable. It earned $6.4 million before extraordinary items during the first half of 1993, for a return of roughly 1.7% on average assets.

Boatmen's first entered Texas with its 1992 purchase of Sunwest Financial Corp., Albuquerque, N.M., which has a unit in El Paso, Tex.

An Unsuccessful Bid

Joseph Horn, chief financial officer of First Amarillo, said the company will be operated as a separate subsidiary of Boatmen's. Don Powell, chairman and chief executive, will remain in charge of the company after it is acquired, Boatmen's said.

An avid acquirer for two years, Boatmen's competed vigorously but unsuccessfully for parts of Houston's failed First City Bancorporation of Texas, most of which was sold to Chemical Banking Corp.

Andrew B. Craig 3d, chairman and chief executive of Boatmen's, said in a prepared statement that the First Amarillo deal would have a neutral effect on this year's earnings and would enhance profitability in 1994.

Key Geographical Position

Mr. Craig said First Amarillo occupies a "key location" along the highway linking Oklahoma City and Albuquerque, two cities where Boatmen's already has a major banking presence.

Boatmen's at midyear held $24.6 billion of assets and operated about 400 offices spread across Missouri, Illinois, Tennessee, Oklahoma, Arkansas, Iowa, New Mexico, and Texas. □

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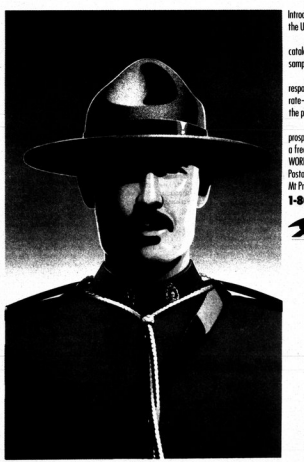

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A Thrift's Hard Lesson In Merger Conversions

By ROBERT B. COX

Mergers

A WOOSTER, OHIO, THRIFT received an abrupt lesson last week in the difficulties of merger conversions.

FirstFederal Financial Services Corp. was thwarted in its attempt to acquire another Ohio thrift, First Federal Savings Bank of Dover, in a merger conversion when the target backed away.

FirstFederal's failure to obtain a definitive merger agreement with the $58 million-asset Dover thrift underscores the pitfalls of the transaction itself.

"Merger conversions are among the most difficult deals to accomplish," said David P. Downs. senior vice president at Ryan, Beck & Co.

FirstFederal, with assets of $571 million, announced in May that it had signed a letter of intent to acquire the Dover thrift. Under the terms of the preliminary agreement, Dover's depositors would have converted their ownership into roughly $6 million of FirstFederal stock.

FirstFederal would have picked up the Dover thrift and its $6.2 million of capital merely by issuing roughly $6 million of new equity. Thus FirstFederal would have bought the mutual while gaining about $12 million of new capital. The only cost to FirstFederal: About 5% dilution to shareholders.


Gary G. Clark

"These are the kinds of deals we would like to do," said Gary G. Clark, the Wooster thrift's president. "But they are relatively tough transactions to get done."

Nevertheless, 155 merger conversions have taken place since 1988, all of them involving thrifts under $1 billion of assets, according to Securities Data Co.

The majority of the deals were done in 1990, when 92 were completed. Since then, merger conversions have averaged about 12 each year, with 10 done so far this year.

Part of the recent reluctance of mutual thrifts to enter into merger conversions can be explained by the bullish market for thrift stocks in recent years.

"Thrift stocks jump considerably in price immediately after going public, and a mutual forgoes that opportunity in a merger conversion," said Mr. Downs at Ryan Beck. By converting to stock when demand is high for thrift shares, management and shareholders of mutuals are often richly rewarded.

That also helps explain why during the bearish market of 1990 – when merger conversions peaked – only 37 thrifts converted to stock ownership. That compares with 55 in 1991, 69 in 1992, and a record 130 during 1987, according to Capital Resources Group Inc., Washington.

Looking for a Different Target

Robert Gerber, president of First Federal Savings Bank of Dover, would not comment on why the thrift pulled out of the merger. Mr. Clark said, "I think some outside parties got in there and got them looking at some other alternatives."

In the meantime, FirstFederal is scouring a five-county area looking for other small mutual thrifts or community banks that might be willing to sell. So far it has targeted about 12, Mr. Clark said.

Q: Are you selling or holding your fixed-rate mortgages?



JAMES F. DWINELL 3d
President
Cambridge Trust Co.
Cambridge, Mass.

Neither. We write only two-year adjustables, and we keep them all in-house. We don't charge any points, and we've done pretty well with them. We felt that we'd prefer flexibility to the guidelines for selling in the secondary market.

For example, we once issued a mortgage that represented 50% of the borrowers' income for the first year, and 30% the second. That's not a mortgage you could sell in the secondary market, but it was a risk we wanted take. If customers insist on a fixed mortgage, we try to help them find one. I have heard of a savings bank that holds its two-, five-, and seven-year fixed loans. □



RONALD F. KNIGHT
Executive vice president
Cavalry Banking
Murfreesboro, Tenn.

We sell all of our fixed-rate mortgages. The structure of the industry would have to change for us to start holding.

We have no fixed cost that extends out 15 or 30 years, and nothing whose costs are guaranteed that far out – and a match of assets and liabilities tells you you can't offset an expense that changes on a frequent basis.

We might package and hold some fixed-rate mortgages for not more than 30 days, but it's just to securitize and sell them at a later date. I can't conceive of anyone originating 15- or 30-year loans with the intent to hold them to maturity. □



CHARLES R. LUSK
President and CEO
Rossville (Ga.) Bank

We are holding the five-year balloners – maybe 3% or 4% of our portfolio – but that's about it. If someone wants a fixed-rate loan, I'm passing my interest rate risk on to someone else.

Some of the savings banks are starting to hold them, or at least while they see what interest rates do – though they're limiting them to a set dollar amount.

But I think they are traditionally more attuned to the home mortgage market. Most of the savings bank people in this part of country are former S&L people, and their mentality is just different from a commercial bank mentality. □

Banks Seen Holding More Fixed Loans

By PHIL ZAHODIAKIN

Banks insist that they are selling their fixed-rate mortgages in the secondary market, but some experts aren't so sure.

"I'm sure quite a few banks are holding them to maturity. Mortgage investments at banks have increased dramatically over the last few years, adjustable-rate mortgages have lost popularity, so banks are increasing their exposure to long-term fixed-rate mortgages."

The danger in holding fixed mortgages is that rising rates may increase a bank's funding costs much faster than its asset yields. In the early 1980s, hundreds of thrifts were crippled by just such a rate squeeze.

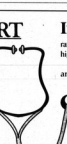
Certainly the numbers suggest that banks have favored fixed-rate loans over the years. Banks with fewer than $2 billion in assets hold three times the volume of fixed-rate loans as adjustable modes, according to Ferguson & Co., Irving, Tex.

Ron Gumz, senior vice president of Ferguson, says the volume of fixed mortgages held by banks with less than $2 billion of assets totaled $149 billion in 1992, an increase of $15 billion.

At the same time, Mr. Gumz adds, the number of adjustable-rate mortgages issued in 1992 increased $8 billion, to a total of $58 billion. □

HIGH YIELD REPORT

lets you *hear the heartbeat and feel the pulse* of a market accounting for over $250 billion of publicly held corporate debt — and a behemoth of distressed bank debt



IN AN AGE OF DRAMATICALLY declining long-term interest rates, the *American Banker*'s weekly *High Yield Report* delivers money-making tips on high-yield investment opportunities.

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A Handful of Ideas to Keep Your Bank on Top of Its Game

Weekly Adviser


By PAUL NADLER

Community bankers sometimes make suggestions that really deserve to be shared with other bankers, but the ideas are not long enough to justify a whole column.

Therefore, this column marks the start of a suggestion box section to publish some of these valuable shorter hints.

Today's column will be devoted to such suggestions in the future, there will be one or two at the bottom of the regular column, provided there's room.

Naturally, any helpful hints you are willing to share will be welcomed for publication. You can send your ideas to the address at the bottom of this page.

2 Customer Calls per Employee

Why not develop a practice of having each contact person who deals directly with the public make two calls at the end of the day to thank the people who came in for giving the bank their business?

Most people report that these "warm calls," as opposed to "cold calls," are really appreciated, indicating to the customer that the banks know who they are.

Show the flag by giving every employee a pin with the bank's logo.

If you have five tellers and two platform people, that will mean 14 calls a day, 70 a week, over 3,500 a year (forgetting holidays).

It's a lot of good will for a small price in time and telephone charges.

Put a Calculator Next to Pens

Community bankers report that if an electronic calculator is firmly attached to the counter where people prepare their deposit slips in the bank, it is greatly appreciated.

In today's environment, it should be as routine an accessory as the ballpoint pen attached with a bead chain.

It shows the bank is up to date and thinks about what its customers need.

The price? Almost nothing.

Showing the Flag

The bank that develops a pin with its logo on it and expects all employees to wear it around towns gets a great deal of good will from this.

First, it demonstrates to all the stores, restaurants, and other places where the bankers spend money that the bank is an important economic force in town.

Second, it shows that the bank's employees have pride in their organization.

Consider having each bank employee who deals directly with the public make two calls at the end of the day to thank people for giving the bank their business.

Finally, a bank can introduce special pins as a way of recognizing longtime loyal employees. This could be a jeweled pin for bankers who have been on board a long time – maybe adding one jewel for each five years.

I remember when Fidelity Union in Newark, N.J., had its employees wear their bank pins during business hours. As I walked through town, it made its people and their bank special in my eyes.

Cartoon Diversions

Some banks have found that a TV screen showing silent cartoons is a great distraction on the drive-in line both for people waiting their turns and their children.

It wouldn't hurt to throw in a silent commercial for one or more of the bank's services, along with Bugs Bunny chasing the Roadrunner (beep beep) or Popeye eating spinach.

Want Ad in a Chess Magazine

If you are looking for a new employee whose work will require a lot in the way of analytical skills and you are afraid that most of the college grads you get are not up to the challenge, why not put an ad in a chess magazine?

Many bankers report that the type of person who enjoys being expert in chess has the type of brain that can handle the programming and other analytical work the bank needs to make its operations hum. □

Send Us Your Ideas

Weekly Adviser is a forum for community bankers to share their concerns, problems, and solutions. You can participate by writing to:

Paul S. Nadler
14 Friar Tuck Circle
Summit, N.J. 07901

Responses will be printed in the column.

Mr. Nadler is a contributing editor of *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

United We Stand.

BANK UNITED
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$5 Billion

You can accomplish great things when you're United. Bank United of Texas FSB certainly proved it with their recent $5 billion deal with Fannie Mae.

The fact that Bank United is dedicated to the people they do business with is reflected not only in their relationship with Fannie Mae, but with the thousands of people across the country who couldn't finance homes without their help.

We admire your hard work, Bank United, and we're proud you've chosen Fannie Mae as your secondary market partner. So keep up the good work. Thousands of homeowners join us in a United thanks.

FannieMae

Guru Has 2 Words for Bankers: Mutual Funds

By KEITH DuBAY

Bank consultant William Wyman says he gives all his clients the same advice about mutual funds: Get into them.

Find a way to make them profitable, either by managing, servicing, or selling them, he says. Retaining a customer relationship is worth the effort.

Though naysayers maintain the bank mutual fund boom is a fad prompted by a raging bull market, the managing partner of Oliver, Wyman & Co. in New York scoffs at the suggestion.

'Better Provide Options'

"Look, banks, this isn't a temporary trend," he says. "You had better provide options for your customer."

If banks don't heed change, Mr. Wyman says, they will lose their customers to other providers of financial services, such as mutual fund companies.

Mr. Wyman's views have considerable heft. The firm he founded in 1984 is one of the world's leading bank consulting practices, with a staff of more than 100. And Mr. Wyman, 65, is a widely respected guru of bank strategy, with 28 years' experience in the industry.

In a recent telephone interview, Mr. Wyman said that an array of social and economic forces is helping to change traditional savers into investors.

Among them:

• The fear that pension and social security benefits won't be paid as promised. To ensure that their savings can cover their needs in retirement, consumers increasingly are seeking the higher returns afforded by mutual funds, Mr. Wyman said.

Banks should get into selling mutual funds, annuities, and other investment products because even a stock market crash won't deter consumers from mutual funds, he contended.

"The operative statement is this country is moving from an environment of borrowers and depositors to issuers and investors," Mr. Wyman said.

• Consumers are frightened by the prospect of higher taxes and unstable real estate values.

These changes are pushing people into mutual funds.

'A Continued Drain'

"The implication is the individual will push much harder to get a higher return," Mr. Wyman said. "It means there will be a continued drain from deposits into higher-yielding instruments."

Mutual funds are gaining popularity over federally insured bank deposits, and not just because of the low yields on certificates of deposit, he maintained.

"The facts are, it's not that much safer to invest in a CD," Mr. Wyman said."

Regulation a Factor

He challenges the notion that banks and mutual funds are at cross-purposes, that the bank is chiefly a depository institution and not a provider of investments. He said that contention is put out by mutual fund officials who don't want government regulation.

It's easier for a mutual fund to offer bank services than it is for regulation-strapped banks to offer mutual funds, he said.

As a result, some banks will compete aggressively in mutual funds, but others will ignore them and concentrate on payment processing, mortgage lending, and credit cards – fields in which they excel.

Are banks getting into the mutual fund business too late to really benefit?

'It's Never too Late'

"In some senses, it's pretty late," Mr. Wyman said. "In the customer's mind, it's institutions like Fidelity Investments that are established as a mutual fund. But it's never too late if you're smart or aggressive enough."

All this doesn't mean that it's a simple matter of offering mutual funds. Mr. Wyman recognizes that selling mutual funds for a one-time commission doesn't provide the kind of income a bank can realize from taking low-interest deposits and making higher-interest loans.

"Mutual funds are clearly less profitable," he said. "But the CDs banks are losing tend to be the shorter maturity CDs that are not profitable in the first place. Even if mutual funds reduce profitability, to some extent they are retaining customer relationships." □



William Wyman
"This isn't a temporary trend"

Midwest Bank Groups in Deal with TRW

By STEPHEN KREEGE

Hoping to offset big banks' credit card advantages, seven midwestern banking associations have reached a pact with TRW Information Services to get group rates on consumer credit reports.

Normally, community banks cannot keep up with the investments in information and technology that big card issuers use to find new prospects in the nearly saturated card market.

The TRW program "is not the full step up to what the big banks have, but it does help [smaller] banks become more efficient and have higher confidence in their [credit] decisions," said Michael Van Buskirk, executive vice president of the Ohio Bankers Association.

$1.30 a Report Versus $3

Mr. Van Buskirk is a former TRW executive. His association is being joined in the TRW program by those of Illinois, Michigan, Indiana, Kentucky, Wisconsin, and Minnesota.

Under their three-year contract, a TRW credit report that might have cost a member bank $3 can be purchased for about $1.30. "It's comparable to the price a Citicorp would pay," Mr. Van Buskirk said.

In addition to the lower price on the reports, which are used to evaluate many kinds of consumer loans, Mr. Van Buskirk said the members will gain access to TRW's national data base. That will help them to evaluate the potential profitability of credit card offers, he said.

Big banks have data in their nationwide card portfolios to build reliable predictive models of customer creditworthiness.

Even though they will have access to TRW's national data, the smaller banks would still lack some of the big banks' flexibility, Mr. Van Buskirk said.

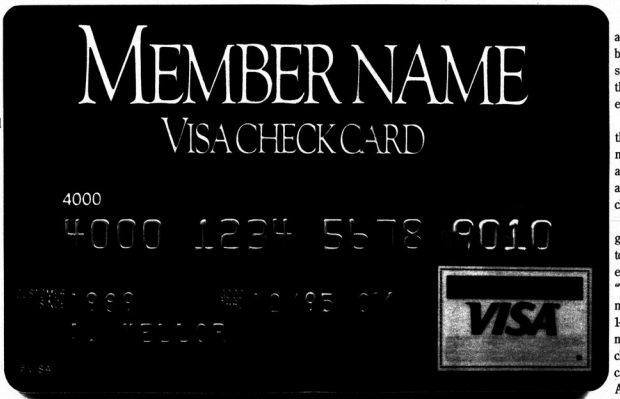
Seminars Under Way

He said they will not be able to challenge industry giants like Citicorp, nor would they want to. But the program will improve smaller players' effectiveness in offering a credit card to round out their relationships and build loyalty with local customers, the Ohio executive said.

Ohio and Illinois, with 254 and 872 banks respectively, have already kicked off their programs with seminars led by TRW officials. The other associations are expected to follow shortly.

In a bidding process, TRW's price was deemed superior to that offered by its rival, Equifax Inc., which offers similar group benefits through an affiliate to members of the Independent Bankers Association of America. □

Your customers will soon be convinced that this is a checkbook.



Let us explain. You see, while the banking industry has recognized the potential of debit cards, your customers are not necessarily familiar with their benefits. So to make sure they fully understand what debit cards offer them, we've taken a couple of important steps.

First, we've changed the name of the Visa® debit card to the Visa® check card. Now, from the name alone, consumers will have a better idea of what the card is and how it works at the point of sale.



And second, we're introducing "The New Shape of Checking," a comprehensive nationwide consumer education initiative. Simply put, this program is designed to help you educate your customers about the what, where, why and how of the Visa check card and Interlink® service.

A blend of public relations and promotional efforts, the program will feature a consumer handbook on responsible use of the Visa check card and Interlink, new modules of our Choices and Decisions educational materials which focus on Visa check card and Interlink, and consumer advocacy forums to advance consumers' awareness and understanding of how these services work.



We're also helping members educate their customers on a local level.

To achieve that goal, we've created "The New Shape of Checking" member kit.

Included in the kit are an 18-month marketing support schedule, sample consumer advertising materials, a program brochure, in-branch promotional support and a video explaining the Visa check card and Interlink educational programs.

When your customers discover through this program how convenient Visa check card and Interlink are to use, they will seem as simple and indispensable as the common checkbook.

So, to help get your customers interested, order "The New Shape of Checking" member kit today—just call 1-800-VISA-311. Or, for more information on how to become a Visa check card or Interlink issuer, call your Visa Member Relations Account Executive at 703-827-8404 in McLean, Virginia, or at 415-570-2120 in San Mateo, California.

Either way, take advantage of "The New Shape of Checking" program. Both you and your customers will find it very convincing.

INTERLINK

VISA

First USA Boosts Yearly Dividend 30%, to 13 Cents

By JEFFREY KUTLER

First USA Inc., the parent of First USA Bank of Delaware, announced a 3 cent, or 30%, increase in its annual dividend, to 13 cents a share.

Reflecting the new rate, a 3.25-cent quarterly dividend will be paid Aug. 12 to shareholders of record on Aug. 2.

First USA reported last week that it earned a record $12.9 million, or 47 cents a share, in its fourth fiscal quarter, which ended June 30. Net income for the fiscal year rose to $39.2 million, or $1.46 a share, from $17.2 million. Per-share earnings rose 104% in the quarter and 143% for the year.

Felt Some Pressure

As a credit card specialist, First USA is one of the bellwethers of industry profitability.

The bank felt some of the pressure that analysts say has begun to creep in, increasing its loss reserve and seeing the net interest margin fall by 30 basis points in the latest quarter. But for the fiscal year, the margin improved to 8.09% from 7.21%.

John C. Tolleson, chairman and chief executive officer, cited a 61% fiscal-year growth in managed credit card loans, including those in securitized portfolios; increases in cardholder and merchant volume; and a decline in the delinquency rate to 2.81% from 3.88% on June 30, 1992.

First USA opened 513,628 new accounts in its fourth fiscal quarter, almost equaling the 570,098 opened in all of fiscal 1992. The new-account total in fiscal 1993 doubled to 1.16 million.

First USA Inc.'s annual return on assets was 1.41% and return on equity 22.78%, while its bank earned 2.93% and 35.77%. Yet income continues to be depressed by amortization of goodwill resulting from the buyout of First USA in 1989.

Banks' Portfolios Of Home Loans Grew 7.5% in 12 Months

By EDWARD KULKOSKY

Commercial banks appear to have been working hard to build their home-loan portfolios.

Despite heavy prepayments tied to the refinancing boom, the industry increased its holdings of single-family mortgages by 7.5% in the year through March 31.

The portfolios of the 65 largest lenders climbed by about 22%, though much of that gain was attributable to mergers. (See accompanying table.)

San Francisco's Bank of America, for example, showed growth of 43% because of its merger with Security Pacific. For the year to June 30, with the merger no longer a factor, the bank showed a decline in its portfolio holdings of about 1%.

Shift Away from Fixed Rates

The banks showed slightly less willingness to add fixed-rate mortgages to their holdings, even though such loans are much in demand by consumers. Adjustables constituted about half their portfolios as of March 30, against about 46% a year earlier.

"Several things are going on," said Alden Toevs, a managing vice president at First Manhattan Consulting Group.

"There's been some return of loan demand. But mostly, the banks are looking for a place to park money until customers come back and start asking for product. They are looking for yield and will accept prepayment risk to get it."

Mr. Toevs sees the buildup of bank portfolios as short-lived and expects a turnabout tied to accounting considerations. "Things are ripe for a major sell-off of bank mortgage assets once interest rates rise," he says.

As of next year, banks will be required to value assets that are held for sale at market, he points out. They have had a considerable cushion of value on the older portions of their fixed-rate portfolios because the decline in interest rates has increased the market value of the mortgages held.

But the newer fixed mortgages are diluting that cushion, and a rise in rates would erode it even further. And the banks, fearful of having to mark down their portfolios, would likely begin to sell off their fixed-rate holdings.

"Once interest rates rise, there's a steamroller effect of major proportions," Mr. Toevs says.

Some of the top 65 lenders, meanwhile, continued to hold high percentages of fixed-rate loans. Prominent among them were Chemical Bank, about 70%; NationsBank Texas and Wells Fargo, both about 74%; Comerica, 80%; and NationsBank California, about 94%.

The same banks, though, had relatively small portions of assets in home loans, so their exposure to rate risk is limited. □

Home Loan Bank to Aid Flood Victims

The Federal Home Loan Bank of Des Moines said it has set aside $100 million for low-interest loans to lenders in the flood-ravaged Midwest.

The loans, priced at the bank's cost of funds, are meant to help finance repairs of both residential and commercial properties. The funds will be available to member lenders until June 1994.

Separately, Moody's Investors Service said the flooding will have minimal impact on securities backed by mortgages in the area. Though thousands of homes have been damaged, relatively few have been destroyed, Moody's noted.

— Phil Roosevelt

Top Banks in Residential Mortgage Loans

1-4 Family first mortgage loans outstanding on March 31, 1993 (dollar amounts in thousands)

		Residential Mortgage Loans Outstanding	Percent Change From 3/92	ARM's as a % of Mortgage Loans	ARM's as a % of Mortgage Loans 1/93	Residential Mortgages Loans 1/92
1	Bank of America NT&SA, San Francisco (e)	25,447,000	43.02	68.68	83.27	19.24
2	Chemical Bank, New York	7,673,000	50.30	29.61	24.60	6.95
3	Citibank, NA, New York	7,163,000	-8.06	58.40	62.41	4.38
4	Chase Manhattan Bank, NA, New York	6,562,453	3.72	83.26	61.79	8.66
5	NationsBank of Texas, NA, Dallas	6,079,274	78.03	25.99	18.49	17.42
6	Wells Fargo Bank, NA, San Francisco	5,863,068	-16.29	24.62	21.08	11.87
7	First Union Nat'l Bank of Florida, Jacksonville	4,929,002	10.57	47.72	60.13	9.30
8	Norwest Bank Minnesota, NA, Minneapolis	4,098,438	73.39	31.48	6.34	30.07
9	Boston Safe Deposit and Trust Co.	3,975,871	7.07	99.57	99.64	49.35
10	First Fidelity Bank, NA, New Jersey, Newark	2,870,250	68.60	30.78	36.85	13.15
11	Shawmut Bank, NA, Boston, Mass.	2,364,867	134.85	46.13	52.56	18.42
12	First Union National Bank of North Carolina, Charlotte	2,352,654	-21.00	61.37	28.55	11.90
13	Mellon Bank, NA, Pittsburgh	2,327,498	34.23	37.60	31.94	7.82
14	Key Bank of New York, Albany	2,216,311	24.15	39.01	42.22	15.87
15	Comerica Bank, Detroit	1,914,162	43.87	19.92	14.04	8.67
16	Shawmut Bank Connecticut, NA, Hartford	1,771,525	-1.89	41.13	55.37	14.08
17	First Union National Bank of Georgia, Atlanta	1,750,071	223.90	14.49	50.71	27.84
18	Society National Bank, Cleveland	1,712,540	110.57	47.72	60.13	9.30
19	HSBC Bank, NA, Detroit	1,677,889	2.83	36.99	39.41	6.88
20	NationsBank of North Carolina, NA, Charlotte	1,590,979	2.63	6.16	9.24	6.78
21	Bank One Texas, NA, Dallas	1,567,569	13.46	46.14	43.74	8.85
22	Union Bank, San Francisco	1,514,391	-5.05	30.76	26.36	9.13
23	PNC Bank, NA, Pittsburgh	1,496,082	2.55	27.86	33.08	4.87
24	First Bank, NA, Minneapolis	1,421,286	43.32	22.30	13.69	13.80
25	Wachovia Bank of North Carolina, NA, Winston-Salem	1,360,176	20.60	9.90	12.90	7.48
26	NationsBank of Florida, NA, Tampa	1,373,802	116.59	38.84	17.72	6.22
27	Branch Banking and Trust Co., Wilson, N.C.	1,372,588	29.42	31.34	40.27	21.26
28	Marine Midland Bank, NA, Buffalo, N.Y.	1,352,035	53.74	12.70	23.26	8.38
29	Bank of New York	1,152,513	20.53	34.40	43.22	3.25
30	First Alabama Bank, Montgomery	1,148,673	13.15	51.59	45.49	16.23
31	Seattle-First National Bank, Wash.	1,117,380	31.01	52.59	52.59	7.27
32	Manufacturers & Traders Trust Co., Buffalo, N.Y.	1,112,356	-14.28	49.45	45.95	12.65
33	Bank One Arizona, NA, Phoenix	1,081,313	36.71	25.48	18.26	10.70
34	Bank of Hawaii, Honolulu	1,078,663	18.59	99.74	96.75	9.31
35	Northern Trust Company, Chicago	1,033,400	35.09	23.39	16.05	8.47
36	Second Bank of Pinellas Cty. St. Petersburg, Fla.	1,033,186	10.92	57.55	58.99	29.96
37	BayBank Middlesex, Burlington, Mass.	1,030,438	-11.12	85.31	72.89	11.96
38	Central Bank of the South, Birmingham, Ala.	1,024,129	59.43	9.41	25.24	20.47
39	Bank Western, NA, Denver (b)	1,013,855	-2.39	68.53	60.60	43.49
40	First-Citizens Bank & Trust Co., Raleigh, N.C.	1,006,247	4.84	0.35	0.34	0.14
41	San Diego Trust & Savings Bank, Calif.	999,759	917.62	86.79	71.54	47.65
42	Meridian Bank, Reading, Pa.	979,977	-15.47	14.07	11.83	9.38
43	AmSouth Bank, NA, Birmingham, Ala.	977,096	23.16	38.12	21.49	11.30
44	Michigan National Bank, Farmington Hills	967,977	4.37	50.54	22.88	10.54
45	Integra National Bank, Pittsburgh	958,801	159.48	90.74	11.50	18.15
46	NationsBank of South Carolina, NA, Columbia	928,983	245.80	4.53	22.75	11.12
47	Bank of America Oregon, Portland	901,377	64.23	78.05	81.40	28.93
48	United States National Bank of Oregon, Portland	901,112	-2.55	-8.23	10.95	8.62
49	Wilmington Trust Co., Del.	855,536	-9.48	22.60	22.84	20.75
50	Banco Popular de Puerto Rico, San Juan	848,711	-5.78	0.00	0.00	8.69
51	Crestar Bank, Richmond, Va.	836,786	-22.71	30.64	14.77	8.27
52	First National Bank, Boston	831,662	29.08	36.33	31.70	3.38
53	Barnett Bank of Southwest Florida, Sarasota	827,089	7.26	89.10	87.38	41.41
54	Barnett Bank of South Florida, NA, Miami	807,618	-40.32	61.35	56.96	16.76
55	Huntington National Bank, Columbus, Ohio	806,370	-14.91	3.63	6.09	7.41
56	Fifth Third Bank, Cincinnati, Ohio	785,366	45.58	71.85	65.37	13.44
57	Central Fidelity Bank, Richmond, Va.	771,398	66.79	12.70	28.68	8.91
58	Wachovia Bank of Georgia, NA, Atlanta	767,861	12.86	36.63	41.55	7.34
59	Bankers Trust National Bank of St. Louis, Mo.	752,216	0.18	66.06	58.06	12.00
60	First National Bank, Chicago	758,005	129.38	39.77	63.25	2.45
61	First Bank of Massachusetts, NA, Boston	733,831	51.52	73.31	57.43	9.32
62	First Interstate Bank of California, Los Angeles	723,173	-20.91	10.15	10.67	3.68
63	First Hawaiian Bank, Honolulu	722,216	0.18	66.06	58.06	12.00
64	Chemical Bank, New Jersey NA, East Brunswick	715,070	-4.80	5.56	8.16	13.12
65	Second Bank of Broward Cty, NA, Ft Lauderdale, Fla.	701,586		56.19		24.40
	TOTALS FOR THE TOP 65 (amounts in millions)	139,366	22.20	49.79	48.85	10.57
	TOTALS FOR ALL BANKS (amounts in millions)	341,649	7.54	42.99	39.10	9.72

Data source: Data were extracted by American Banker from the federal regulatory Report of Condition and Income, a Bank Source, provided by W.D. Ferguson & Co., Irving, Tex. (b)—1-4 family first mortgage loans outstanding declined 1.14% from 25,772 million on June 30,1992. (b)—Formerly Bank Western, FSB. (f)—estimated

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EXECUTIVE *changes*

Bank Marketing Association Elects Premier's Biff Motley as President

L. Biff Motley, executive vice president of **Premier Bancshares,** Baton Rouge, La., is the newly elected president of the **Bank Marketing Association,** Washington.

Mr. Motley joined Premier in 1986 as senior vice president of marketing; he was later executive vice president of marketing and strategic planning. From 1982 to 1986, he was a partner in the Chicago consulting firm of Whittle, Hanks, Motley & Radon and was president of Financial Products Group.


L. Biff Motley

Phillip F. Hudson, executive vice president of **First Security Corp.,** Salt Lake City, will be president-elect of the trade association. **L. Leon Patterson** will continue as treasurer. He is chairman and chief executive officer of **Palmetto Bank,** Laurens, S.C.

Michael Riley is managing director of **Bank Marketing Group.**

Four members have been elected to serve three-year terms on the group's board. They are:

- **Jack David,** executive vice president and treasurer of the marketing division for **Seafirst Bank,** Seattle.
- **Wendy Godfrey,** vice president of marketing research at **Caliber Bank,** Phoenix.
- **Brad Iversen,** executive vice president of marketing for **Bank at NationsBank Corp.,** Charlotte, N.C.
- **Lori Teske,** vice president of marketing at **Andover Bank** in Andover, Mass.

Betty M. McDonald to Lead Credit Group

Betty M. McDonald is the 1993-94 chairman of the **National Association of Credit Management.**

She is manager, business credit information services, for **Bank of America Arizona** in Phoenix.


Betty M. McDonald

The trade group, based in Columbia, Md., represents 36,000 business credit executives in manufacturing, wholesale, service industries, and financial institutions.

Ms. McDonald has been a member of the group for 21 years. She was director of the western region from 1986 to 1989, national vice chairman from 1989 to 1992, and chairman of the strategic planning committee. She has also been chairman of the group's Phoenix affiliate.

— **Franklin Smith**

MIDDLE ATLANTIC

INSTITUTIONAL Group Information Corp., Great Neck, N.Y., has named **Andrew M. Vigasola** Sr. executive vice president and chief operating officer. He succeeds **Jeffrey Riback,** who has become senior vice president, national sales.

SOUTHEAST

NATIONAL Bank of South Carolina, Columbia, has named **Reginald D. Wilson Jr.** as executive vice president and trust department manager.


R. D. Wilson Jr.

Mr. Wilson was formerly regional manager for trust business development in Georgia for NationsBank.

He is a former vice president of C&S Trust Company South Carolina and a former personal financial officer at South Carolina Federal Savings Bank.

FRANKLIN Street Partners Inc., Chapel Hill, N.C., and **Susan T. Kaderabek** has joined the investment firm as an investment analyst.

SOUTHWEST

FIRST USA Bank, Wilmington, Del., has named **Rebecca Genna, Donna M. Higgins, Judy Ettinger-Klimoff,** and **Jerry L. Wilterding** as vice presidents.

Ms. Genna's responsibilities involve the bank's direct-mail efforts. Ms. Ettinger-Klimoff is the company's senior recruiting and career-development officer. Ms. Higgins has responsibilities in affinity-group marketing. Mr. Wilterding is responsible for quality assurance.

At First USA Bank, **Anton Blumberg, Steve Cavanaugh, Ann Conca, Cynthia Dumizo,** and **Debra Weyd** were promoted to assistant vice president.

Promoted to that rank at First USA Merchant Services Inc. were **Iselle Henderson, Deronda McGuire,** and **Sonya Pool.**

Ann Janssen was named an assistant vice president.

WEST

UNITED GUARANTY Residential Insurance Co., Greensboro, N.C., has named **Lisa Gomes** sales representative for the San Diego metropolitan area.

ROGERS & WELLS, an international law firm, said **Randolph H. Elkins** will head the firm's bank regulatory practice in its Los Angeles office.

He was formerly a partner in the law firm of McKenna & Fitting. □

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Regulators Stepping Up to the Plate

OTS in First Place with Softball Season in Full Swing

Of all the games Washington banking regulators play, only one keeps them late, battling other bureaucrats.

It is softball.

And out on the diamond, the Office of Thrift Supervision's record is a grand slam compared with that of every other banking agency. The OTS coed team has racked up 13 wins and no losses this season, and the agency's men's team is 12-2.

The Inside Line

"We always whip the FDIC so bad that we just expect to beat them," said OTS men's team coach Dave Sjogren, program manager of corporate analysis. "We were a little disappointed that we only beat them 14-5 last time – we wanted to really drub them, but we had a bad game."

FDIC Strikes Out

But some would say the Federal Deposit Insurance Corp. team never had a sporting chance: It is second-to-last in *American Banker*'s rankings. The all-male team represents the FDIC division of supervision and so far this season it has no wins and 14 losses.

Only the Thrift Depositor Protection Oversight Board has teams all together. Within the FDIC, the lawyers have it hands down: The agency's legal division coed team is five and one for the season.

Take Me Out To the Ball Game

Season softball records of banking agencies' teams

Teams	Wins	Losses
OTS-Coed league	13	0
OTS-Men's league	12	2
Federal Reserve	9	–
OCC	8	–
FDIC-Legal	5	–
RTC*	4	–
FDIC-Information Resources Mgt.	2	–
FDIC-Research	2	–
FDIC-Resolutions	1	–
FDIC-Liquidation	1	–
FDIC-Supervision Coed'ed	0	1
Oversight Board	0	1

*And one tie

Source: Banking agencies

OCC Trounces Fed

Federal Reserve coach and financial analyst Don O'Mara confessed that for the first time, the Office of the Comptroller of the Currency has beat them – not just once, but twice. And that's too bad, he said, because "We enjoy beating the OCC just because they are a bunch of whiners."

The S&L trade group – Savings and Community Bankers of America – also fielded a team this year, and as usual, SCBA is complaining of being beat up by the regulators.

"Our team colors are black and blue," moaned coach Bob Schmernund, after a player broke his nose in the first game. His team is 1-2, losing in its first game to the RTC "by two touchdowns." Final score: 24-11.

The SCBA team is still trying to find a name for itself (since it doesn't want anyone to call it "scuba"). While "No Deposits No Returns" is high on the list, another of their leading candidate: "We thought 'SAIF Sex in the BIF' covered all the bases," Mr. Schmernund said.

— Robyn Meredith

To be fair, the FDIC has six a worse record: 15 losses, no wins.

"We almost beat the Fed," offers Oversight Board coach Lisa Minard, an advisory board specialist for the agency.

To be fair, the FDIC has six

The OCC's New Guidelines On Investment Product Sales

The Office of the Comptroller of the Currency issued guidelines last week for banks selling retail nondeposit investment products, such as mutual funds and annuities. Excerpts follow.

Banks should adopt a statement describing the features of the sales program, the roles of bank employees, and the roles of third-party entities.

Bank management must monitor compliance by other entities on an ongoing basis. The degree of bank management's involvement should be dictated by the nature and extent of nondeposit investment product sales, the effectiveness of consumer protection systems, and customers' responses.

The bank should adopt policies governing the permissible uses of bank customer information in connection with a bank-related retail investment sales activity.

Banks should market nondeposit products in a manner that does not mislead or confuse customers as to the nature of the products or the risks. To the extent permitted by space and personnel considerations, bank management should take steps to separate the retail deposit-taking and the retail nondeposit sales functions.

Verbatim

Banks should prohibit tellers from offering investment advice.

No Use of Bank's Name

In addition, banks may not offer uninsured retail investment products with a product name identical to the bank's name. Banks also should recognize that the potential for customer confusion may be increased where the bank uses product names that are similar to the bank's own and should design their sales training to minimize this risk.

Conspicuous Disclosures

Complete and accurate disclosure must be provided to avoid customer confusion as to whether a bank-related product is an investment product or an insured bank deposit. Product disclosures should be made conspicuously and should include the fact that the products are not FDIC insured; are not obligations of the bank; are not guaranteed by the bank, and involve investment risks, including the possible loss of principal.

The OCC believes it is appropriate to obtain a signed statement acknowledging such disclosures from a customer at the time a retail nondeposit investment account is opened. □

THE WEEK *ahead*

MONDAY, JULY 26

Kansans Visit: Kansas Bankers Association members arrive in Washington for their annual visit with lawmakers and regulators.

TUESDAY, JULY 27

FDIC Meets: The Federal Deposit Insurance Corp. board is expected to meet, though its agenda had not been set by late last week. The meeting starts at 10 a.m. at the agency's headquarters, 550 17th St. NW. Call 202-898-3813.

S&L Expansion: The National Commission on Financial Institution Reform, Recovery, and Enforcement is scheduled to release its long-awaited report on the rise and hows of the thrift crisis. National Press Club, 529 14th St. NW, 9:30 a.m. Call Bob Witeck at 202-944-5130.

Mortgage Insurance: The House Banking subcommittee on housing and community development will hold an oversight hearing on the Federal Housing Administration's Mutual Mortgage Insurance Fund.

The hearing will focus on the soundness of the fund and recent audits of the program. Rayburn House Office Building, room 2128, 10 a.m. Call 202-225-7054.

WEDNESDAY, JULY 28

Community Development: The House Banking Committee holds the second in a series of two hearings on President Clinton's plan for community development financial institutions. Rayburn House Office Building, room 2128. Call 202-225-4247.

Insurance Discrimination: The House Energy and Commerce subcommittee on commerce, consumer protection, and competitiveness votes on legislation aimed at preventing discrimination in insurance sales. Call 202-226-3160.

THURSDAY, JULY 29

CRA: The House Banking subcommittee on consumer credit and insurance looks at the Community Reinvestment Act. Rayburn House Office Building, room 2128, 10 a.m. Call 202-225-8872.

FRIDAY, JULY 30

Speak Now: Comments are due on a proposal from the National Credit Union Administration to allow corporate credit unions more options in purchasing fidelity bond coverage. Call 202-682-9650. □

PEOPLE

Schumer Drafting Mutual Fund Legislation

The federal banking agencies have proposed guidelines for insured institutions that sell mutual funds, but **Rep. Charles E. Schumer**, D-N.Y., wants to go a step further and write those rules into law.

Rep. Schumer, an influential member of the banking committee, is drafting legislation that would codify the mutual fund rules.

An aide to Rep. Schumer said the lawmaker would largely follow the approach of the regulators, but with a few twists.

In the past, Mr. Schumer has expressed misgivings about bank sponsorship of investment products, and his rules are likely to be more restrictive than those offered by the banking agencies.

For one thing, Rep. Schumer does not agree with the Office of the Comptroller of the Currency that banks ought to be able to put their names on their mutual funds, as would be the case with NationsBank Corp. and NationsFund.

The regulations proposed by the Comptroller would permit the use of similar names, while those issued by the Federal Reserve would not. The Federal Deposit Insurance Corp. has not acted on the issue.

* * *

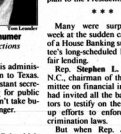
Jack DeVore, longtime aide to Treasury Secretary **Lloyd Bentsen,** is leaving his administration post to return to Texas. Mr. DeVore, the assistant secretary of the Treasury for public affairs, said he couldn't take bureaucratic life any longer.

* * *

The District of Columbia's banking regulator **Fe Morales Marks,** is President Clinton's choice to be deputy assistant Treasury Secretary for financial institutions policy.

* * *

Just 11 days after the President Clinton called on the regulators to reform the Community Reinvestment Act, the effort is well under way.



Tom Leander

Rep. Charles E. Schumer
Favors greater restrictions

Comptroller **Eugene A. Ludwig,** FDIC Chairman **Andrew C. Hove,** OTS Director **Jonathan Fiechter,** and Fed Governor **Lawrence B. Lindsey** met once last week and have scheduled a second meeting on the issue for today.

The four have agreed to meet weekly, on Mondays for now, to keep the effort rolling. They have until Jan. 1 to present their plan to the President.

* * *

Many were surprised last week at the sudden cancellation of a House Banking subcommittee's long-scheduled hearing on fair lending.

Rep. **Stephen L. Neal,** D-N.C., chairman of the subcommittee on financial institutions, had invited all the bank regulators to testify on their stepped-up efforts to enforce antidiscrimination laws.

But when Sen. **Joseph P. Kennedy 2d,** D-Mass., got wind of the event, he quickly put an end to it.

His subcommittee on consumer credit and insurance has jurisdiction over fair lending, and nothing is more carefully guarded on Capitol Hill than jurisdiction.

The Massachusetts lawmaker asked Rep. Neal to cancel the hearing, and North Carolinian acquiesced. □

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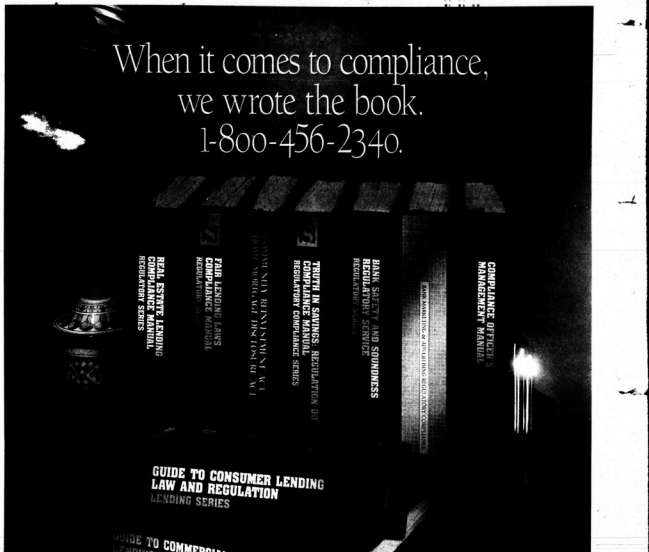

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Fed's Secrecy Under Scrutiny

Continued from page 1

of credit conditions.

It was not an easing, and the Fed later that day had to hustle to inform the market that it planned an offsetting move Monday.

"Everyone misinterpreted the move," said John Lonski, economist for Moody's Investors Service Inc. "Why not go ahead and explain actions to the public?"

A misreading of a Fed signal can be costly.

For the sophisticated trader or investor, it could mean a wrong hedge. For the average American, it could mean a lost investment or a hasty decision on a mortgage.

ECONOMIC OUTLOOK

The Fed does announce changes in the discount rate to the public, but the Fed's manipulation of its target for the funds rate amounts to a game of charades between the central bank and economists.

"Announcements on the federal funds rate would threaten the livelihoods of Fed watchers," Mr. Lonski quipped.

Sunlight in Germany

Curiously, even Germany's Bundesbank, hardly an open institution, announces changes in key money market rates as they are implemented.

Defenders of the system say the Fed needs to keep the public in the dark about its decisions temporarily to give itself flexibility and to maintain orderly markets.

Critics wonder what is gained by "sending signals."

"What we try to do is to create various different alternative paths that policy might take in the intermediate period, depending on certain events that could occur," Federal Reserve Board Chairman Alan Greenspan said at his Humphrey-Hawkins testimony before the House Banking Committee last week. "If we were to publish that immediately, the financial markets would respond and adjust to expectations of how we might or might not behave."

Charles Lieberman, economist at Chemical Securities Inc., endorsed the current setup, noting that it is part of a system that effectively insulates the Fed from political pressures. He noted that in most cases "it doesn't take a brain surgeon to figure that there might be a tightening of policy."

"The lag [in releasing FOMC minutes] gives the Fed room to maneuver and the ability to rethink its position," said Kathleen Stephansen , senior economist at Donaldson Lufkin & Jenrette Securities Corp.

But even some of the Fed's strongest backers blanch at one recent variation on the Fed's policy: leaking FOMC deliberations to some members of the press.

For example, both the *Wall Street Journal* and CNBC in May correctly reported the FOMC's decision that month to switch from an easing to an tightening mode. The CNBC report also correctly reported that two governors dissented — one who wanted an immediate tightening and the other who wanted to keep rates stable. Minutes of the meeting, released this month, confirmed the reports.

They should broadcast the information or say nothing," said Eugene Sherman, economist at M.A. Schapiro & Co. □

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Magrill Auctioneers Inc. 194 Broadway, Bklyn., N.Y., (selling since 1923), as agent for Pirkin Pawnbrokers Inc. 1730 Pitkin Ave. Bklyn., N.Y. 10AM July 27, 1993 unredeemed pledges of diamonds, watches, jewelry, etc., also holdovers from previous sales: 93787 May 20, 1988 to 613/08 July 31, 1992.

PAWNBROKER AUCTION
Herbert B. Cohen, Auctioneer DCA #460873 Sell At Paradise Pawnbrokers Inc., 2348 Grand Concourse. Bronx, New York On AUG. 16, 1993 At 9 A.M. All Unredeemed Pledges Including All Holdovers From Previous Sales: From #9459 Of JULY 5, '88 To 51192 Of Jan. 2 '93.

Lien Sale 8/9/93 9:00AM 2235 E 17 St Bklyn 1989 Olds #3KS78RTD2N4489 Re: CIT Simms; 10:00AM 510-540 Sunrise Hwy Rockville Ctr 85 Mc/Be #WDB-BA45CFA017460 Re: Danko Lease. CMS, CMSlaier, MMBank & MB, ITT. Pub. 7/26 & 8/2/93.

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AUCTION NOTICES

Lien Sale 8/2/93 9:00AM @ 31-05 Queens Blvd L.I.C. 87 Ford #1FABP2193HT11-3238 Re: D. Kahn & Teacher FCU; 10:00AM @ 23-01 31 Ave L.I.C. 81 Buick #1GAAP69P1B8458828 Re: Wm. Paper Inc & J. Morg; 11:00AM 37-38 27 Ave L.I.C. 87 Ford #1FABP50P9HG136172 Re: DL Peterson; 12:00 Noon 18-27 27 Ave Astoria 84 Chevy #2GCDG15D8E41-36045 Re: J. Almeida. Publ. 7/19 & 7/26/93.

Magrill Auctioneers Inc. 194 Broadway, Bklyn., N.Y., (selling since 1923), as agent for Pirkin Pawnbrokers Inc. 1730 Pitkin Ave. Bklyn., N.Y. 10AM July 27, 1993 unredeemed pledges of diamonds, watches, jewelry, etc., also holdovers from previous sales: 93787 May 20, 1988 to 613/08 July 31, 1992.

PAWNBROKER AUCTION
Herbert B. Cohen, Auctioneer DCA #460873 Sell At Paradise Pawnbrokers Inc., 2348 Grand Concourse. Bronx, New York On AUG. 16, 1993 At 9 A.M. All Unredeemed Pledges Including All Holdovers From Previous Sales: From #9459 Of JULY 5, '88 To 51192 Of Jan. 2 '93.

Lien Sale 8/9/93 9:00AM 2235 E 17 St Bklyn 1989 Olds #3KS78RTD2N4489 Re: CIT Simms; 10:00AM 510-540 Sunrise Hwy Rockville Ctr 85 Mc/Be #WDB-BA45CFA017460 Re: Danko Lease. CMS, CMSlaier, MMBank & MB, ITT. Pub. 7/26 & 8/2/93.

L. Posner Re #84708 I sells for cash 7/23/93 at 10:30AM at 102 North Main Street Spring Valley 84 Ford Van #1FDJE37G-5EHA03376Re:American Contracting Inc.

Community Lending Package Seen as Rival to Clinton's

Continued from page 1

munity Reinvestment Act.

It directs regulators to adopt a "performance-based" approach to CRA, a step President Clinton took when he announced his community development bank program.

Mixed Emotions?

Bankers are likely to have mixed feelings about the Flake initiative, which was introduced as a bill Thursday evening. Although industry representatives have argued that banks ought to be able to share in the financial incentives for community development, they are nervous about performance-based CRA standards.

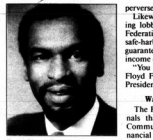
In addition, many have concerns about diverting deposit insurance premiums for social programs, even when – as in this case – the insurance fund is reimbursed.

But if bankers have mixed emotions about the bill, anti-poverty groups were adamant in their opposition.

"I'm somewhat appalled that there is a safe harbor in the bill," said Deepak Bhargava, a banking lobbyist for the Association of Community Organizations for Reform Now, or Acorn.

A Range of Criticism

"The only reason we need legislation like this is because mainstream banks have withdrawn from low-income communities," he said. "It would be perverse to reward them now."



Rep. Floyd Flake
Helps lead charge

Likewise, Chris Lewis, a banking lobbyist for the Consumer Federation of America, said the safe-harbor provision "would guarantee disinvestment" in low income communities.

"You have to wonder why Floyd Flake is abandoning the President," he added.

Way to Show Concern

The Flake-Leach bill also signals that the administration's Community Development Financial Institutions bill is likely to be opened up to other issues, despite the interest of the White House in keeping it "clean." That could work in the banking industry's favor.

"An awful lot of Democrats would like to vote for a 'regulatory burden' package as a vote to show concern about small business issues," said the ABA's Mr. Yingling.

That interest has been compounded by the reaction to the President's deficit reduction package. "The tax bill is seen by a lot of groups as anti-small business and the Democrats are being forced to vote for it," Mr. Yingling noted.

Other co-sponsors on the Flake-Leach bill are Rep. John J. LaFalce, D-N.Y.; Rep. Albert R. Wynn, D-Md.; Rep. Marge Roukema, R-N.J.; Rep. Richard Baker, R-La.; and Rep. Lucille Roysball-Allard, D-Calif. □

RTC Sets Auction Of Nonperformers

WASHINGTON — The Resolution Trust Corp. announced an auction of more than $600 million of nonperforming loans, to be held Aug. 24-25 in Kansas City.

The auction, the third in a nationwide series, will feature more than 14,000 loans in about 200 packages according to type of loan and geographic location.

The RTC, which is selling off the assets of failed thrifts, said the Kansas City auction is designed to encourage smaller investors with downsized, localized packages of loans. It also said it lowered the minimum deposit of bidders to $50,000 from $100,000.

The nonperforming loan packages are made up of mortgages on one-family to four-family residences, commercial real estate loans and consumer loans valued from $500,000 to $9 million.

The RTC also said it is conducting seminars around the country for potential auction participants. — Reuters

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We broke the news about the plans by credit union trade associations to branch cross-country. We warned readers that the FDIC will crack down on banks and thrifts that aren't paying enough for insurance, and that the Fed was flirting with examination fees. We also uncovered plans that would let banks pay less for deposit insurance provided they set up certain special programs.

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Student Loan Default Rate Fell to 17.5% in Fiscal '91

Reuters

WASHINGTON — The rate of borrowers defaulting on their school loans fell to 17.5% in fiscal year 1991 from 22.4% the previous year, the U.S. Department of Education said.

Assistant Education Secretary David Longanecker said the drop, to the lowest level since fiscal 1988, reflected improvements in program management and accountability.

"We believe this is probably due to the default initiative Congress took three to four years ago," he said at news conference.

Schools Dropped from Program

Congress in 1989 required the Department of Education to cut out of the federal guaranteed loan program schools where 30% or more of students defaulted in the past three years.

In 1989, 138 schools were cut off, followed by 80 in 1990. School default levels are now being calculated for 1991, the latest period for which data are available. That fiscal year ended Sept. 30, 1991.

Mr. Longanecker said the lower default rate is evidence that the government can administer a student loan program efficiently. Opponents of a current legislative proposal calling for direct student lending by the government have contended that the private sector would be more efficient.

The education department also reported that the taxpayer costs of loan defaults are declining. The Office of Management and Budget estimates it will pay out $2.5 billion to cover unpaid loans this fiscal year, down from $2.7 billion in 1992 and $3.6 billion in 1991.

Home Loan Bank Applauds Four Lenders

SEATTLE — Four banks and thrifts in the region were honored for their commitments to the community lending, the Federal Home Loan Bank of Seattle announced.

The lenders are Glacier Bank of Kalispell, Mont.; Sterling Savings Association of Spokane; West One Bank Oregon of Portland, and Zions First National Bank of Salt Lake City.

"These lenders are outstanding examples of what community-conscious financial institutions can accomplish in the area of affordable housing and community development," said James R. Hanlein, president and chief executive officer of the Seattle Home Loan Bank. "By cultivating public-private partnerships, they help leverage additional funds and bring organizations together to improve the quality of life for the citizens of their communities." □

Central Pa. Financial Freed from OTS Pact

SHAMOKIN, Pa. — Central Pennsylvania Financial Corp. said the Office of Thrift Supervision terminated the supervisory agreement under which the company had been operating.

The OTS also terminated the cease-and-desist order under which a subsidiary, Central Pennsylvania Savings Association, had been operating. The orders had been in place since December 1991.

Central Pennsylvania said the orders required the development or revision of numerous internal policies and procedures.

The OTS advised Central Pennsylvania Financial that its most recent examination showed continued compliance with the orders as well as an improved financial condition. □

HomeTown Bancorp, Inc.
Myersville, Maryland

has announced its intention to merge with

First United Corporation
Oakland, Maryland

The undersigned acted as financial advisor to HomeTown Bancorp, Inc.

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FINANCE

CREDIT RATINGS

The rating agencies took the following actions last week:

H.F. Ahmanson & Co.: Moody's Investors Service Inc. confirmed senior debt at Baa2 and subordinated debt and preferred stock at Ba3. Long-term deposits of the subsidiary Home Savings of America were confirmed at A3.

Moody's said the action followed the company's sale of $1.2 billion in nonperforming single-family real estate assets last week to Bear, Stearns & Co. The sale resulted in write-downs and a $290 million loss at Ahmanson in the second quarter.

Banco Espanol de Credito: Thomson BankWatch assigned an A-plus rating to senior debt issued by this Spanish bank. The agency expects improved performance in the long term, though it will fight sharply last year, reflecting a reduction in asset sales.

In addition, the recession in Spain has caused nonperforming loans to rise. BankWatch said the company is in the midst of raising $1.1 billion in capital. The 7.8% of risk-adjusted assets at yearend.

Chase Manhattan Corp.: Fitch Investors Service Inc. assigned a BBB-plus rating to a new $200 million issue of 6.5% noncallable subordinated notes due Aug. 1, 2005. It described the credit trend as improving.

Fitch upgraded Chase in June, citing the sale of $740 million in equity and aggressive moves aimed at selling off commercial real estate.

Colonial National Bank USA: Thomson BankWatch assigned a BBB rating to a proposed $50 million issue of subordinated notes due in 2003. The credit-card bank, based in Wilmington, Del., is a unit of Advanta Corp.

BankWatch said the bank concentrates on direct-mail campaigns to market its single product: a no-fee gold card. It added that the bank has made progress in adding accounts, increasing loans, and improving asset quality.

Continental Bank Corp.: Fitch assigned a BBB-plus rating to the Chicago company's new $150 million issue of

Fitch affirmed its A rating on First Union's senior debt.

floating-rate Eurodollar due August 1998. It said Continental's operating strategy has boosted capital ratios and improved return on equity and assets.

Duff & Phelps Credit Rating Co. also assigned the notes its BBB-plus grade. Thomson DCRO said the issue is comparable debt at BBB-plus and subordinated debt at BBB.

Crestar Financial Corp.: Standard & Poor's Corp. revised its outlook on the Richmond company's position from stable. The BBB senior debt, BBB-minus subordinated debt, and BBB-plus preferred stock ratings were affirmed. It cited the company's "conservative financial profile" and improving asset quality.

First Union Corp.: Fitch affirmed senior debt at A. The North Carolina bank had been on review for possible downgrade since September 1992. It said cost savings from recent acquisitions will likely boost core profitability. Other strengths are good market share, a technological edge, and a conservative credit culture.

Fitch said it is concerned, though, about high nonperforming assets, low reserve coverage, increased leverage resulting from acquisitions, and an "organization size that threatens the basic nature of First Union's franchise."

First USA Bank: Thomson BankWatch assigned an A-minus rating to a proposed private placement of $150 million in 10-year subordinated debt. It said the Wilmington, Del., credit-card bank has benefited from growth in cards issued and loans outstanding as well as operating efficiencies and lower interest rates.

Riggs National Corp.: Moody's downgraded the Washington company to Ba1 from Baa3. It cited the company's "conservative financial profile" and improving asset quality.

The Washington-based company lost $73.2 million in the second quarter after a $61 million restructuring charge related to its British bank. Moody's also cut long-term deposits issued by Riggs National Bank of Washington to B3 from B1.

— Bart Fraust

DEALS

Chemical Said to Lead Big Buyout

Continued from page 1

ronment of the 1980s, the buyout market does appear to be warming up, and financing seems readily available.

The junk bond market is on a roll, and banks have been turning to leveraged transactions in droves.

So far, most leveraged loans have been refinancings for companies that are taking advantage of today's low interest rates to replace high-cost buyout debt taken on in the 1980s.

Watched as an Indicator

The new Bass deal likely will be closely watched as an indicator of the bank loan market's ability to digest sizable new buyout loans, as opposed to refinancings of old deals.

Bankers suggest that more buyout loans are in the pipeline.

The final amount of the Bass deal is not known, but syndicators said it probably will be about $540 million, consisting of a term loan, revolver, and a bridge loan that will be replaced with an asset securitization.

Pricing is said to be 275 basis points over the London interbank offered rate.

In addition to the bank loans, other financing will include senior and subordinated notes.

Donaldson, Lufkin & Jenrette Securities Corp. is said to be underwriting at least one of the note issues.

Inviting Co-Agents

Chemical, meanwhile, is said to have invited about a dozen Bass relationship banks to participate as co-agents on the bank credit. The required commitment is $40 million.

The bank meeting will be held this week, a source said Friday. The syndicate is expected to be grouped in a new entity called Specialty Foods Corp. □

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Washington Mutual's Net Up 72% in Quarter

Washington Mutual Savings Bank reported second-quarter net income of $45.6 million on Wednesday, up 72% from the same period a year ago and significantly above analysts' estimates.

The sharp rise in profits at the Seattle-based thrift followed the acquisition of hometown rival Pacific First Bank during the quarter. Washington Mutual, the Northwest's largest thrift at $14.4 billion of assets, said its results included a sharp rise in the operating earnings of its nonbanking subsidiaries.

— Sam Zuckerman

BANK AND THRIFT STOCKS

Highlights for Friday, July 23

TOP 10 GAINERS %

National Penn Bancshares, Inc.	6.9
Security Capital Bancorp	5.7
USBANCORP, Inc.	4.4
First Amarillo Bancorporation	5.3
Boulevard Bancorp, Inc.	4.4
Allied Bankshares, Inc.	3.8
First Merchants Corp	3.7
UJB Financial Corp.	3.5
Financial Trust Corp	3.3
Worthen Banking Corporation	3.2

TOP 10 LOSERS %

Harleysville National Corp.	-5.2
BOK Financial Corporation	-4.3
Centura Banks, Inc.	-4.2
S&T Bancorp	-4.2
Centrust Bancshares	-4.0
First Virginia Banks, Inc.	-3.5
Jefferson Bankshares, Inc.	-3.4
FNB Corporation	-3.4
Premier Bancshares Corporation	-3.4
Chemical Financial Corporation	-3.3

MOST SHARES TRADED

Chase Manhattan Corporation	2782200
Citicorp	1230600
BankAmerica Corporation	1178800
NationsBank Corporation	657600
Chemical Banking Corp.	609800

VOLUME AS % OF AVERAGE

Peoples First Corporation	838.3
Centura Banks, Inc.	650.7
Financial Trust Corp	599.8
Keystone Financial, Inc.	533.8
Pikeville National Corporation	525.8

** figures are based on 4:00 prices*

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts 1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.61	0.52	2.31	0.14	-0.75	3.03	0.29	1.55	8.28

Top 225 BANKS (4 PM PRICES)

52 Wk Hi	52 Wk Lo	Name	PE	Mkt to bk	Chg.	Chg%
36¾	19	1stSourceCorp/IN	11.0	134.1	30¼	+¼
27¾	18¼	ANCORP Fin'l.	11.6	131.0	24¾	+¼
17½	8¼	AmeriServ Fin'l.	12.0	278.2	17	+¼
35¾	26¾	AmSouthBancorp./AL	10.7	147.0	31¼	+¼
36¾	30	AssociatedBanc-Corp	10.6	147.2	34¼	+¼
35¾	27¾	BB&T FinCorp/NC	11.9	153.6	33¾	+¼
27½	17	BOKFinancial/OK	12.1	150.5	25¾	+¼
33	21¼	BT FinCorp/PA	11.3	138.3	30½	+¼
9¾	6	BalfourBancorp/MD	8.6	109.1	9¼	+¼
31¾	24¾	BanPonceCorp/PR	10.0	122.8	29	+¼
61	42¼	BankAmerica/CA	9.0	141.4	60¾	+¼
40¾	32¾	BankBoston/MA	10.2	145.4	39¾	+¼
40¾	32¾	BarnettBanks/FL	11.3	141.4	40¼	+¼
19½	12½	BayBanks/MA	10.6	150.0	19¼	+¼
28¾	18¾	BerkshireBcp/MA	10.3	107.3	23¾	+¼
61¾	39¾	BostonBancorp/MA	24.7	140.1	61	+¼
50¾	34¾	BarnettBanks/FL	18.1	175.0	49¾	+¼
32¾	25¾	BayBanks/MA	10.6	150.0	32¼	+¼
44¾	43¾	BostonFdlSvgs/MA	12.1	158.5	51¾	+¼
18¾	13¾	BostonPriv&Ex/MA	10.3	134.4	18¾	+¼
31¾	22¾	BremenBankc/IN	10.3	134.4	25¾	+¼
34¾	24¾	BSB Bancorp/NY	12.0	140.2	34	+¼
35¾	30¾	CBT Corporation/NY	12.0	140.2	34	+¼
25¾	17¾	CCB Financial/NC	11.7	151.2	25¾	+¼
34	23¾	CNB Bancshares/IN	9.6	139.0	33¾	+¼
28¾	19¾	CPB Inc/IL	10.7	138.0	25¾	+¼
14	9¾	CalFed Inc/CA	14.5	104.8	12	+¼
25	13¾	CalifornianBcsh/CA	10.5	154.8	24¾	+¼
39½	19	CentralBcshs./IL	11.4	180.1	25¾	+¼
34¾	22¾	CentralBcshs./MO	11.4	180.1	34¼	+¼
24¾	18¾	CentraleSvgs/NJ	14.8	151.7	21¾	+¼
24¾	18¾	CentraleSvgs/NJ	14.8	151.7	21¾	+¼
37¾	21	ChemicalBank/NY	8.6	97.8	32¾	+¼
44¾	30¾	ChemicalFncl/MI	8.4	118.0	40¾	+¼
47¾	32¾	ChemicalFncCorp/MI	13.6	172.8	44¾	+¼
72¾	29¾	CitizensBcshs/MO	12.5	111.2	29¾	+¼
32	14½	Citizens/IN	11.5	132.5	31¾	+¼
26	19¾	CitizensFncl/KY	10.3	134.4	25¾	+¼
23¾	18¾	CitizensBanking/MI	12.4	135.1	22	+¼
31¾	22¾	CityBank/WA	11.6	185.2	31¾	+¼
30	17¾	CityNat'l Corp/CA	11.6	185.2	29¾	+¼
31¾	19¾	CmntyBcshs./GA	10.8	195.7	31¾	+¼
34¾	23¾	CmntyFirst/GA	11.4	138.3	34¾	+¼
34¾	27¾	CommerceBcsh/MO	10.9	157.3	30¾	+¼
34¾	27¾	CommerceBcsh/MO	10.9	157.3	30¾	+¼
17½	11¼	CommercialNorc/AL	11.7	159.6	17¼	+¼
45¾	24¾	CommercialNtl/LA	11.4	139.3	45¾	+¼
45¾	24¾	CommercialNtl/LA	14.0	206.5	42¾	+¼
19¾	10½	CommercialSec/TX	10.5	147.5	19¾	+¼
9¾	5¾	Constitution/NJ	NM	177.9	9¾	+¼
28	15¾	Continental/IL	4.7	87.4	25¾	+¼
62¾	47½	ContinentalFncl/PA	11.8	188.0	58¾	+¼
48¾	25¾	CreativeBcsh/GA	13.3	153.5	48¾	+¼
40¾	21	CullenFrost/TX	10.5	187.9	39¾	+¼
27¾	20¾	DauphinDeposit/PA	11.4	158.5	26¾	+¼
35¾	25¾	DauphinHoldings/PA	10.4	152.7	35¾	+¼
35¾	25¾	DauphinHoldings/PA	10.4	152.7	35¾	+¼
28¾	21¾	FBS Financial/PA	10.6	149.0	28¾	+¼
28¾	21¾	FBS Corp/PA	17.4	113.1	24¾	+¼
28¾	21¾	FBS Corp/PA	17.5	296.2	28¾	+¼
28¾	21¾	FBS Corp/PA	17.5	296.2	28¾	+¼
43¾	28¾	FNB Corp/NC	14.0	222.3	34	+¼

52 Wk Hi	52 Wk Lo	Name	PE	Mkt to bk	Chg.	Chg%
38¾	27¾	FirstAmerica/IL	12.3	180.2	33¾	+¼
20	10½	FirstAmerBc/TN	6.0	162.2	20	+¼
40¾	29¾	FirstAmerCorp/TN	10.6	157.3	39¾	+¼
50¾	39¾	FirstBancorp/PR	11.3	159.2	46¾	+¼
50¾	39¾	FirstBancorp/PR	11.3	175.5	50¾	+¼
45	29¾	FirstChicago/IL	17.4	123.0	44¾	+¼
19¾	13¾	FirstCmwlth/PA	10.4	153.0	19	+¼
15¾	11¾	FirstColonial/IL	15.8	126.1	15¾	+¼
74¾	40¾	FirstCommerce/LA	10.7	159.0	74¾	+¼
74¾	40¾	FirstCommerce/NE	10.7	159.0	73¾	+¼
74¾	40¾	FirstCommerce/TN	10.7	159.0	73¾	+¼
19¾	13¾	FirstCommwlth/PA	10.4	153.0	19	+¼
51½	34	FirstFidelity/NJ	NM	178.2	51¾	+¼
57¾	37¾	FirstFinancial/IN	13.8	157.6	55¾	+¼
51½	34	FirstFidelity/NJ	10.8	182.1	47¾	+¼
46¾	35¾	FirstFinancial/IN	15.6	254.6	46¾	+¼
56	38¾	FirstHorizon/TN	11.4	149.2	54¾	+¼
50¾	29¾	FirstHorizon/TN	10.3	153.0	37¾	+¼
43	35¾	FirstInterstate/CA	9.0	181.1	64¾	+¼
37¾	25¾	FirstMichBcsh/MI	10.4	180.7	37¾	+¼
18¾	15¾	FirstMidwest/IL	18.3	158.1	24	+¼
25¾	17¾	FirstMidwest/IL	18.3	158.1	24	+¼
30¾	21¾	FirstSecurity/UT	11.4	156.5	27	+¼
30¾	21¾	FirstSecurity/UT	11.4	156.5	27	+¼
51¾	35¾	FirstTennCorp/NC	12.8	165.2	46	+¼
51¾	35¾	FirstTennCorp/NC	12.8	165.2	46	+¼
17	11	FirstUnitedBk/MD	11.7	200.7	33	+¼
43¾	30¾	FirstUnion/NC	11.7	200.7	33	+¼
43¾	30¾	FirstUnion/NC	13.9	154.0	39¾	+¼
43¾	32¾	FirstVirginia/VA	13.2	159.0	40	+¼
43¾	32¾	FirstVirginia/VA	12.9	188.7	39¾	+¼
28	20¾	FranklinCorp/TN	11.2	161.9	28	+¼
28	20¾	FranklinFinancial/OH	12.4	169.2	28	+¼
33	24¾	FultonFinancial/PA	12.4	169.2	30¾	+¼
33	24¾	FultonFinancial/PA	12.4	169.2	30¾	+¼
17¾	13¾	GBC Bancorp/CA	7.8	125.4	15	+¼
25¾	15¾	GeneseeBancshares/MI	11.2	147.1	24¾	+¼
35¾	24¾	HancockHldg/LA	10.2	158.0	30	+¼
35¾	24¾	HancockHldg/LA	10.2	158.0	30	+¼
18¾	12¾	HarrisBancorp/IL	11.3	183.5	18	+¼
18¾	12¾	HarrisBancorp/IL	11.3	183.5	18	+¼
24¾	11½	HubcoInc/NJ	13.3	207.3	21¾	+¼
24¾	11½	HubcoInc/NJ	13.3	207.3	23¼	+¼
15	6¾	ImperialBancorp/CA	11.5	61.9	9¾	+¼
15	6¾	ImperialBancorp/CA	11.5	61.9	9¾	+¼
32¾	21¾	IntegraFncl/PA	10.1	186.7	32¾	+¼
32¾	21¾	IntegraFncl/PA	10.1	186.7	32¾	+¼
47	28	InvestBnkHolds/NY	10.7	125.7	44¾	+¼
47	28	InvestBnkHolds/NY	9.3	218.1	44¾	+¼
74¾	58¾	J.P. Morgan/NY	9.8	177.1	69¾	+¼
74¾	58¾	J.P. Morgan/NY	13.0	171.0	69¾	+¼
46	30¾	KeyCorp/NY	11.2	191.4	39¾	+¼
46	30¾	KeyCorp/NY	12.5	185.4	39¾	+¼
32¾	24¾	LaSalleNtl/IL	12.9	185.0	32¾	+¼
32¾	24¾	LaSalleNtl/IL	12.9	185.0	32¾	+¼
29¾	18¾	MBNACorp/DE	15.4	405.0	27¼	+¼
29¾	18¾	MBNACorp/DE	15.4	405.0	27¼	+¼
18¾	13¾	MagneBnkp/MD	11.1	114.3	16	+¼
18¾	13¾	MagneBnkp/MD	11.1	114.3	16	+¼
28¾	18¾	MarshallBnks/WI	13.8	183.9	22¾	+¼
28¾	18¾	MarshallBnks/WI	13.8	183.9	22¾	+¼
34¾	27¾	MellonBank/DE	11.8	137.5	34¾	+¼
34¾	27¾	MellonBank/DE	12.0	147.0	49	+¼
34¾	27¾	MellonBank/DE	11.9	146.3	49	+¼
44¾	44¾	MercantileBncp/IN	11.9	183.8	55	+¼

52 Wk Hi	52 Wk Lo	Name	PE	Mkt to bk	Chg.	Chg%
89	72	UnitedCounties/AU	8.1	124.5	85½	+¼
40¾	30¾	UnitedMissouri/MO	14.0	132.3	39¾	+¼
32½	17	UnitedNatBnk/IU	12.5	140.9	32	+¼
45¾	34¾	ValleyNational/NJ	11.4	175.3	43¾	+¼
28	18¾	ValleyNatBanc/AU	13.0	261.8	25	+¼
27¾	20¾	VictoriaBkshs/TX	11.8	118.7	23	+¼
40¾	29	WachoviaCorp/NC	12.8	199.9	34	+¼
32	21¾	WellsFargo/CA	11.2	183.2	111¾	+¼
32	21¾	WesBanco/WV	15.5	175.1	31¾	+¼
32	21¾	WesBanco/WV	15.5	175.1	31¾	+¼
29¾	18¾	WestamericaBanc/CA	10.6	137.4	29¾	+¼
29¾	18¾	WestamericaBanc/CA	10.6	137.4	29¾	+¼
38¾	21¾	WintrustInc/IL	14.5	179.7	38¾	+¼
38¾	21¾	WintrustInc/IL	14.5	179.7	38¾	+¼
49	27	ZionsBancorp/UT	11.4	203.5	41¼	1
49	27	ZionsBancorp/UT	11.4	203.5	41¼	1

TOP 25 THRIFTS (4 PM PRICES)

52 Wk Hi	52 Wk Lo	Name	PE	Mkt to bk	Chg.	Chg%
10.8	6¾	ALBANYFinancial/NY	10.8	84.1	10¼	+¼
21¾	13¾	Amcomsvn/CA	NM	103.4	19¾	+¼
21¾	6¾	CalFedBanc/FSB/CA	NM	20.9	12¼	+¼
34¼	22¾	CharterOne/OH	7.8	140.5	30¾	—
18¾	12¾	CommercialFed/NE	7.8	85.0	18¾	+¼
18¾	12¾	CommercialFed/NE	7.8	85.0	18¾	+¼
27¾	11¾	CommercialFed/NE	10.8	116.2	24¾	+¼
27¾	11¾	CommercialFed/NE	10.8	116.2	24¾	+¼
25¾	11¾	DowneySavings/CA	6.6	104.5	21¾	+¼
25¾	11¾	DowneySavings/CA	9.5	167.3	21¾	+¼
34	17¾	FedFin&Bcrp/MI	10.0	73.4	32¼	+¼
34¾	25¾	GoldenWest/CA	9.0	150.0	34¾	+¼
19¾	13	GreatWestern/FSA	251.8	105.7	17¾	+¼
19¾	13	GreatWestern/FSA	11.8	105.7	17¾	+¼
20¾	11¾	MetroFin/GA/MI	10.0	110.3	18¼	+¼
20¾	11¾	MBS Bancorp/IL	NM	20.9	12¼	+¼
32¾	21¾	NSBancorp/IL	8.7	114.4	32¼	+¼
32¾	21¾	NorthSideBancorp/IL	8.7	114.4	32¼	+¼
19¾	10	SecurityBancorp/IL	10.9	180.2	11¾	+¼
19¾	10	SecurityBancorp/IL	10.9	180.2	11¾	+¼
29¾	17¾	SoSecurityBcp/CA	10.9	178.4	29¾	+¼
34¾	23¾	TCFFinancial/MI	9.8	145.7	29¾	+¼
34¾	23¾	TCFFinancial/MI	9.8	145.7	29¾	+¼
29	22¾	WashingtonFed/AZ	10.9	204.7	29¾	+¼
29	22¾	WashingtonFed/AZ	10.9	204.7	29¾	+¼
34	17¾	WestFinancial/CA	10.0	73.4	32¼	+¼

Bank Stock Table Explained: The table lists in alphabetical order daily closing stock prices for the 225 largest publicly traded commercial banking firms and up to 25 thrifts. Banks are ranked by size as measured by the market value of all common shares outstanding. As of the close of 1/3/89, the average price was assigned a value of $75.09 and, and for thrifts $244.20 and 82.98 Hi Le the moving average of these prices is used to calculate the index. The 52 Wk Hi and 52 Wk Lo columns show the highest and lowest prices reached in the four-quarter earnings per share adjusted for latest announced earnings. The ratio in each column is computed with less than four quarters of data. Mkt. to bookk: the ratio of the current day's closing price to the stock's book value, expressed as a percentage. Book value is adjusted for announced earnings and dividends. Last: The price at which the stock last traded. If no trades for the day, the bid and ask are used. Chg: Net change in the closing price from the previous day. Chg%: Percentage change in the closing price from the previous day. Footnotes: Stocks whose latest quarterly earnings have surged or plunged dramatically relative to price and two volume indicators: most shares traded and today's volume as a percentage of average daily volume. Stocks are not listed.

Data sources: SNL Securities, Charlottesville, Va. 804-977-1600, produced the tables; Financial News Network, Vienna, Va. provides 3:00, with the daily prices.

New Bank and Thrift Securities

Most recent offerings listed in size order of offering

Issue Manager	Date	Offer Price	Amount Raised	Type	Offer Price	Offer Yield	Maturity Date
PNC Bank First Boston	7/21/93	500.0	BKN	Market	Market	7.28/94	
Mellon Bank Kidder, Peabody	7/21/93	250.0	SUB	99.58	6.550	8/1/05	
Chase Manhattan Chase Securities	7/20/93	200.0	SUB	98.86	6.639	8/1/05	
Chemical Bank Sec. Stems	7/21/93	150.0	FRSUB	100.000	Floats	7/29/03	
First Chicago First Chicago	7/21/93	150.0	FRSUB	100.000	Floats	7/28/94	

Sec. Type: Type of security issued. **BKN**—Bank Notes; **FRSUB**—Float rate subordinate notes; **SUB**—Subordinated Notes.

Data Source: *Securities Data Company, Newark, N.J. (201)622-3100*

Key Rates•

(July 23, 1993)

	7/23	7/22	7/16	7/23/92
Federal Funds: dominic range:	2⅞+/-3	3⅛	2⅞+/-3	3¼-3⅝+/-
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit•				
3 Month Posted	2.78	2.78	2.73	2.90
6 Month Posted	3.02	2.97	2.97	3.10
1 Year Posted	3.35	3.25	3.15	3.25
Eurodollar deposits•				
3 Month	3⅛+	3⅛+	3⅛	3⅛+
6 Month	3⅛+	3⅛+	3⅛	3⅛
1 Year	3¼	3⅛	3⅛+	3 11/16+
Dealer Commercial Paper•				
1 Month	3.16	3.15	3.08	3.39
3 Month	3.22	3.18	3.20	3.40
6 Month	3.39	3.35	3.28	3.49

(*)— Late afternoon quotes, New York market. **(•)**— Highest offering rates (annual % yield) at selected NYC money center banks. **(†)**— Late London bid. **(*)**— AA rating or the equivalent.

STOCKS: Banks Seen Vulnerable to Downturn in August

By RICHARD LAYNE

The stellar earnings reports released in the past two weeks failed to light a fire under bank stocks, leaving money managers worried about the sector's fate in August's doldrums.

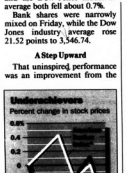
"Investors are skeptical about bank earnings," said Miles P.H. Seifert, chairman of Gray, Seifert & Co., New York money managers. "Many think that the earnings are interest related and have nothing to do with the operations of the banks."

In the five trading days that ended last Thursday, the *American Banker* index of bank stocks and the Dow Jones industrial average both fell about 0.7%.

Bank shares were narrowly mixed on Friday, while the Dow Jones industry average rose 21.52 points to 3,546.74.

A Step Upward

That uninspired performance was an improvement from the



previous week, when the first wave of earnings reports came out. Between July 12 and July 16, the *American Banker* index plunged 1.76%, while the blue-chip index inched up 0.2%.

Citicorp, NationsBank Corp., Bankers Trust New York Corp., and Chemical Banking Corp. were among the dozens of banks that last week reported earnings gains of at least 20% from a year earlier. That was a much better showing than most nonfinancial corporations, money managers said.

Federal Reserve Board Chairman Alan Greenspan's tough talk on interest rates last week nixed any chance for bank stocks to rise on the earnings. Mr. Greenspan, delivering his Humphrey-Hawkins testimony to Congress, indicated last week that a rise in short-term rates is in the cards.

Earlier Selloff Due to Rates

It was concern about rising rates that sent bank investors hurrying for the exit in mid-April. The prolonged selloff dragged bank stocks down an average of 15% in six weeks. Higher rates, many investors thought, would raise banks' cost of funds and cut into profits.

Mr. Seifert and others said earnings growth is sustainable even if interest rates rise modestly. Indeed, banks have been telling money managers that the third quarter should be good, too.

The level of nonperforming assets fell for most institutions last quarter. A handful went so far as to lower their quarterly contribution to loan-loss provisions. Some banks reported an uptick in lending for the first time in three years.

Damage Control

Last week's selloff was mild, compared with other recent periods. For the past five quarters, bank stocks have fallen sharply after earnings announcements. So far, bank shares appear to be

There is concern that earnings may drop if rates rise.

bucking that trend by holding the losses down.

Other sectors have been much more volatile recently. Investors have sold off consumer products companies, bashed pharmaceuticals, and decimated technology stocks.

"Bank stocks are an area of relative stability in a market that is unsure," said David Dreman of Dreman Value Management. "The earnings certainty seems to be higher."

But the August doldrums loom. One trader said that with no more good news expected for a while, bank shares may continue to drift down.

Broader Market Sluggish

The overall market doesn't appear lively, either.

"I think the market as a whole looks really tired and choppy," said Tucker Anderson, a principal with Cumberland Associates, a New York money management firm. "To expect banks to rally in the face of that is a tough call."

But money managers and analysts believe that bank stocks will rally again before the year ends.

"I think the banks will continue to do well, even if they don't do so immediately," Mr. Dreman said.

"The outlook is reasonably good for 10% earnings growth for some time, and you can't say that about many other industries." □

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AMERICAN BANKER

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SEC Is Taking A Hard Line On Bank Funds

By KAREN TALLEY

Banks in the mutual fund business got a jolt recently when the Securities and Exchange Commission brought sanctions against Bank of California for mispricing a money market fund it manages.

The disciplinary action – believed to be the first ever against a bank-run mutual fund – provided unmistakable evidence that the SEC is holding banks to a high standard as they become more involved in managing mutual funds.

The SEC said the San Francisco bank failed to recognize a severe deterioration in the value of some bonds that it carried in a tax-exempt money market portfolio. Poor internal controls led to sloppy accounting, the SEC said.

The bank consented to a cease-and-desist order, but neither admitted nor denied wrongdoing. The bonds, with a face value of $1 million, dipped in price to $700,000, and the bank had to make up the difference.

Bank of California, like most of its peers, has not been managing mutual funds for very long. It launched its High Mark funds in 1987.

Wake-Up Call

"The lesson we learned from this, although it's not one we weren't aware of, is that the SEC takes compliance seriously and wants banks to know that," said C. Christine Stuart, a spokeswoman for Bank of California.

Industry experts said other banks should pay heed and learn from the episode.

Mistakes "can happen when you have a small, newer organization," said Avi Nachmany of Strategic Insight, a New York consulting firm. "There are a lot of things you have to do right, and there is room for errors."

But some bankers were reluctant to ascribe too much importance to the Bank of California case.

Safeguards in Place

"There's an awful lot of misconception that if there's ever going to be an antecident it will be at a bank," said Mark Williamson, senior vice president at NationsBank. "But the banks I know of are sophisticated and have layers of internal safeguards."

Nevertheless, the case shows that there are many ways a mutual fund manager can come un-

See **SEC** *page* **10**

INSIDE NEWS

WASHINGTON

WITH A VOTE imminent in the House, the heads of the four federal banking agencies mounted a drive to persuade lawmakers to approve funding for failed savings and loans. *Page 2*

REGIONAL BANKING

PREMIER BANCORP, Louisiana's third largest bank company, said it will gain a toehold in New Orleans by buying Alerion Corp. for $47 million in cash. *Page 6*

MORTGAGES

MORTGAGE BANKERS and mortgage insurers are expected to square off today over the future of the Federal Housing Administration's home loan insurance programs. *Page 13*

INVESTMENT PRODUCTS

MORE THAN HALF of American households with wage earners haven't saved a penny for retirement, a survey found. *Page 11*

TECHNOLOGY

BANKAMERICA CORP. is testing software that gives corporate customers greater control over accounts, while shifting some of their back-office tasks to the bank. *Page 2*

FINANCE

NOTHING GETS the attention of investors like mergers and the prospect of more mergers. The latest example is Boatmen's Bancshares Inc.'s agreement to acquire First Amarillo Bancorp. in a $175 million stock swap. *Back page*

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LATE NEWS

NationsBank Gets Nod

WASHINGTON — The Federal Reserve Board on Monday gave a NationsBank Corp. unit permission to underwrite and deal in debt and equity securities.

The company has told the Fed it would not use the new equity powers for one year.

The Fed also gave the unit, Nationsbanc Capital Markets, permission to participate in foreign exchange-related activities.



Banks Go Extra Mile to Give Minority Loans a Fair Shot

By CLAUDIA CUMMINS

Not long ago, bankers would demonstrate their commitment to minority lending by saying, "It takes one loan officer to accept a mortgage application and two to turn it down."

Now at some banks, it takes three, four, and sometimes even five separate reviews before a mortgage loan can be denied – especially if the application comes from a minority.

An Involved Process

Chemical Banking Corp.'s internal review policy demonstrates the lengths some banks have gone to make sure they are treating minority applications fairly.

Any mortgage loan that a Chemical underwriter wants to deny must be screened by a senior loan officer. If this second look confirms the denial and it's a minority or low-income application, it is sent to a special affordable-lending team that looks for a way to make the loan.

Once a month, a fair-lending committee of senior bank officials meets to review every application that has received a third turndown.

Finally, if Chemical still can't make the loan, the application is often bumped to an interbank mortgage review board, where it is examined by representatives of a dozen banks to see if one of

See **SOME BANKS** *page* **5**

Calfed Posts $45 Million Loss, Ousts Top 2 Execs

By SAM ZUCKERMAN

SAN FRANCISCO — Jerry St. Dennis, the thrift executive who pulled California Federal Bank from the brink of failure last year, has been forced out as chairman.

The resignation, announced Monday, was effective immediately. The move was requested by California Federal's board, according to officials of the nation's sixth-largest thrift.

The departure came as California Federal, which has $15.9 billion of assets, reported a $45.5 million second-quarter loss. The thrift said this result reflected a continuing decline in Southern California residential real estate values.

Chief Executive Ousted, Too

California Federal's directors also requested the resignation of William L. Callender as president and chief executive. Mr. Callender, 60, will stay to manage operations until new leadership is installed this year, thrift officials said.

Michael W. Arthur, a Los Angeles management consultant who joined the board this year, will be interim chairman until a permanent chairman is hired.

Directors requested the resignations of the thrift's top two ex-

See **CALIFORNIA** *page* **6**



C.L. "PETE" JENSEN, a loan officer at Farmers State Bank, visiting a client's flooded farm in Vinoog, S.D.

Farm Banks Holding Up amid Flooding

A FUNDAMENTAL SHIFT in the way bankers and farmers have been doing business may help them weather the storm.

See story on page 8

NEWS *briefs*

Firstfed Reports Profit of $8.3 Million

SANTA MONICA, Calif. — Firstfed Financial Corp., parent of First Federal Bank of California, reported net income of $8.3 million for the second quarter, reversing a $16.4 million loss in the previous period.

The $3.6 billion-asset company sharply reduced its loan-loss provision to $1.9 million, down from $44.1 million in the first quarter. "We decided to take a very conservative approach to loan-loss provisions during the first quarter, which allowed us to reduce our loan-loss provisions in the second quarter," said chief executive William S. Mortensen.

However, he added, "We are not out of the woods with loan problems in Southern California, and we will continue to closely monitor delinquencies and aggressively market any foreclosed properties."

In the second quarter of last year, Firstfed earned $8 million.

Centura of N.C. to Buy Robeson Savings

ROCKY MOUNT, N.C. — Centura Banks Inc. said it agreed to acquire Robeson Savings Bank Inc.

Shareholders of Robeson, based in Lumberton, N.C., will receive 0.844 share of Centura common stock for each common share. The merger is expected to be completed by yearend.

As of June 30, Robeson had assets of about $100 million and deposits of $90 million.

ASB to Run Independently of NationsBank

CHARLOTTE, N.C. — NationsBank Corp. said ASB Capital Management will continue to operate as an independent investment manager when the proposed merger between NationsBank and the Washington, D.C.-based firm's parent company, MNC Financial, closes later this year.

As reported, NationsBank exercised its right in February to acquire MNC financial under terms of a 1992 purchase-option agreement. The agreement gave NationsBank the right to acquire MNC based on a formula price, which has been calculated at $15.17 per MNC common share.

ASB Capital Management has $11.1 billion of assets.

PNC Unit Joins Cincinnati Home Loan Bank

CINCINNATI — The Federal Home Loan Bank of Cincinnati said PNC Bank of Ohio, a unit of PNC Bank Corp., Pittsburgh, has been approved for membership.

As a member stockholder of the home loan bank, PNC Bank will have access to a variety of customized credit products that promote the availability and affordability of housing finance and home ownership.

Key Bank Finishes Northwestern Acquisition

TACOMA, Wash. — Key Bank of Washington, a unit of Albany, N.Y.-based Keycorp, said it completed its acquisition of Northwestern National Bank. Total assets of the three-branch, Port Angeles, Wash.-based Northwestern are approximately $47 million.

Steps to acquire the bank were begun by the former Puget Sound Bancorp in 1991. The process was continued by Key Bank after completed its merger with Puget Sound Bancorp in January.

The Northwestern National branches, in Port Angeles, Forks, and Sequim, were to have opened for business on Friday as branches of Key Bank.

The briefs were compiled from staff and wire reports.

Regulators Urge House Leaders To Approve Funding for the RTC

By ROBYN MEREDITH and ROBERT M. GARSON

WASHINGTON — On the eve of a scheduled House floor vote, the heads of the four federal banking agencies mounted a new drive to persuade lawmakers to approve funding for failed savings and loans.

"Failure to provide timely funding for the RTC can only undermine confidence in the government's willingness to honor its most solemn promises," the four said, referring to the Resolution Trust Corp.

"Those promises backstop the safety and stability of our entire financial system, and provide incalculable benefits to millions of Americans not directly involved in the thrift cleanup."

Action Expected Today

The letter, signed by the heads of the Federal Reserve Board, the Federal Deposit Insurance Corp., the Office of Thrift Supervision, and the Office of the Comptroller of the Currency, was sent to House Speaker Thomas S. Foley, D-Wash., and Republican leader Robert Michel of Illinois.

The House Rules Committee, which serves as the gatekeeper to the House floor, is scheduled to take up the funding package today, with floor action following.

Although banking committee sources said last week they were confident the long-delayed vote would be held this week, the House leadership remains nervous about the vote count. A defeat would be seen as a setback for the Clinton administration.



Eugene A. Ludwig
Joins effort to sway vote

Another Warning

The bill approved by the House Banking Committee would free up $18.3 billion in previously authorized money for the RTC, and would make $16 billion available to the infant Savings Association Insurance Fund. However, the bill would set tough conditions for release of the SAIF funds.

Also Monday, thrift analyst Bert Ely warned that a failure to appropriate new money for failed thrifts would force regulators to impose what would amount to "a special, punitive tax on America's healthy thrifts."

A rate differential of at least 20 basis points, almost .25%, most likely will develop in 1997 when Bank Insurance Fund premium rates plunge to an average rate of 3 basis points or so, Ely wrote in a letter to House Banking Committee chairman Henry B. Gonzalez, D-Tex.

Avoiding Delays

In their letter to the House leaders, the bank regulators also said that a funding package would "avoid further costly delays in thrift resolutions, delays which have already saddled the American taxpayer with substantial and unnecessary extra costs."

The letters were signed by Fed chairman Alan Greenspan, acting FDIC chairman Andrew C. Hove, acting OTS director Jonathan L. Fiechter, and Comptroller of the Currency Eugene A. Ludwig.

Despite the industry's nervousness over SAIF funding, deputy Treasury Secretary Roger Altman said he was not concerned about the possibility that SAIF would not be fully funded and that, as a result, thrift insurance premiums could be significantly higher than banks' assessments in a few years.

He said he was "not aware of any plans" to merge the SAIF and the Bank Insurance Fund. □

COMPANY *index*

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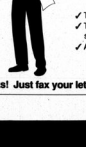
"Please find out about this structured finance deal and get back to me."



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B of A Taking On Clients' Back-Office Work

By JEANNE IIDA

As part of a broad wholesale banking overhaul, BankAmerica Corp. is testing software that gives corporate customers greater control over accounts, while shifting some of their back-office tasks to the bank.

By taking over some of its customers' back-office processing, BankAmerica seeks to bind its customers more closely. State Street Boston Corp. is another bank that is aggressively taking on some of its clients' back-office work.

BankAmerica is rolling out software based on Microsoft Corp.'s Windows operating system to customers of trade finance, custody, foreign exchange, and electronic data interchange services.

At the same time, it is redesigning its own back-office processes to give customers far greater access to information about the current status of their accounts.

Devoting Energy to Investing

The goal "is to let us take over [much of the processing] and apply our economies of scale to production environments, freeing up customers to focus on making investments," said Colin Klippen, executive vice president and manager of global payment services at BankAmerica.

The bank is overhauling its wholesale banking business.

The move is part of a Bank-America effort to revamp much of its wholesale bank. Two months ago, David Coulter, vice chairman of the wholesale bank, appointed Sherry Bartolucci, a senior vice president, to head an organization in charge of reengineering – or redesigning the workflow – of the wholesale bank.

As part of the effort, BankAmerica is rebuilding on a new trust and custody system, which will be used to integrate operations in London and in New York.

BankAmerica is expected to decide this week on a trust system. The company is evaluating whether to modify an existing system developed by Security Pacific Bank, which BankAmerica acquired in 1991, or to buy a new system from Premier Systems Inc., Wayne, Pa. It was software from Premier that was one of the causes of a systems debacle at the bank in the late 1980s. The project, which was abandoned, cost the bank at least $80 million.

Sources said they believe the bank will choose Premier.

In its cash management area, BankAmerica is rolling out new services, such as the ability to make payments via a Windows-based screen.

The bank also is testing some services with major customers, which it declined to name. One of the tests involves allowing a customer to send a payable file, which the bank would split into checks, automated clearing house items, and funds transfers. The company would define the conditions under which it wants the payment sent.

Another test involves coordinating the account management of customers by tying together all of a client's cash management accounts.

The systems will also act as a direct link into the bank's computers, where the Windows interface allows departments in the company to find out the status of transactions.

Mr. Klippen said that BankAmerica wants to automate much of customer service functions that currently take place over the telephone. This way, instead of having the customer call the bank with questions, the customer would be able to view the answer on a personal computer screen.

New Way to Link PCs

BankAmerica is also one of the first banking companies to test an early release of Microsoft Corp.'s newest operating system, Windows NT.

Windows NT, unlike previous PC operating systems, is designed to provide sophisticated network management and data security that typically was associated with mainframe software.

BankAmerica is using the operating system in conjunction with a unit that does business analysis and reporting for the wholesale bank, using software from Arbor Software Corp., Santa Clara, Calif.

The software from Arbor allows BankAmerica to extract customer information from the mainframe and analyze it on a spreadsheet program on a personal computer. Before BankAmerica installed Windows NT, the analysis software was stored on a mainframe, but now it runs on a network of personal computers, according to Kirk Cruikshank, vice president of marketing for Arbor. □

STAY ALERT

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AMERICAN BANKER

Opinion

Comment

By Ronald R. Glancz

Courts Tearing Down The Barriers to Branching

THE McFADDEN ACT *has become so riddled with exceptions that it is no longer an effective barrier to interstate branching.*

The McFadden Act of 1927 was once thought of as an insurmountable barrier to interstate branching by national banks. The courts had construed the law strictly to prohibit branching across state lines.

National banks could not operate interstate offices that carried on the business of banking by accepting deposits or making loans.

Some have argued that these court decisions have resulted in market inefficiencies, placing banks at a competitive disadvantage against nonbanks that have no geographic constraints.

Although states have entered into regional, and in some cases national, compacts to permit interstate banking through subsidiaries of holding companies, the McFadden Act effectively blocked national banks, until recently, from full interstate branching.

Barriers Crumble

In recent years, courts have upheld decisions by the Office of the Comptroller of the Currency, with some exceptions, that break down these barriers to branching.

The McFadden Act has become so riddled with exceptions that it is no longer an effective barrier to interstate branching.

In the next several years, it is likely that the act will be further interpreted by regulators and courts to permit full interstate branching. Congress may accelerate the process by passing an interstate banking law.

These developments will certainly benefit large money-center and regional companies, such as NationsBank. The implications for community banks are less clear, but community banks, on their own or through networking arrangements (much like ATM alliances) with other banks, might also find advantages in interstate banking.

Gradual Changes

The process has been evolutionary, not revolutionary. In the 1960s, the OCC allowed a national bank to move its main office to a location where it could not have a branch under state law and establish a branch office at the old location.

In the 1970s, the OCC permitted national banks to establish loan production offices anywhere in the country, provided that they did not accept deposits or make loans at those offices.

At about the same time, banks were establishing automated teller machines where they could not have branches.

Although the courts held that these terminals met the definition of branches, and were therefore subject to the McFadden Act, they also held that if the terminals were owned or leased by a third party, including another bank, they were not branches.

Brokerage Offices

Thus we have ATMs that for all intents and purposes function as nationwide bank branch networks.

Several years ago, the Supreme Court ruled that national banks could operate securities brokerage offices anywhere in the country, because they did not constitute a "core banking function."

Meanwhile, the courts were upholding the Comptroller's decisions permitting national banks to branch within a state anywhere that thrifts could branch, even though state banks were not permitted to establish branches at these locations.

The Office of Thrift Supervision has permitted federally chartered thrifts to establish interstate branches. The 1982 Garn-St Germain Depository Institutions Act permitted national banks to acquire failed or failing thrifts and retain their interstate branches.

Under certain circumstances, the 1991 FDIC Improvement Act authorized national banks to acquire the branch networks of healthy thrifts.

New York and Utah have enacted laws permitting reciprocal interstate branching. Several other states have passed laws allowing state banks to merge with banks located in other states and then allowing the resulting bank to operate these offices as interstate branches.

The OCC has recently allowed a state bank with interstate branches to convert to a national bank and to retain its interstate branches, then for the national bank to merge with another national bank in another state and for the resulting bank to retain the branches of both of the banks.

Finally, last October, the OCC issued an interpretive letter that allowed a national bank in Illinois to use banking offices of affiliate banks of its holding company in Illinois to provide accommodation services. Those included depositing and withdrawing funds, even though under the McFadden Act it could be argued that the national bank was improperly operating branches in these affiliate bank locations.

A Sturdy Precedent

There will be further McFadden Act developments. The OCC seems likely to follow the Illinois ruling and permit accommodation services among affiliate banks of a holding company to take place interstate as well as intrastate. Such a ruling would, in effect, permit interstate offices of a holding company system to operate as branches.

Under the reasoning of the Illinois decision, there is also no legal impediment to allowing accommodation services among nonaffiliated banks, much like ATM network arrangements.

The bottom line is that brick-and-mortar offices of banks are no different in law than offices of other businesses or than other forms of modern communications, such as computer networks. The McFadden Act is dead; it has just not been buried. □

Mr. Glancz is a partner in the law firm of Venable, Baetjer, Howard & Civiletti, Washington.

Letters to the Editor

Securitization Could Spur Small-Business Lending

To the Editor:

In her July 8 Comment ["Firms Won't Be Helped by Securitizing Lending," page 4], Anat Bird says securitization does not answer banks' needs, because banks want to keep small-business loans, not off-load them.

I suggest that this is too broad a generalization.

It is likely that some banks would be more inclined to expand small-business lending if on a regular basis they could off-load all or a substantial part of the credit risks involved.

Effect on Margins

That is, it is probable that some banks would prefer only to originate small-business loans, but not carry them as credit risks over the long term.

Ms. Bird also reasons that a market for securitized small-business loans could lead to shrinking lending margins for banks. But it should be remembered that legislative fiat will not produce such a market.

It will develop only if there is, in fact, a market for securitized small-business loans. If there is, the market for small-business lending will have become more perfect, resulting in lower borrowing costs for businesses. That is how the system is supposed to work.

Ernest Ginsberg
Vice chairman
Republic National Bank of New York

Chicago Y's Inner-City Investment Paying High Returns

To the Editor:

Cole Taylor Bank's century old Woodlawn community in Chicago was indeed an important and welcome development. [See "Suburban Bank Places an Inner-City Bet," June 29, page 1.]

You may be interested to know that the initial community investment came from a more unlikely institution, at least in the financial parlance of risk and investment: the YMCA of Metropolitan Chicago.

In 1989 the YMCA opened an $11 million, full-service facility at 63d Street and Stony Island serving Woodlawn and surrounding communities.

A Creative Contribution

The YMCA has touched the lives of tens of thousands of youngsters and their families in a variety of creative and meaningful ways. In a human sense, we are generating an exceptionally high return on investment.

The South Side YMCA demonstrates daily that every neighborhood deserves and will support the institutions that make up the fabric of a successful community.

Jack Lund
Executive vice president
YMCA of Metropolitan Chicago

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Some Banks Go the Extra Mile to Give Minority Loans a Fair Shot at Approval

Continued from *page 1*

them can approve it.

"We have really covered our bases," said Michael J. Burke, vice president of Chemical's affordable-mortgage program. "We have an absolute safety net, so if you are declined it is for perfectly good reasons."

While few lenders have internal reviews as extensive as Chemical's, a vast number have set up some sort of "second look" program for minority loans.

Senior bank officers or a committee made up of loan officers, compliance personnel, and, sometimes, even community members, meet to consider the proposed denials.

These internal groups examine applicants' credit histories and look for ways to make exceptions to their underwriting criteria.

Perhaps most importantly, they scrutinize the decision-making process to make sure they are not inadvertently denying minorities differently than whites.

The Human Element

In many ways, this second look turns the traditional loan review process on its head. Instead of looking for reasons to deny a loan, the second review process is about finding ways to approve it.

"We try to incorporate good sound lending practices but we try to add a human element to the process," said Regina G. Livers, community affairs officer for Fifth Third Bank in Cincinnati.

Officers at banks with internal review programs say that typically the programs allow them to make 10% to 30% of the loans they would have denied at first glance. And they say that, so far, these loans have performed just about as well as their conventional loans.

Half of Turndowns Salvaged

At Chemical, about 50% of the loans initially denied are approved, according to Mr. Burke. And in the year the bank has tracked a special pool of these loans – totaling about $18 million – they have performed almost perfectly, he added.

Many banks like Chemical supplement their internal programs with interbank review boards.

The granddaddy of these consortia, the Delaware Valley Mortgage Plan in Philadelphia, has been in existence since 1977 and includes eight lenders. Last year, the plan made $43.2 million in mortgage loans to 1,295 low-income and moderate-income families.

Model Program

The Delaware Valley plan has become a model for about a dozen other consortia around the country.

"Lenders benefit from that collaboration," said Mary Da Ivis, director of corporate community initiatives for Delaware Valley.

While most review boards focus on mortgages, some banks are applying the idea to business loans as well.

And Seafirst Corp.in Seattle doesn't just review denied small-business applications. The thrift regulators urged lenders to adopt internal second review systems for consumer, mortgage, and small- business loan applications.

"It's a fabulous idea," said Federal Reserve Board Governor Lawrence B. Lindsey. "I would urge all banks to begin some sort of internal review board."

Progress Seen

He points to the growth in second-look boards as a sign of the turnaround in the industry's attitude toward fair-lending issues.

"Think about what a change that is," Mr. Lindsey said. "People say nothing is being done. But just look at the internal reviews and how much that has changed in a year."

But public advocates remain somewhat skeptical.

"They represent some level of self-regulation in the industry, and that is a good idea," said Deepak Bhargava, legislative director for the Association of Community Organizations for Reform Now, or Acorn. "But my fear is that they are a tremendous diversion of resources."

Are Exceptions Uniform?

Even industry leaders concede that if not done properly, second-review plans have limited impact. For example, studies have shown that the vast majority of all mortgage applications have some problems.

This means that if internal reviews are limited to confirming that there is a good reason for denial, they will likely be able to find one.

Instead, many suggest, review boards need to focus on whether they are making exceptions uniformly.

Fed Recommendations

The Federal Reserve Bank of Boston, in its minority-lending guide, recommends including in all internal review plans acceptedapplications that do not meet stated loan policies. This way, lenders can make sure that they are making the same exceptions for both minorities and whites.

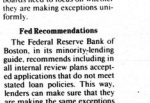
The Boston Fed also recommends reviewing even withdrawn applications, to make sure the applicants were not unequally counseled to withdraw.

In a talk to bankers last month, Eugene Ludwig, member of the Currency Steve Cross echoed this concern. In the past, he said, both examiners and bankers have overlooked some important comparisons.

Now examiners will more carefully compare not just minority and white denials, but minority denials and white approvals, he said.

"Before the examiner comes in, you should be doing the same kinds of things yourself," Mr. Cross said.

Barbara A. Rehm contributed to this article.



Lawrence B. Lindsey
"It's a fabulous idea"

"We have an absolute safety net."
Michael J. Burke
Chemical Banking Corp.

'Free Business Consulting'

"There is absolutely no charge [to applicants] so what you have is free business consulting," said Grani Pavolka, a vice president who runs the BankAmerica Corp. subsidiary's community business center. In just over a year, Seafirst referred 19 customers to the credit advocates and made 15 loans totaling $860 million, he said.

Bank regulators cheer second-look programs. In a letter sent to all banks this spring, bank and thrift regulators urged lenders to adopt internal second review systems for consumer, mortgage, and small- business loan applications.

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Barbara A. Rehm contributed to this article.

Wilmington to Buy a Bullion Dealer

WILMINGTON, Del. — Wilmington Trust Co. said it has reached an agreement to acquire the retail sales and service business of Sunshine Bullion Co., the Idaho-based precious metals company owned by Sunshine Mining Co.

The transaction, scheduled to be completed by July 30, will include Sunshine's custody service for retail gold and silver accounts.

Wilmington Trust, which operates one of the largest precious metals depositories in North America, expanded by buying the nationwide retail sales program of Citibank in 1990 and Bank of Delaware's depository business in 1992.

The Wilmington Trust Corp. subsidiary in 1987 became the first depository outside of New York City to be approved for precious metals storage by the New York Metals Exchange.

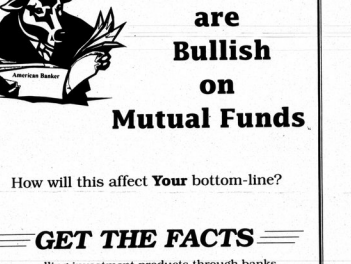
Wilmington Trust, with $4.1 billion of assets and $300 billion under trust, custodial, and investment management, said it earned $40.1 million in the first six months, an 8% increase from 1992 and equal to a 1.97% return on assets. □

Chicago's First National to Lead Refinancing

DES PLAINES, Ill. — Littelfuse Inc. said it has designated First National Bank of Chicago as lead bank and agent to refinance $94 million of debt.

James F. Brace, vice president, treasurer, and chief financial officer of Littelfuse, said the unsecured package will consist of a $45 million floating-rate private placement, a $25 million floating-rate bank term loan, and a $40 million floating-rate bank revolving loan. The borrower's costs will decline from current loans tied to the London interbank offered rate and the U.S. prime rate.

The fuse maker has retired $31 million of additional debt inherited early last year when it was spun off into an independent public company. □



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Stagnant Economy, Weak Loan Demand Pinch in Louisiana

By KENNETH CLINE

Inside the Regions

DOWN ON THE BAYOU, the economic news is not good.

Loan demand in Louisiana is stagnant, and likely to remain that way for the next year or so, bankers and analysts said. That could put pressure on interest margins as banks with maturing investment portfolios find it hard to put their funds to work.

The Federal Reserve Bank of Atlanta recently summed up Louisiana's long-term prospects as "worrisome," noting that the state's economy "is not expected to match that of the region or the nation in the foreseeable future."

"You don't see the robust employment growth that leads to market growth," said R. Neil Williams, chief financial officer of Premier Bancorp, parent of the state's second-largest bank. "I would agree that loan demand is going to be pretty weak, certainly for the rest of this year and probably next year as well."

The outlook contrasts markedly with the mini-boom of 1990 and 1991, when Louisiana's economy, based on oil and gas, flourished while most of the country was sinking into recession.

But energy prices plummeted following the Gulf War. In the 12 months that ended March 30, nearly every metropolitan area in Louisiana suffered a significant drop in employment.

Louisiana's bank companies, like most around the nation, have been getting by because of low interest rates that have improved their spreads between funding and investing. They also have benefited from the interest-related surge in residential mortgage refinancings and a slight pick-up in consumer loans.

But core commercial lending business remains stagnant. First Commerce Corp. of New Orleans and Baton Rouge-based Premier, the healthiest of Louisiana's largest banks, reported asset growth of 3.1% and 5.6% respectively in the 12 months ending March 31. New Orleans-based Hibernia Corp. and Whitney Holding Corp., which are both still struggling with loan problems, registered double-digit declines.



Interest Rate Risk

Making the outlook still worse is the prospect of rising interest rates. Until now, the state's banks have been helped by some of the nation's lowest deposit costs. That created an average net interest margin for Louisiana banks of 4.68%, higher than in neighboring states.

But with little borrower demand, the banks will be hard pressed to maintain their margin advantage.

"Louisiana banks are a little more susceptible to getting their margins squeezed than banks elsewhere," said Peter W. Tuz said, a bank analyst at Morgan Keegan Inc. in Memphis.

Banking on Gambling

There is one bright spot in Louisiana: the tourism industry, primarily in New Orleans.

Plans to build the nation's largest casino in the Big Easy have fueled a revival in the city's commercial real estate market. Economists are predicting about $750 million of related construction over the next few years.

"There is a tremendous demand for infrastructure loans associated with gambling and casinos," said David B. Kelso, chief financial officer of First Commerce.

But the impact is not expected to extend much beyond New Orleans. And analysts contend that weak loan demand may mar the profit picture at most Louisiana banks for many months to come.

Calfed Posts Loss of $45 Million

Continued from page 1

ecutives at last Wednesday's board meeting and started a search for a new chief executive late last week.

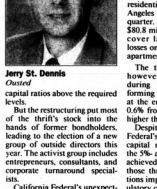
The decision to replace the top two officials was not due to the latest quarterly loss, California Federal officials said. Rather, they explained, directors want a more aggressive leadership style now that a federal takeover is no longer a threat.

"The feeling was that Jerry and I were spending so much time solving problems," Mr. Callender said. "They wanted somebody who would focus on the future."

Scott L. Adair, a former director familiar with the board's thinking, said board members did not "believe [Mr. St. Dennis] had a game plan going forward."

Ironically, Mr. St. Dennis' successful effort to recapitalize the thrift may have ultimately led to his dismissal.

Under a regulatory order to boost capital, the 51-year-old executive in the last year engineered a debt-for-equity swap, a preferred stock offering, and other measures that raised about $250 million – enough to lift



Jerry St. Dennis
Ousted

capital ratios above the required levels.

But the restructuring put most of the thrift's stock into the hands of former bondholders, leading to the election of a new group of outside directors this year. The activist group includes entrepreneurs, consultants, and corporate turnaround specialists.

California Federal's unexpected second-quarter loss followed two consecutive quarters of operating profits. For the first six months of 1993, the thrift lost $35 million.

As part of a capital plan approved last year, the thrift projected a 1993 profit of $42 million. But it warned that results hinged on a recovery of California's economy.

California Federal said the loss stemmed mainly from declines in the value of foreclosed residential property in the Los Angeles area during the second quarter. It was forced to add $80.8 million to loss reserves to cover larger-than-expected losses on the sale of houses and apartments.

The thrift's problem assets, however, declined modestly during the quarter. Nonperforming assets of $1.185 billion at the end of June were down 0.6% from March 31 but 4.1% higher than a year earlier.

Despite the loss, California Federal's core and risk-based capital ratios remained above the 5%- and 10%-of-assets ratios achieved this year. Reaching those thresholds ended restrictions imposed in the thrift's regulatory capital plan.

Mr. Callender declined to predict whether California Federal would return to profitability this year. But he said he was "hopeful" it would stay above the 5% and 10% capital levels. □

Shawmut Unit Sued in Bond Default

Reuters

HARTFORD, Conn. — Shawmut National Corp. has confirmed that its Shawmut Bank Connecticut subsidiary was named in a federal lawsuit filed in New York by purchasers of bonds issued by units of Towers Financial Corp.

Shawmut said the suit, which also names Duff & Phelps Credit Rating Co., seeks damages in an undetermined amount equal to the difference between the current value of the bonds and their face amount of about $200 million plus interest as well as punitive damages.

Premier Moving into New Orleans Market With Purchase of Ferruzzis' Alerion Corp.

By KENNETH CLINE

ATLANTA — Premier Bancorp, Louisiana's third largest bank company, said Monday it will gain a toehold in New Orleans by buying Alerion Corp. for $47 million in cash.

Alerion, a privately held company owned by the Ferruzzi family of Italy, has nine offices and $341 million of assets. The deal – valued at 138% of book value – is expected to close by yearend.

Analysts said the purchase price appears fair to both parties. The transaction also is believed to have the tacit approval of Banc One Corp., the Ohio-based superregional that has an option to purchase Premier by July 1995.

Other Targets Sought

Premier, which is based in Baton Rouge and has $3.8 billion of assets, has only one branch in New Orleans.

"We will continue to seek affiliations with other financial institutions in the area that would give us the opportunity to further broaden our New Orleans coverage," said Premier chairman and chief executive G. Lee Griffin, who on Monday relinquished his title as president of the company.

Banc One chairman John McCoy has publicly indicated a desire for a big presence in New Orleans, the state's great port city.

This has lead to speculation that he not only blessed the Alerion purchase but could be positioning himself for more. Alerion has less than 1% of total bank deposits in New Orleans.

Analysts are already speculating that Banc One would seek to buy one of the city's three biggest banks – First Commerce Corp., Hibernia Corp., or Whitney Holding Corp. – should it acquire Premier.

The deal is believed to have Banc One's tacit approval.

"I would bet that Banc One will purchase a big New Orleans bank within five years," said Peter W. Tuz, who follows southeastern banks for Memphis-based Morgan Keegan Inc.

A Banc One spokesman did not return calls for comment Monday. Connie Planche, a spokeswoman for Premier, said Banc One was made aware of the transaction but added, "We don't go to them for approval."

Premier and Alerion had confirmed earlier this year that they were in talks. Alerion, whose Italian owners are involved in a major business scandal, is a well-capitalized bank but has not been very profitable.

Its return on assets at the end of the first quarter was a slim 0.39%, while its Tier 1 capital ratio stood at a healthy 9.79%, according to Bloomberg Information Services Inc. Alerion's nonperforming loans equaled 2.52% of gross loans, slightly better than the average Louisiana bank's 2.64%.

Executive Promotions

In a related move, Premier announced a series of executive promotions on Monday.

Mr. Griffin ceded his post as president of the holding company to F. Walker Lockett Jr., who had been president of Premier Bank, the flagship subsidiary. Mr. Lockett also will be responsible for the newly created New Orleans banking group, the company said.

Mr. Lockett joined Premier from Charlotte-based NCNB Corp., now NationsBank Corp., in 1987.

His post as president of Premier Bank is being assumed by H. Brooks McElveen, who had been executive vice president in charge of statewide retail services. □

REGIONAL BANKING

Playing to Win in the Small-Business Lending Market

By JOHN COOK
President and CEO
Banco Corp., Dallas

The rush to small business is raising a dust cloud as big as a major cattle stampede.

If there is to be significant growth in the soft U.S. economy, it will be in this segment. If banks are able to grow their commercial portfolios, it will be from this segment.

Competition, however, will be intense. And as in any stampede, there is plenty of risk.

The small-business market calls for a carefully crafted strategy that maps the way to profit while keeping credit quality up and establishing a strong, pricing market position in the face of competitors.

As larger banks address this market they are confronted with three classes of competition.

The competition from small banks is serious but diffuse.

These banks are noted for their closeness to the customer and flexible credit standards. But despite these strengths, they have significant weaknesses.

Their lending capacity is limited, and the risk of any one deal may mean much more to them than to a larger bank. They also lack larger banks' variety of products, services, and delivery channels.

A smaller bank is not particularly likely to mount a specific counterattack – a challenge from a larger bank – especially if that challenge plays to the larger bank's strengths and to the smaller bank's weakness.

For the larger bank, the trick is to hit town with a program that reminds the small banker of Wal-Mart's arrival. The idea must be to change the competitive landscape forever.

Heavy Hitters

Competition from larger banks is more serious.

These banks have the financial and technological muscle to match products and marketing programs quickly.

Care must be taken if the major players in a market are to avoid beating each other's immediate profits to death while driving down portfolio credit quality.

A third area of competition is from nonbank lenders, such as Ford or Merrill Lynch.

These lenders approach the business differently. They have distribution systems that are sales'-oriented and underwriting and administration operations that are factories.

The cost for their entire delivery system is very low, giving them a significant advantage in pricing smaller transactions.

Better Service, Lower Cost

In the small-business market, a bank must develop its own twists and variations to make the sale and to build relationships. The process must be more customer responsive than the most successful competitor's. A key factor may be getting applications completed in less than 72 hours.

Credit risk management should be at least as good as in your best lending operation. This market provides an opportunity to manage risk, rather than just avoiding it. The answer lies between a credit process that you would use for credit cards and one used for large corporate deals.

Also, the cost to deliver your product should be lower than planned by your lowest-cost competitor. You simply cannot spend the same to make a $50,000 loan as you do for a $5,000,000 loan.



John Cook

Banking technology has changed more in the last four years than in the previous 20. Processes can be rethought and rebuilt so they are more closely aligned with the objectives and needs of both the customer and the bank.

Today's technology brings four key advantages to process and delivery systems:

- User interfaces that make it easy for line lender or relationship manager to work with a system.
- Portable computing, so work can be taken into the field.
- Easily accessible customer and relationship information.
- Location independence, so a bank can design its process with each element placed for maximum effect.

When designing a new delivery system, don't start with your old one. Start with the basic needs of the customer and the bank, and build a system to fit those needs like a glove.

Make the most of location independence. Optimize the use of your branch system and lenders for building customer relationships and sales. Structure centralized functions for marketing support, underwriting, and administration.

Insist that each element, whether central or in the field, contribute to your overall success in terms of cost of delivery, credit quality, and service. □

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Banks, Farmers Better Prepared to Ride Out Flooding

By ROBERT B. COX

PIPESTONE, Minn. — "That's another tool we never would have thought about before the crunch," Willys Kruisselbrink remarked to Robert Morgan of the First National Bank of Pipestone, who had come to survey the farmer's flooded soybean fields.

Mr. Kruisselbrink was pointing to the terminal on his kitchen counter that enables him to track the prices of futures contracts, and the "crunch" he referred to came between 1984 and 1989, when 304 farm banks failed and, nearly 100 farmers went bankrupt every day.

"We learned a lot in the '80s," said Mr. Morgan, the bank's president. "We have all become much better managers."

Balance Sheets Cleaned Up

Since the farm crisis of the 1980s, farm bankers across the nation have cleaned up their balance sheets. They have revamped the way they underwrite ag loans, and farm borrowers like Mr. Kruisselbrink have taken advantage of technology to lessen their risks of failure.

Ultimately, experts say this fundamental shift in the way bankers and farmers do business may help them weather the storms that have wreaked havoc on much of the upper Midwest.

"This crisis is not going to be a replay of the 1980s," said Neil Harl, economist at Iowa State University in Ames.

As the Midwest recovers from months of torrential rains and flooding, bankers are tallying up potential losses. Early estimates put the price tag for damaged crops at more than $2 billion.

Banks' Ranks Thinned

A decade ago, such losses would certainly have precipitated a rash of small-bank failures, as farms folded and financial institutions foreclosed on devalued property.

Pipestone was hit hard then: Five farmers committed suicide, and two local bankers were shot and killed by irate farmers after foreclosing on their land.

But ag banks, whose numbers have dwindled from 5,316 in 1980 to 3,971 last year, have reduced their exposure to nature's caprice.

Going into the 1980s, ag banks with less than $2 billion of assets had loan-to-deposit ratios as high as 60%, according to data provided by the economic research service of the Department of Agriculture. At the end of 1992 they hovered at 55%.

Increasing the Cushion

"There is nothing more apt to create a change in the way you do business than financial hardship, and farmers and ag bankers have had their share of that," said Clay Pederson, a vice president at the National Farmers Union.

By one measure of capital for which comparable figures are available, farm banks have increased their cushion against losses. Equity capital plus loan loss reserves totaled 8% percent of assets in 1980, compared with the current figure of more than 10%.

Farmers, too, have lowered their exposure to failure by borrowing less. Total farm debt has slipped from its high of $194 billion in 1984, to just $140 billion today, according to the agriculture department. Farmer debt-to-asset ratios at the end of 1992 were only 16.4%, the second-lowest level in 13 years.

But perhaps most importantly, bankers have transformed the way they make loans to farmers.

"Lending is no longer predicated on what a man is worth," said Ed Bouwman, ag-loan officer at First Farmers and Merchants National Bank, Luverne, Minn.

Bankers now make lending decisions based on a farmer's cash-flow analysis and ability to service debt. Today's farmers see themselves as small businessmen, equally able to milk a cow and crunch out financial statements on a computer.

"Our finances are no longer a few pieces of paper in a shoe box," said Mr. Kruisselbrink, the Pipestone farmer.

Indeed, Mr. Kruisselbrink and his wife, Eleanor, spend more than 10 hours a week on the farm's finances. She often logs full days fiddling with spreadsheets at the computer terminals of a nearby college.

"A decade ago we flew by the seats of our pants," said Mr. Kruisselbrink. "Now we have to come to the bank with our cash flow and prove we can make it work, otherwise they won't lend us any money."

In addition to revenue projections, many ag lenders require solid estimates of tax bills, interest payments, real estate taxes, operating costs, and even family living expenses.

Wants to Increase Reserves

"Before the crunch, what we were really doing was equity financing," said Mr. Morgan. "But when the farmer's net worth disappeared, so did ours."

The rains that have afflicted much of the western part of the Corn Belt have Mr. Morgan worried, however. The banker is asking his board of directors to double loan-loss reserves to $40,000 a month, as he expects from 10% to 20% of his farm customers to default on their loans.

"Make no mistake, for the people being hit this is a serious problem," said Mr. Harl, the economist.

In South Dakota and Minnesota alone, 20% of corn crops and 30% of soybean crops have been wiped out, according to Sung Won Sohn, chief economist at Norwest Corp., Minneapolis.

'A Total Disaster'

Many farmers in those areas will receive help from Uncle Sam, and some still have grain reserves that they can sell at prices much higher than last year's.

But for all their strength, it is unlikely that farmers in those areas could withstand another year of crippling rainfall.

"It's a total disaster," said Dennis Troseth, a Pipestone farmer who just two years ago was arranging the sale of 250,000 bushels of high quality corn to Japan.

Community bankers like Mr. Morgan say they will stick with their borrowers until they decide to quit farming, or until regulatory pressure forces the banks to foreclose.

"Regulation is a numbers game and sometimes we are forced to make decisions we wouldn't make otherwise," said Mr. Bouwman of First Farmers and Merchants in nearby Luverne.

Inevitably, the fortunes of many small towns across the farm belt rise and fall with the farm economy. Though some bankers have tried to diversify their portfolios, "in the end, it's all related to agriculture," said Ken Baker, president of Clarke County State Bank, Osceola, Iowa.

"We're going to bust our butts to get our farmers through," said James R. Thomson, president of First Midwest Bank, Centerville, S.D. "If we don't support each other, we'll both die on the vine." □



Robert B. Cox/American Banker

ROBERT MORGAN, right, has asked the board of First National Bank of Pipestone to double loan-loss reserves, as he expects up to 20% of farmers to default. Dennis Troseth lost 40% of his soybean crop.

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For S. Dakota Bank, Troubles Are Rising

By ROBERT B. COX

VIBORG, S.D. — C.L. "Pete" Jensen steps over a puddle and looks out over a mile-wide "lake" whose surface is punctuated only by the roof of a barn and the tip of a grain silo.

"This is something I hope I never have to go through in my lifetime again," says the loan officer of Farmers State Bank. The water has dealt a crushing blow to one of the burly banker's borrowers.

Mr. Jensen's bank is in the center of one of the hardest-hit areas of the Corn Belt.

The fertile plains near here – where the borders of Minnesota, South Dakota, and Iowa meet – were among the first to experience the heavy rains that caused the Mississippi and its tributaries to overflow.

Impact Greatest?

Among the farm states experiencing crop losses, South Dakota may fare the worst, according to estimates prepared by Sung Won Sohn, chief economist at Norwest Corp., Minneapolis.

Agriculture accounts for a whopping 14% of the state's earned income, and 10% of personal income. That means that though the estimated dollar value of crop losses is higher for both Minnesota and Iowa, the impact on personal income is likely to be greater in South Dakota.

Mr. Sohn estimates that a $125 million loss of crops will translate into a 2% drop in South Dakota's personal income. Iowa, the next hardest hit state, may see a 1.5% decrease in personal income due to crop losses of $785 million.

A Businessman's Complaint

In Viborg (population 800), the economic consequences of crop damage will be higher. Every one of Main Street's small businesses, from the bank to the Kountry Kitchen luncheonette, quakes rises and falls with the fortunes of the town's farmers.

"There is always a program for the farmer, but there's nothing for the small businessman," complains Rodney Peterson, owner of Rod's Feed and Seed.

Most ag banks have lessened their exposure to crop losses by reducing their portfolios of loans to agricultural producers. Farmers State Bank, however, has about 90% of its portfolio invested in farm loans.

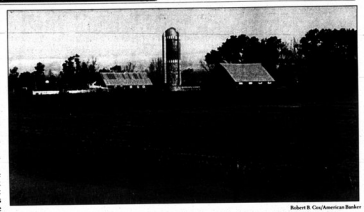
"Any bank is under severe stress if it has a high loan-to-deposit ratio, a large ag loan portfolio, and is in an area where 25% of the ground didn't get planted," said Ed Lotterman, an economist at the Minneapolis Federal Reserve Bank.

Farmers State Bank fits the bill.

But Mr. Jensen is confident that the bank can pull through difficult times with a little forbearance, some help from the government, and perhaps a few weeks of sunshine.

"Granted, before all this is over we'll know food assistance, fuel assistance, and other government programs real well."

Besides, says Mr. Jensen, the bank has no choice but to stick with most of its farm borrowers: "If we sell out a farmer, he is gone forever and there is no one to take his place." □



Robert B. Cox/American Banker

A BORROWER'S FIELDS went under, but C.L. Jensen is confident Farmers State Bank won't.



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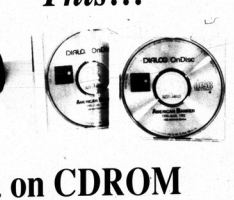

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SEC Taking a Hard Line on Bank Funds

Continued from *page 1*

der fire. Even if banks market mutual funds carefully and choose investments wisely, they won't be spared criticism if they fail to follow accounting procedures.

"Some banks may be under the misapprehension that being an investment adviser to a mutual fund is basically a riskless business. That's not the case," said a securities lawyer, who requested anonymity.

Banks that lose credibility as mutual fund managers could lose customers, too. And they can look forward to the SEC taking a very keen interest in their mutual fund activities, especially when it comes to mistakes.

NEWS ANALYSIS

In accepting the SEC sanctions, Bank of California agreed to correct practices that violated the mutual fund pricing and accounting provisions of the Investment Company Act.

No fines were levied, though the SEC has the authority to assess civil penalties of up to $500,000 per violation.

Controls to Be Improved

To avoid repeat incidents, Bank of California promised to clean up its internal controls, which the SEC criticized as inadequate "in that they allowed the pricing problem to occur and remain undetected for a substantial period of time."

At issue was the bank's alleged mispricing of bonds issued by the Phoenix Industrial Redevelopment Authority and guaranteed by Mutual Benefit Life Insurance Co.

Bank of California's High Mark tax-exempt money market fund held $1 million of these bonds, which lost almost half of their market value in the summer of 1991, when the New Jersey insurer was taken over by state insurance regulators.

The bank failed to discover and correct the accounting mistake, although it had several opportunities to do so, according to the SEC.

Informed of Problems

Winsbury Co., Bank of California's mutual fund administrator, apprised the bank of Mutual Benefit's difficulties before the insurer was seized, the SEC said.

But the bank failed to flag that the Phoenix bonds in the money market fund were backed by Mutual Benefit. Consequently, it reported that it had no Mutual Benefit bonds on its hands.

The bank acknowledges this, saying the portfolio managers who looked into the matter were not the same ones who had been on board when the bonds were purchased.

Once the insurer was seized, the bank's fund accounting department received lower quotes for the bonds from an outside pricing service, but treated this information as a "transmission error," the SEC said.

The bank laid the blame for this error on an employee who, it said, overrode the pricing information and continued carrying the bonds at a higher value. The employee later quit the bank, a spokeswoman said.

The trouble was ultimately revealed when the bank's custody department requested pricing information while exploring the possibility of exercising the

See **SEC** *next page*



Debra McGinty-Poteet
Worries about errors

Mutual Fund Assets Increased in Week

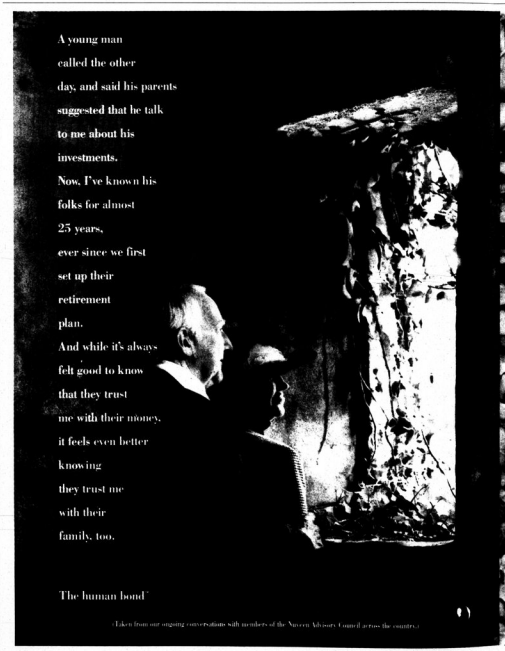
Reuters

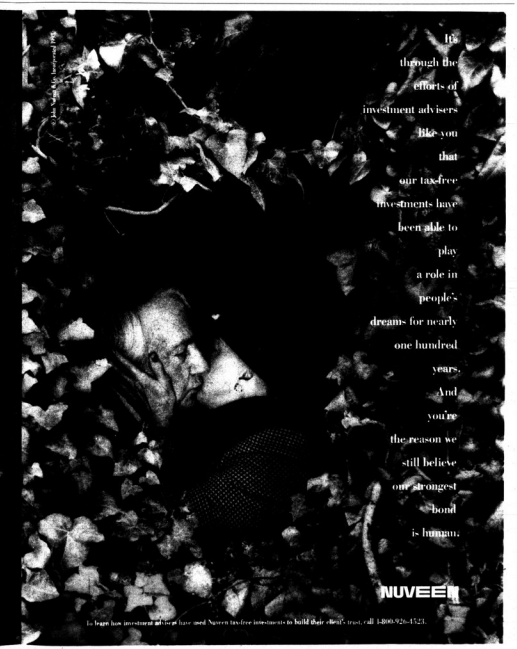
Assets of the nation's 642 retail money market mutual funds increased by $644.1 million, to $392.0 billion, for the week ended July 21, the Investment Company Institute said.

Assets of the 402 taxable money market funds in the retail category grew by $686.8 million, to $308.91 billion, while the assets of the 240 tax-exempt funds decreased by $42.7 million, to $83.09 billion.

Assets of the 267 institutional money market funds decreased by $4.33 billion, to $188.39 billion, for the same period.

Total money market mutual fund assets stood at $580.39 billion for the week.





SEC Taking Hard Line on Bank Funds

Continued from *page 10*

bonds' put feature.

Because the bank mispriced the bonds, shares in its tax-exempt money market fund were worth only 99.36 cents – not the $1 at which they were traded, the SEC said.

Price stability is paramount with money market funds. By industry convention, all money market funds trade at a $1 net asset value, instead of fluctuating as equity and bond funds do.

Because of this implied guarantee, money market funds are considered by many to be among the safest investments, on a par with certificates of deposit.

The net asset value of a money market fund is something banks cannot "break" with impunity, said Debra McGinty-Poteet, senior vice president and a director at Bank of America, which also has proprietary funds. "It's like motherhood and apple pie," she said. Break the $1 price and "investors would be out of there in a minute."

That's the last thing any bank, including Bank of California, would want.

In a statement, Bank of California said that it acted "immediately and appropriately" once the problem was discovered and that "no fund holder was harmed."

The bank reported the incident to the SEC and the Office of the Comptroller of the Currency. The OCC was satisfied with the SEC's involvement and took no actions of its own, an OCC spokesman said.

But banks can hardly expect the incident to be ignored. "This makes people question the fund industry, and they may shy away from the smaller players, including banks," said David Nadig of Cerulli Associates, a Boston consulting firm.

Mr. Nadig added that the incident could have industrywide ramifications. Even though a money market fund was involved, "mispricing of securities is an issue with every single fund," he said. □

Most Americans Aren't Saving for Retirement



John L. Steffens
Says "crisis" is worsening

By MICHAEL O'D. MOORE

More than half of American households with wage earners haven't saved a penny for retirement, according to a survey by Merrill Lynch & Co.

The brokerage house's fifth annual retirement planning survey found that 46% of preretirees (people 45 to 64 years old) and 35% of those 25 to 44 are saving for retirement.

"The crisis is getting to be worse," said John L. Steffens, who is executive vice president of Merrill Lynch's private client group.

Many middle-aged people say they don't, expect to get much out of Social Security, but "the fact is they are not doing much about it," Mr. Steffens added.

Women Less Prepared

Indeed, those who bother to save at all are setting aside less and less of their earnings for the future: from 14% in 1989 to just 8%.

The survey, conducted in January and February, encompassed 800 people, evenly split between the two age groups.

The survey also found that women are less prepared than men for retirement. They start planning later, earn less, and live longer.

Only 46% of women respondents said they started saving for retirement before the age of 40, compared to 67% of men.

More than men, women say they are saving for other goals, such as children's education, homes, cars, and travel.

In January, Merrill Lynch released a study of those in the 25-to-44 age group that found they are saving just one-third of the amount necessary to maintain their standards of living after retirement.

Lack of Focus

Americans must plan for the future, Mr. Steffens said. They should make better use of 401(k) plans and begin saving while they are younger to capitalize on the power of compounding interest.

The survey showed that 48% of the older group and 58% of the younger group believe they could save twice as much for retirement if they focused on the issue.

"I think people have just not thought about this," Mr. Steffens said. □

Bank of Boston Hires Three To Expand Private Banking

Bank of Boston has hired three staff members to expand private banking services in its Yarmouthport, Mass., office.

James L. Botsford was hired from Cape Cod Bank and Trust Co., Hyannis, Mass., to become assistant vice president-lending.

Felicia A. Holden, who had been a branch manager for Bank of Boston in Chatham, Mass., was named a mortgage specialist.

Robert P. Dinan, formerly a financial planner in Waltham, was named a vice president and private banker.

— **Michael O'D. Moore**

Interest rate risk has always been part of banking. Now, however, FAS 107, FDICIA 305, and other regulations make monitoring and managing this risk a key part of protecting your bank's capital.

The most basic part of this process is a sound model.

Quick Lesson #2: Interest Rate Risk Management

While most of the data you need is readily available, what you do with it is the crux. Modeling interest rate risk is highly specialized. Few firms have the necessary expertise to build such a model, let alone incorporate the specific data bankers need. And going from the model to data you can actually use without an expert at your side is another big step. RAF Financial Corp. pioneered the market-value approach to interest rate risk management. For 13 years they have helped banks to manage and monitor earnings and economic value in a changing rate environment. With Sheshunoff Information Services Inc., the leader in useable reports and analytical data tools for banks since 1971, they've developed a tool every bank can afford to use to comply with the new rules and improve the way you manage your interest rate risk.

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Bankers, Insurers Gird for Debate on FHA

By SNIGDHA PRAKASH

WASHINGTON — Mortgage bankers and mortgage insurers are expected to square off today over the future of the Federal Housing Administration's home loan insurance programs.

Mortgage banking companies, which originate most FHA loans, want to raise the size of loans eligible for the program and to roll back premiums.

But private insurers, which compete with the government fund, say they will resist any attempts to liberalize the program.

Each side is planning to make its case at a hearing before the House Banking Committee's housing subcommittee. The panel has oversight responsibilities for the FHA.

"There has been an endless debate between mortgage bankers and private mortgage insurers as to whether you need an FHA program, and if you do, how to define its business purpose and strategy," said Warren Lasko, executive vice president of the Mortgage Bankers Association of America.

FHA loans typically have lower down payments and are made to low- and moderate-income people. Lenders sell most of the loans into the secondary market, bundled as Government National Mortgage Association securities.

In evaluating the benefits and risks of the program, members of Congress can point to a new, upbeat report from Price Waterhouse. The accounting firm found that the strength of the insurance fund increased dramatically in fiscal 1992.

In the Black

The report says the "economic value" of the fund grew by $2 billion, to $1.4 billion. This marked the first positive value for the fund in the three years Price Waterhouse has conducted the study. Economic value is defined as premiums minus default losses and other expenses.

The firm also found that the fund's capital ratio, defined as economic value divided by total loans insured, is now 0.43%. That falls short of the 1992 target that Congress mandated in 1990. But the report projects that the fund will meet Congress' goal by the year 2000.

The health of the single-family insurance fund stands in stark contrast to the FHA fund for multifamily housing. A study by Coopers & Lybrand in April found that fund stood to lose up to $11.9 billion as apartment building owners defaulted on their loans.

But interpretations of the Price Waterhouse report are sure to vary widely today as mortgage bankers and mortgage insurers testify.

Two broad issues are up for grabs: Should Congress roll back the premium rises it enacted in 1990, and should the loan limits be raised so that FHA insures more expensive loans?

The mortgage bankers are expected to argue that the strengthening of the fund can continue only if FHA originations are spurred. FHA loans accounted for just 6% of all new mortgages last year, down from 8% in 1991.

In its testimony, the mortgage bankers' group will attribute the decline to the program's premium structure, arguing that it is uncompetitive with premiums of private insurance.

Specifically, the group will ask Congress to phase out the up-front premium of 3% adopted in the mid-'80s as a revenue-adding measure and charge only an annual premium of 0.5%.

The group is also expected to advocate raising the minimum size of FHA loans to diversify risk. On this front, the bankers' group is getting some support from the Department of Housing and Urban Development. The agency is proposing to raise the maximum loan size in high-cost areas to about $172,550 from the current $151,875, according to industry sources.

The mortgage group's ideas infuriate private mortgage insurers. "I guess what I find annoying [is the] premise that lower-income people . . . somehow don't value the house or their credit obligations. That's just ridiculous," said Suzanne Hutchinson, executive vice president of the Mortgage Insurance Companies of America.

Ms. Hutchinson says the most important finding is the fund is still not at the level of strength mandated by Congress. □



Warren Lasko
Battle lines are drawn

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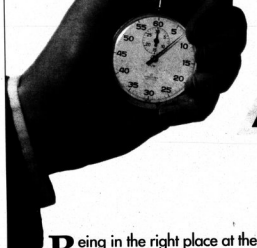

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EXECUTIVE *changes*

Chase's Richardson to Head Its Rochester, N.Y., Region

William W. Richardson has been named president of the Rochester, N.Y., region of **Chase Manhattan Bank** in a realignment to focus the bank's businesses more directly on customer services.

He succeeds **Robert D. Wayland-Smith,** who has been named upstate wealth and affluent segments executive, with additional responsibility for managing the upstate personal, corporate, and institutional trust and investments unit.


W.W. Richardson

Mr. Richardson has been wholesale banking executive for Chase's regional banking sector since October 1990.

Before that, he was president of Chase Lincoln First's banking group and, from 1984 to 1988, president of the bank's Syracuse, N.Y., division.


R. Wayland-Smith

Mr. Wayland-Smith joined Lincoln Rochester Trust Co., a predecessor of Lincoln First Bank, in 1967 as a management trainee in the portfolio and liability management department.

He has managed the municipal dealership, portfolio and liability management department, financial and investment services, and trust.

William L. Bitner 3d Retiring from Evergreen

William L. Bitner 3d said he plans to retire as chairman, president, and chief executive of **Evergreen Bancorp** and its principal subsidiary, **First National Bank** of Glens Falls, N.Y.

Mr. Bitner will continue as president and CEO of the holding company and bank until a successor is named.

His career at Evergreen spans 25 years.

Edward F. Allard has been elected chairman of the board of both Evergreen Bancorp and First National of Glens Falls.

He has been a director of the holding company and bank since 1988.

— **Franklin Smith**

MIDWEST

BANC ONE Investment Advisors Corp., an affiliate of Banc One Corp., Columbus, Ohio, recently appointed **Richard R. Jandrain 3d** to senior vice president and senior managing director-equity securities, and **Douglas O. Kloppenburg** to vice president and director of portfolio management for Wisconsin.

MIDDLE ATLANTIC

ING BANK, New York, said **Ivy Hwang** has joined it as an assistant general counsel, reporting to **Bill Austin,** general counsel for the bank in North America.

Ms. Hwang was formerly senior securities counsel at Citicorp, New York, and general counsel to its broker dealer, Citicorp Securities Markets Inc.

BANCORP MORTGAGE Inc., Perkasie, Pa., an affiliate of **Independence Bancorp,** said **Sheree Wiezbicki** has joined the company as assistant vice president for acquisitions and manager of special projects.

She previously was a management information systems analyst for Independence Resources Inc. of Quakertown, Pa., and an assistant department manager at Bucks County Bank, also affiliates of Independence Bancorp.

CHASE MANHATTAN Bank, New York, has appointed **Dexter Charles** as the risk management executive for North American interest rates derivatives. He previously had been the senior trading manager for the group.

UNION CENTER National Bank, Union, N.J., has appointed **Lisha Beauvais** assistant vice president. She will continue as main office branch manager.

OGILVY ADAMS & Rinehart/New York said **Lawrence Parnell** has joined the firm as a managing director and **Henry Miller** joined as a senior vice president. **Karen Amrhine** was promoted to senior vice president. **Lucy Flinn** and **Michael Grayeb** were named senior associates.

COMMONWEALTH Mortgage Assurance Co., Philadelphia said **Jim Williams** has joined the company as vice president, Midwest regional sales manager. Based in the regional office in Columbus, Ohio, he is responsible for directing the company's sales force and business development efforts throughout the Midwest.

SOUTHWEST

BANKAMERICA Business Credit, part of BankAmerica Corp., San Francisco, said **Michael T. Norvet** has joined the division as a vice president and senior marketing officer in its Dallas office.

Mr. Norvet is responsible for asset-based products and services for leveraged acquisitions, recapitalizations, refinancings, and expansions.

WEST

COUNTRYWIDE Funding Corp., Pasadena, Calif., said **Gail Thakarar** has joined the mortgage lender as senior vice president of human resources.


Gail Thakarar

She will oversee benefits packages, compensation programs, payroll, performance, review, regulation compliance, training and management development, career planning, and staffing. □

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C Laudio & ASSOCS, Inc. DCA#0696654 auct'rs sell Aug. 4 1993 at 9 AM at 121-08 14 Rd., Qns. 1981 Caddy 4 dr. #1GAA-B6991B914845 Acct. K&K Gunie Pool Builders Inc.. 10 AM at 170-28 Jamaica Ave. Qns. 1986 Ford 4 dr. #2FABP22-S6GB221695 Acct. R. Mejia: 1986 Hyundai 4 dr. #KMHLA11JXGU010708 Acct. L.E. Rodriguez; 1988 Pont. 2 dr. #1G2DB11K2JT510880 Acct. B.A. Rutland; 12 Noon at 70-11 50 Ave. Qns. 1981 Chevy 2 dr. #1G1AP87K8BL155931 Acct. R.D. Peace; 1992 Mazda 2dr. #JM1EC432-3N0136664 Acct. D. Clark; 1:30 PM at 9th-14 Northern Blvd., Qns. 1986 Pont. 2 dr. #1G2BF37S6GP265448 Acct. E.A. Schwon and/or R. Sasanec. 1983 Chevy 4 dr. #1G1AW699ADB113475 Acct. L. Williams; 1985 Subaru 4 dr. #JF1AC34B-3FC212369 Acct. A.Rivas and/or E. Gaisano; 1987 Honda 4 dr. #1HGCB7636-8HA084990 Acct. E.S. Barton; 1988 Mercury S/W #1MEBM58U4JA603559 Acct. J.R. Robsson; 1988 Mazda 2 dr. #1Y-VGD31AX2S120138 Acct. E.D. Simmons; 1989 Olds 2 dr. #1G3WH14W9KD339472 Acct. L. Lynah and/or L.Lynch 4:30 PM at 30 Goode Pl., Pelham Manor 1986 Suzuki MC #JS1VX71A9GC108456 Acct. R.P. Nolan. Published July 20th & July 27th, 1993.

C Laudio & Assocs. Inc. DCA#0696654 auct'rs sell Aug. 11, 1993 at 9 AM at 150-47 84 Ave. Qns. 1982 Dodge Ram #1B3BD34-4DsC113472Acct. D. Seidman: 10 AM at 184-33 Jamaica Ave. Qns. 1983 Buick 4 dr. #1G4AN69Y3DX412066 Acct. F. Miranda; 10:30 AM at 135-36 Centerville St. Qns. 1974 McB 2 dr. #1-0704412039-3 Acct. D. Bustamante and/or D.Alguiar; 12:30 PM at 70-11 50 Ave. Qns. 1987 BMW 4 dr. #WBAAD3309DJ364113 Acct. Life Quality Auto Leasing Corp. and/or L. Rodriguez; 1982 BMW 4 dr. #WBADK7304C7951911 Acct. F.S. Taly; 1 PM at 51- 30 Northern Blvd., Qns. 1989 V/W 4 dr. #9BWGA03058KP003046 Acct. A.W. Bello. 2 PM at 57-11 79 Ave. Qns. 1988 Nissan 4 dr. #1N4PB21S5JC775030 Acct. A. Valle. 3 PM at 313 Clarkson Ave., Bklyn 1982 Jaguar 4 dr. #SAJAV1241CC-344639 Acct. J.I. Sneider; 1988 Nissan 2 dr. #JN1EJ14P5JU049494 Acct. H.J. Diaz. 4 PM at 30 Goode Pl. Pelham Manor 1977 Formula Boat #WMW1533M7710 (NY1814PP) Acct. A. Peters. Published July 27th & Aug. 3rd, 1993.

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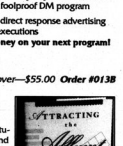

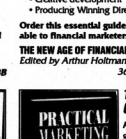

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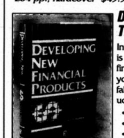

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Fed Chief's Comments Signal the End of the Bond Rally

By STEPHEN A. DAVIES
The Bond Buyer

WASHINGTON — Federal Reserve Board Chairman Alan Greenspan's testimony last week to Congress sent an unmistakable message that the bond market rally is over and interest rates are headed higher.

"The signal that we are endeavoring to send is that at some point rates are going to have to move up," Mr. Greenspan said in an uncharacteristically blunt statement to the Senate Banking Committee.

Normally, the Fed chairman declines to forecast interest rates and tip his hand on monetary policy. In this case, he wanted to make clear to Congress and the public that policymakers intend to move promptly when the next batch of troubling inflation statistics flit across bond dealers' screens.

Currently, inflationary pressures remain subdued. But Mr. Greenspan and his colleagues at the central bank have been shaken by disappointed by their inability to get inflation below 3%, and they want to be ready to prevent prices from accelerating any more.

The shift in policy marks an end to three years of gradually trimming short-term rates in response to the credit crunch and a weak economy. And it means that Fed officials probably will raise the current federal funds rate of 3% to 3½%.

Essentially, the bet at the Fed is that the economy will continue to improve gradually as consumers and businesses step up demand for credit and put upward pressure on interest rates.

As that happens, policymakers want to be set to form policy quickly but gently so that they avoid the mistake of waiting too long to check rising price pressures.

Inflation Hawks

It is an evolution in thinking at the central bank that has not been without internal disagreement. According to one banking source, Federal Reserve Board Governors Wayne Angell and Edward Kelley have been calling for a move now on rates.

Mr. Angell is a well-known hawk who has been upset at the rise in gold prices. Mr. Kelley's tough stance raises interest because unlike most other board members, he is not an economist, and his views are often taken as reflecting mainstream thinking at the central bank.

At the same time, some of the Federal Reserve district bank presidents have been more inclined to be neutral on rates out of lingering concern about the soft economy, the source said.

Any rise in interest rates is likely to be gradual because the economy will not gain much steam in the months ahead. Mr. Greenspan conceded that small businesses continue to lack credit from their usual commercial bank sources, and defense cutbacks, among other things, will continue to be a drag on growth.

"Greenspan and the Fed do have time," said Charles Lieberman, managing director of Chemical Securities Inc.

"There is no inflationary problem today. And there is not likely to be a significant inflationary problem any time in the near future, meaning in the next six or 12 months. Greenspan has the luxury of being able to move slowly on monetary policy."

Mr. Lieberman said he is looking for the Fed to bump up the federal funds rate to 4% by the middle of next year. But he said he doesn't expect any action before Labor Day, because price reports from the government are expected to be positive. By the end, he is calling for yields on the Treasury long bond to be around 7%.

'Lock in Rates Now'

Such rate increases are not expected to have much impact on the economy. Still, the mortgage for homeowners and businesses is to go to the credit markets now because rates will not get any lower.

In fact, rates edged up slightly last week in reaction to Mr. Greenspan's testimony. "Anybody who listened to what Greenspan said would be well-served to look in rates now," said Mr. Lieberman.

One bright spot is the deficit-reduction package moving through Congress. The bond market's belief that the package will pass has contributed to the drop in the long-term rates, as have recent reports from the government showing price pressures were almost nonexistent in May and June.

The Bond Buyer is a sister publication of the *American Banker*.



AP/Wide World

Alan Greenspan
Says rates will have to rise

NEWS ANALYSIS

Greenspan Warns FOMC To Plug Leaks

By CLAUDIA CUMMINS

WASHINGTON — Federal Reserve Chairman Alan Greenspan has warned members of the Federal Open Market Committee against leaking policy decisions to the press.

Mr. Greenspan said that if the leaks don't stop, the Fed will reconsider its policy of waiting six weeks before releasing a summary of the committee's previous meeting.

House Banking Committee Chairman Henry B. Gonzalez made an issue of FOMC leaks to news organizations several weeks ago.

Dangers Cited

Mr. Greenspan wrote to Mr. Gonzalez Wednesday, July 20, saying "unauthorized release of FOMC proceedings through unofficial channels is unfair to the public, is potentially disruptive of the policymaking process, and erodes public confidence in the Federal Reserve."

Rep. Gonzalez released the letter to the press on Monday.

"I have discussed the issues raised by the recent developments with members of the board and Federal Reserve bank presidents," Mr. Greenspan told Mr. Gonzalez.

Mr. Greenspan also said that the Fed believes current policies are "broadly based," and earlier release of monetary policy decisions would reduce the committee's "flexibility and willingness to make needed adjustments in policy or in the directive guiding policy."

Rep. Gonzalez, a frequent critic of the Federal Reserve, has introduced legislation to force the Fed to release a videotape of Federal Open Market Committee meetings 60 days afterward. And recently, as leaks have increased, he has advocated requiring the FOMC to meet on a Friday and release a summary of that meeting on the next Monday.

"Financial markets do not work well when inside information, including detailed analysis, is given to a privileged few," he told Mr. Greenspan in a letter Monday.

In the letter, Rep. Gonzalez also asked the Fed to encourage banks to tell small-business borrowers that their advertised prime lending rates are not necessarily the lowest rates they offer. He called the practice of offering some business customers lower rates than their published prime rates "deceptive."

But in a letter, Mr. Greenspan rebuffed the congressman's suggestion.

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Wheat First Butcher & Singer CAPITAL MARKETS
Foley Mufson Howe & Company
Stifel, Nicolaus & Company Incorporated
July 15, 1993

Highlights for Monday, July 26

TOP 10 GAINERS %

First Amarillo Bancorporation	30.6*
First Eastern Corp.	15.9
Harleysville National Corp.	5.3
Shoreline Financial Corp.	5.3
Constellation Bancorp	5.1
Pacific Western Bancshares	5.1
Mid Am. Inc.	4.6
Citizens Banking Corporation	4.4
Tompkins County Trust Company	4.2
Centura Banks, Inc.	3.9

TOP 10 LOSERS %

City Holding Company	-8.5
USBANCORP, Inc.	-6.1
Hancock Holding Company	-4.2
One Valley Bancorp of WV, Inc.	-4.1
F & M National Corporation	-3.7
Zions Bancorporation	-3.6
Synovus Financial	-3.5
PNC Bank Corp.	-3.0
Trans Financial Bancorp, Inc.	-2.8
WesBanco, Inc.	-2.4

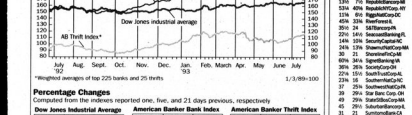
MOST SHARES TRADED

Chase Manhattan Corporation	4524200
Citicorp	2253700
BankAmerica Corporation	948000
PNC Bank Corp.	886400
Norwest Corporation	804700

VOLUME AS % OF AVERAGE

First Amarillo Bancorporation	4744.8
United Counties Bancorporation	1043.7
Bank of Granite Corp.	958.4
CPB Inc.	696.1
United Missouri Bancshares Inc	681.2

Stock Index Trends



Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.59	0.92	2.21	0.83	0.17	2.48	0.63	1.96	7.98

Top 225 Banks

52 Wk. Hi	Name	PE	Mkt Bk.	Chg.	52 Wk. Lo
26¾	19	1stSourceCorp/IN	11.0	149.3	23	—	19
28¾	18¾	1stBancorp/NC	9.4	118.7	149	½	18¾
17¾	8¾	Allied/Bnshs/GA	16.0	268.1	17	—	8¾
35¾	26¾	AmCrossBancorp/IL	13.4	208.4	27	¼	26¾
38¾	30	AssociatedBanc-W/	12.2	176.5	35¾	—	30
35¾	27¾	BB&T Fin'l Corp/NC	12.7	153.1	35¾	-¼	27¾
27½	12	BOK/Financial/OK	12.1	243.9	26	—	12
33	21¼	BT Financial/PA	11.2	138.1	30¾	-¼	21¼
9¾	6	BaltimoreBancorp/MD	8.9	100.2	9¾	—	6
30¾	24¾	BancFirst/OK	9.9	121.7	29¾	—	24¾
62¼	42¼	BancOne/Corp/OH	14.7	235.7	54¾	-¼	42¼
43¾	40¾	BancorpSouth/MS	11.7	139.8	43¾	—	40¾
40¾	27¾	BancorpSouth/MS	11.5	145.3	37½	1	27¾
54¾	41	BankAmerica/Corp/CA	9.4	118.7	48¾	1	41
30¾	26	BankGranite/Corp/NC	17.0	269.5	28¾	1	26
19¾	15	BankNorth/WI	14.4	189.2	14½	—	15
19¾	16	Bankers/Trust/MD	8.3	167.0	19¼	—	16
28 1/2	12¾	BankersTrust/NY	12.7	132.5	26¾	1	12¾
38¾	19¾	BarnettBanks/FL	9.8	110.1	24¾	—	19¾
61¾	38¾	BarnettNY/NY	11.2	146.7	56	¾	38¾
30¾	24¾	BayBanks/MA	16.3	176.4	29¾	—	24¾
57¾	28¾	BayBanks/MA	13.7	132.5	49¾	1	28¾
64¼	49¾	BeaverCtyBcshs/MD	12.1	158.2	61¾	—	49¾
18¾	13¾	BoulevardBanc/IL	25.0	142.0	18¼	—	13¾
31¾	24	BrenhamBancshs/TX	16.2	133.1	25¼	—	24
34¾	34¼	CB&T FinCorp/WV	19.0	NM	34¼	—	34¼
35¾	26¾	CBT Corporation/KY	12.2	146.4	34¾	—	26¾
42¾	31¾	CCB Fin'l/Corp/NC	11.7	146.3	39¼	-¼	31¾
34	27¾	CNB Bancshares/IN	16.8	196.1	33¾	—	27¾
29¾	22¼	CPB Inc./IL	8.9	130.5	26	½	22¼
13¾	7¾	CSB Bancorp/CA	9.1	153.2	12¾	—	7¾
14	9¾	CalFed/Inc/Exch-CA	14.2	102.6	11¾	-¼	9¾
24¾	13¾	CalFirst/Bncshs/CA	10.2	125.3	13¾	—	13¾
39½	23	CentraBanc/Shs/NJ	11.3	177.4	39½	—	23
24¼	19¾	CentralBancorp/OH	11.2	171.6	24¼	—	19¾
34¾	28¾	CentralBancshs/AR	14.6	151.7	31½	—	28¾
24½	16¾	CentralBancshs/KC	11.0	152.0	20¼	¼	16¾
25	16	CentralFinancial/IN	8.6	97.8	20¾	¼	16
44	30¾	ChemicalBanking/NY	8.5	118.2	40¾	—	30¾
24¾	16¾	ChemicalFin'l/Corp	11.6	172.8	44½	—	16¾
22	13¾	ChittendenCorp/VT	12.0	111.2	20¼	—	13¾
24¼	14¾	CitizensFirst/MS	11.8	135.6	22½	—	14¾
26	19¾	CitizensBancorp/MD	14.1	128.6	24¾	-¼	19¾
24	16¾	CitizensBanking/MI	13.0	141.0	24	—	16¾
7¾	3¾	CitizensFirst/MJ	11.2	187.7	6¾	-¼	3¾
30	17¾	CityHolding/Co-WV	14.5	189.8	25¾	-2¼	17¾
11¾	4¾	CityNat/Corp/CA	NM	105.7	6¾	—	4¾
22¾	17¾	CoastFed/Corp/WA	9.3	132.7	21¾	—	17¾
34¾	27¾	Comerica/Inc-MI	11.0	189.3	30¾	¾	27¾
30¾	24¾	CommBancshs/Inc/TX	11.6	137.9	28¾	—	24¾
17¾	11¼	CommercialBcshs/MO	11.4	139.0	15¾	—	11¼
17¾	11¾	CommercialBcshs/WI	11.4	139.0	299	—	11¾
15	11½	CommunityFirst/NE	10.5	144.9	13½	—	11½
28	18	CoreStates/Fin'l	NM	187.0	104	—	18
28	15¾	Continental-IL	4.7	87.9	23¾	¼	15¾
67¼	47¾	CoreStates/Fin'l-PA	11.5	186.2	58	—	47¾
46¾	25¾	CrestarFin'l/Corp-VA	13.3	153.5	41½	—	25¾
40¾	21	CrossKeys-TX	10.5	107.9	35¾	—	21
27¾	20¾	DeposBancshs/Inc-PA	11.7	157.3	23¾	¼	20¾
35¾	20¾	DeposBancshs/MD	10.4	153.9	31	—	20¾
17¾	12¾	F & M Nat'l/Corp-VA	11.3	148.2	14¾	—	12¾
22	17¾	F&MBancorp/MD	10.6	188.2	21¼	—	17¾
18¾	9¾	FNB Corp/PA	18.8	109.1	13¾	-¼	9¾
29	24	FSNB/Bancshs/Inc-FL	11.3	135.3	27¾	—	24
50¾	45	FifthThirdBancorp/OH	17.5	289.7	49¾	—	45
40	31¾	FirstAmBancshs/NM	13.3	220.1	37¾	—	31¾
59¾	33¾	FirstNorNat/NE	13.3	220.1	57¾	-¼	33¾

52 Wk. Hi	Name	PE	Mkt Bk.	Chg.	52 Wk. Lo
36¾	27¾	FirstAlabama/AL	12.2	183.8	33¼	-¼	27¾
25¾	20¾	FirstBancorp/PR	11.5	153.7	25¾	—	20¾
33¼	26¾	FirstAmerCorp/TN	11.5	151.9	33¼	—	26¾
39¾	33¾	FirstBancorp/Inc-ME	12.9	188.4	39¾	—	33¾
33¾	23¾	FirstBankSystem-MN	27.9	179.7	31	¼	23¾
19¾	15¾	FirstBanks/CO	11.7	124.4	18¾	—	15¾
62¾	35¼	FirstCitizens-NC	8.5	133.7	48¼	¼	35¼
18¾	14¾	FirstCommerce/LA	15.4	125.3	18½	—	14¾
40	28¾	FirstCommerce-LA	10.2	190.1	36¼	—	28¾
74¼	49¾	FirstCommerce/NC	10.7	159.2	70¾	—	49¾
34¾	27¾	FirstCommercial-AR	11.4	170.2	33¼	—	27¾
35¾	25¾	FirstCommerce/TN	12.1	157.2	28¾	—	25¾
20	9¾	FirstEastern-PA	NM	148.6	20	2¾	9¾
21¾	12¾	FirstEmpire-NY	11.3	128.7	20¾	—	12¾
51¾	34	FirstFidelity-NJ	11.0	162.9	47¾	—	34
47	37¾	FirstFed/Mich-MI	15.8	207.1	47	—	37¾
56	36¾	FirstFed/Corp-MI	11.7	153.3	56	1½	36¾
28¾	19¾	FirstFinancial/IN	11.3	183.6	28¾	—	19¾
24¾	17¾	FirstFinancial/WI	8.1	102.3	24¾	—	17¾
27½	19¾	FirstMichBcshs/MI	13.3	180.7	27½	—	19¾
24¾	17¾	FirstMichBcshs/MI	16.5	227.7	24¾	—	17¾
22¾	15¾	FirstMidBancorp/CA	12.5	159.8	20¼	—	15¾
23¾	17	FirstMidAm/Inc-IL	14.2	180.7	23¾	—	17
47	33¾	FirstTennessee/TN	11.8	183.6	45¾	—	33¾
30¾	20	FirstTrustCorp/DC	11.8	186.8	30¾	—	20
27½	17	FirstUnited/AR	8.6	138.7	27½	—	17
23¾	17	FirstUnited/TX	14.2	180.7	23¾	—	17
28¼	18¼	FirstUnited/DE&PA	15.0	191.5	27½	—	18¼
30¾	20	FirstVirginia/VA	10.5	171.1	30¾	—	20
27½	16	FirstarCorp/WI	11.2	194.7	33	—	16
34¾	24¾	FirstbankPR/PR	10.5	175.1	30¾	—	24¾
43¾	30¾	FirstofAmerica-MI	10.7	160.1	38	—	30¾
44¾	32¾	FirstWachovia/GA	10.4	154.7	39¾	—	32¾
44¾	32¾	FortWayneNat/Cp-IN	13.4	172.8	40¾	—	32¾
31¾	24¾	FourthFinancial/KS	11.4	180.5	31¾	—	24¾
30¾	24¾	FranklinBancorp/MI	11.4	180.5	27¾	—	24¾
30¾	24¾	FrstMerchants/Cp/IN	11.8	142.9	27½	-¼	24¾
28¾	18¾	FrstMidwestBcshs/IL	12.4	172.0	28¾	—	18¾
28	18¾	FulterFin/Corp-IN	13.7	171.6	23	—	18¾
21¾	17¾	GBC Bancorp/CA	9.7	127.5	20¾	—	17¾
25¾	15¾	GrenadaSunbelt-MS	11.0	144.1	24¾	-¼	15¾
34¾	24¾	HancockHldg/Co-MS	9.8	152.0	34¾	—	24¾
39	32¾	HarleysvilleNat-PA	11.8	191.1	39½	2	32¾
19¾	13¾	HarrisBancorp/IL	15.5	154.2	17¾	—	13¾
18¼	12¾	HartlageFin/Cp-IL	12.8	178.0	18	—	12¾
8¼	4¾	HiberniaCorp/LA	NM	154.9	8¼	—	4¾
24¾	11¾	HuboCo-AR	12.3	207.3	21¼	—	11¾
28¾	18¾	HuntingtonBcshs-OH	10.3	222.7	28¾	—	18¾
15	6¾	ImperialBancorp-CA	11.3	61.2	9¾	—	6¾
30¾	20¾	IndependentBk-MI	35.0	205.2	30¾	—	20¾
49¾	32¾	IntegraFin/Cp-PA	12.5	183.2	49¾	—	32¾
29¾	20¾	IntlBancshs/Cp-TX	10.0	155.0	29¾	—	20¾
42	28	InvestBancorp/LA	12.3	183.2	42	—	28
54¼	27	IrwinFin/Corp-IN	9.3	218.9	44¼	—	27
24¾	17¾	J.P.Morgan-NY	12.0	168.1	24¾	—	17¾
23	13¾	JeffersonBcshs-VA	13.0	171.8	21¼	—	13¾
20¾	16¾	KeyCorp/NY	11.1	193.2	20¾	—	16¾
34¾	24¾	KeystoneFin-PA	12.6	187.2	30	—	24¾
21¾	19¾	LaSalle/Nat-IL	13.9	187.2	21¾	—	19¾
34¾	22¾	LibertyBancorp-OK	8.3	141.6	32	—	22¾
28¾	20¾	LibertyBancorp-SC	14.3	186.7	27	—	20¾
29¾	18¾	MBNACorp-DE	15.4	405.0	27½	—	18¾
14¾	10¾	MNC Financial-MD	10.2	135.4	14¾	—	10¾
19	12¾	MagnaGroup-MO	11.3	116.1	18¼	—	12¾
28	17¾	MarShall&Ilsley-WI	13.8	210.6	28¼	—	17¾
25¾	19¾	MarrinsonBcshs-IN	13.9	186.0	23¾	—	19¾
28¾	18¾	MarrinsonBcshs-WI	13.9	186.0	28¾	—	18¾
18¾	12¾	MercantileBcshs-MO	12.1	146.6	18¾	—	12¾
35¾	27	MercantileBcshs-MD	11.6	147.6	30¾	—	27
62	44¾	MerchantsBancorp-MT	18.9	183.6	55	—	44¾

52 Wk. Hi	Name	PE	Mkt Bk.	Chg.	52 Wk. Lo
		to Ins			
89	72	UnitedCounties-NJ	8.1	124.5	85½	—	72
26	20¾	UnitedMissouri-MO	14.1	132.7	39¼	—	20¾
32½	17	UnitedNatBncs-NJ	12.5	140.9	32	—	17
45¾	34¼	ValleyFarmers-WI	13.1	172.8	42¾	—	34¼
28	18¾	ValleyNatBncs-NJ	12.9	258.2	24¾	-¼	18¾
40¾	29	WachoviaCorp/GA	10.2	158.7	39	—	29
40¾	29	WachoviaCorp/NC	10.2	158.7	39	—	29
120	61¼	WellsFargo-CA	21.7	286.7	113¾	-2¼	61¼
32	21¼	WesBanco-WV	15.2	175.9	30¾	—	21¼
54½	38¾	WestTexSutherland-CO	12.5	166.1	53¾	—	38¾
34¾	28¾	WestAmericaBancorp-CA	10.8	138.1	29¾	—	28¾
33¾	20¾	WesternBancshs-OR	14.5	223.0	33	—	20¾
31¾	23¾	WilmingtonTrust-DE	11.6	146.7	31¾	—	23¾
31	24½	WilmingtonTrust-DE	13.3	273.3	28½	—	24½
27¾	20¾	WintrustFin'l/Corp-IL	11.8	146.7	27¾	—	20¾
49	27	ZionsBancorp-UT	11.0	196.1	39¾	-¼	27

Top 25 Thrifts

52 Wk. Hi	Lo	Name	PE	Mkt Bk.	Chg.	52 Wk. Lo
18¾	12¼	ALSAMO Financial-NY	10.9	85.2	18¾	—	12¼
21¾	15¾	AmericanFed-CA	12.4	138.1	20¾	—	15¾
22¾	6¾	CalFed/Serv/1SB-CA	NM	29.0	11	-¼	6¾
34¾	22¾	CharterFed-GA	10.7	107.2	34¾	—	22¾
18¾	9¼	CoastSavings/Fin-CA	14.4	66.4	13¾	—	9¼
21¾	11¾	CollectiveBcp-NJ	10.9	184.7	21¾	—	11¾
37¾	11¾	CommercialFed-NE	11.3	121.6	25¾	1¼	11¾
35¾	15¾	CraigHt/Fed-IA	11.3	121.6	35¾	—	15¾
22	13¾	DomesSavings-CA	6.7	156.3	22	—	13¾
24	14¾	FedFst/Corp-MI	9.5	166.3	15	—	14¾
34	17¾	FstFedMich/Cp-MI	10.2	74.6	33	—	17¾
25¾	20¾	FstFedSouth/Cp-SC	9.2	143.5	25¾	—	20¾
39¾	13	GreatWestern/Fin-CA	29.0	184.3	17¾	-¼	13
19¾	13¾	HF Financial-SD	11.7	155.2	19¾	—	13¾
11¾	6¾	RightFed/Cal-CA	NM	86.6	6¾	—	6¾
45¾	33¾	RiverFore/-IL	11.9	226.6	37¼	—	33¾
24¾	18¾	SATXcorp-MT	10.3	174.2	24¾	—	18¾
22¾	14¼	SeacoastBanking-FL	11.6	156.1	18¾	—	14¼
22¾	13¾	SecurityCapital-SC	15.3	141.5	13¾	—	13¾
24¾	13¾	ShawmutNatCorp-MA	21.1	158.3	23¾	—	13¾
34¾	25¾	SouthTrustCorp-AL	15.7	198.5	30	—	25¾
60¾	34¾	SignetBanking-VA	11.2	174.6	55¼	—	34¾
28¾	20¾	SocietyCorp-OH	11.3	203.6	33¾	—	20¾
22¾	15¾	SouthTrustCorp-AL	10.8	154.9	19¾	—	15¾
31¾	23¾	SouthwestBcshs-TX	12.2	182.6	22¾	—	23¾
37	25¾	SouthwestCapital-CA	11.2	141.5	33	—	25¾
29¾	20¾	StarFed/Bncshs-MO	11.3	203.6	33¾	—	20¾
29¾	20¾	StarteBcshs/Corp-KS	15.3	249.9	33¾	—	20¾
24¾	17¾	SterlingBancorp-NY	11.2	174.6	24¾	—	17¾
21	13¾	SummitBancorp-NJ	7.4	79.3	20	—	13¾
23¾	15½	SummitBancorp-NJ	16.0	163.0	21¼	—	15½
37¾	31¾	SunTrustBanks-GA	13.6	204.6	37¾	—	31¾
33¾	24	SuncoastSavings-FL	11.8	144.4	32	—	24
31¾	24¾	SunwestFin/Svcs-CA	10.5	208.6	31¾	—	24¾
31	21½	TompkinsCnty/NY	12.2	223.0	31	1¼	21½
13¾	12¾	TransFinancial-KY	12.4	180.6	13¾	—	12¾
41¼	28¾	TrustCo/Bank-NY	15.1	220.1	41	1	28¾
31¾	23¾	UST Corp-MA	11.9	193.5	31¾	—	23¾
50¾	33¾	TrustmarkCorp/MS	11.5	155.0	48	½	33¾
28	21¾	U.S. Bancorp-OR	11.7	165.1	28	—	21¾
59¾	45¾	U.S.Trust-Corp-NY	13.5	252.8	52½	—	45¾
28¾	20¾	UnionBancorp-CA	11.3	203.6	28¾	—	20¾
26	20¾	USBANCORP-PA	7.8	98.6	23¾	-¼	20¾
21¾	15¾	UnitedBancorp-MI	10.2	74.6	21¾	—	15¾
23¾	12¾	UnitedBcshs-CA	9.8	91.3	20¾	—	12¾
29¾	0	UnionPlanters-TN	10.5	146.0	29¾	—	0
23¾	18¾	UnitedCarolina-NC	14.4	154.0	23¾	—	18¾
23¾	18½	UnitedCarolina-NC	10.8	140.6	23¾	—	18½

Stock Standouts

Largest price and volume changes at banks and thrifts during the week ended July 26

LARGEST PRICE GAINERS*	% increase	7/19/93	7/23/93
Downey Sngs & Loan	18.493%	$16¾	$21½
UST Corp.	15.38%	8¼	9½
National Pennsylvania Bancshares	13.235	34	38½
Washington Mutual Svgs Bk	10.394	34¾	38½
Mid-Am Inc.	9.677	20¾	22¾
LARGEST PRICE LOSERS*	**% decrease**	**7/16/93**	**7/23/93**
City National Corp.	9.302	17	15 ⅜
LARGEST CHANGES IN VOLUME†		**Week**	**3,000**
Iowa National Bancshares		3,604	13,000
West One Bancorp		3,245	254,910	827,000
Central Jersey Bancorp		3,239	21,818	71,000
Downey Sngs & Loan		3,073	100,382	308,400
Pacific Bancshares		3,067	111,818	342,900

Table described: From the 250 bank and thrift stocks listed above, the five institutions with the largest price gain; the five with largest price decline, and the five with greatest percentage change in average volume for the previous week's close. Percentage change calculated by dividing last week's close by the previous week's close (*) — The multiple of last week's earnings that investors are willing to pay over the previous 10 months.
Data Source: *Salomon Brothers Inc., New York*

Key Rates•

(July 26, 1993)

	7/26	7/23	7/19	7/27/92
Federal Funds domestic range:	3¼–3⅜	3¼–3⅜	3¼–3⅜	3¾–4
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit‡				
3 Month Posted	2.78	2.78	2.73	3.00
6 Month Posted	3.02	3.02	2.92	3.25
1 Year Posted	3.35	3.35	3.15	3.45
Eurodollar deposits‡				
3 Month	3⅛	3⅛	3⅛	3⅜
6 Month	3⅛	3⅛	3⅛	3⅜
1 Year	3⅜	3⅜	3⅜	3 ⅛
Dealer Commercial Paper‡				
1 Month	3.10	3.16	3.08	3.37
3 Month	3.15	3.22	3.15	3.38
6 Month	3.35	3.39	3.28	3.49

(•) — Late afternoon quotes, New York market. (‡) — Highest offering rates (annual % yield) at selected NYC money center banks. (¶) — Late London bid. (**) — AA rating or the equivalent.

Yankee Bonds Stage a Rally

	Yield	Maturity	Spread over Treasuries (in basis points)	
	Mon., July 26		Jan. 30	July 26
Westpac Banking	7.875%	'02	190	97
Natwest Capital	9.45	'01	110	60
SE Banken	8.45	'02	155	113
Svenska Handelsbanken	8.35	'04	150	108

Source: First Boston Corp.

BONDS

Foreign Banks' Issues Driven by Upturn Abroad

By DAVID SIEGEL

Foreign bank bonds have rallied sharply in the U.S. market this year, fueled by the improving economic outlook abroad.

Among the winners: Debt issued by banks from Britain, Scandinavia, Australia, and Italy. And some analysts say these bonds are more attractive than U.S. bank bonds.

Foreign bank bonds still carry higher yields than those of comparably rated U.S. banks. But since the start of the year, the premium that investors require for foreign bonds – as measured by the amount that the yield exceeds U.S. Treasury securities – has fallen dramatically.

Improving Economies

Natwest Capital Corp.'s subordinated debt is trading at 60 basis points higher than Treasuries, down from 110 basis points on Jan. 12, according to First Boston Corp.

The nine-year subordinated debt of Australia-based Westpac Banking Corp. has a spread of 97 basis points over Treasuries, down from 190 basis points in mid-January.

Subordinated debt of the Swedish bank Skandinaviska Enskilda Banken is trading at 113 basis points over Treasuries, versus 155 basis points in mid-January.

Some British and Australian bank bonds have rallied because of their improving home economies, which have helped bank asset quality, said John Paulsen, a bond analyst with Kidder Peabody & Co.

Scandinavian bank bond spreads have tightened as the region's economies appear to be stabilizing and as the Swedish and Finnish governments have promised to support their country's banks, said Joseph Taylor, an analyst with Merrill Lynch.

The bullish trading in the secondary market means foreign banks can issue additional debt more cheaply.

Some analysts are recommending that investors swap out of American bank bonds and into some British, Swedish, or Australian banks because the foreign issues have higher yields with comparable or higher credit ratings.

Allerton Smith of First Boston recommends purchasing Westpac's subordinated debt, which is rated A3 by Moody's Investors Service and A by Standard & Poor's, and is offered at a 97-basis-point spread. This is more attractive than the tight 83-basis-point spread for BankAmerica Corp.'s subordinated debt, which is lower rated, at A3 from Moody's and A minus from Standard & Poor's, he said.

Svenska Handelsbanken's subordinated debt of 2004 is being offered at 108 basis points over Treasuries, which is a much higher yield than for BankAmerica, while the Swedish bank carries slightly lower credit ratings of A3 from Moody's and BBB-plus from Standard & Poor's, said Mr. Smith. □

THE MARKETS

Yields on Government Bonds Dip

Government bond yields fell slightly in slow trading on Monday. Traders were focused on this week's auctions of two-year and five-year notes, which starts with today's $16 billion auction of the two-year.

An $11 billion auction of five-year notes will follow on Wednesday.

Matthew Alexy, senior market strategist with First Boston Corp., attributed Monday's rise in bond prices to investors covering short positions. "There is no real information driving any of this stuff," he said.

The two-year note was yielding 4.18%, down from 4.19% on Friday. The five-year note yield was 5.23% late Monday, down from 5.24% on Friday, the 10-year note yield was 5.91%, down from 5.92%. The 30-year bond yield closed Monday at 6.68%, down from 6.69%.

T-Bills at 3.10%

The average discount rate for three-month Treasury bills at Monday's auction was 3.10%, and for six-month bills it was 3.24%. These were the highest rates since the June 7 auction.

Stocks rose strongly, with the Dow Jones industrial average gaining 21 points to close at a record 3,568.

— David Siegel

STOCKS

Takeover Speculation Adds Pizazz To Bank Shares After Spring Selloff

By RICHARD LAYNE

Nothing gets the attention of investors like mergers and the prospect of more mergers.

The latest example is Boatmen's Bancshares Inc.'s agreement to acquire First Amarillo Bancorp. in a stock swap valued at about $175 million.

The deal was announced late Friday afternoon, and on Monday, the stocks of other takeover candidates were in the spotlight once again. First Amarillo's shares themselves jumped $6.125, to $26.125, a 30% gain.

Investors Bid Up Integra

In midday trading, shares of Integra Financial Corp., Pittsburgh, were up $1.625, to $48.375. With neighbors like Mellon Bank Corp. and PNC Bank Corp., Integra isn't considered a long-term survivor by many money managers and analysts.

Shares of Constellation Bancorp., Elizabeth, N.J., were up, too, in early afternoon trading before backing off slightly on very high volume. The shares closed up 25 cents, to $10.25. New Jersey is considered a fertile hunting ground for both New York and Pennsylvania banks.

UJB Financial Corp., another New Jersey bank, also drew some interest Monday. UJB, Princeton, has long been the subject of takeover rumors, although it has never publicly acknowledged receiving an offer. Its shares rose 37 cents, to $26.625.

The stocks of many takeover candidates were in the spotlight Monday.

Money managers said the reaction to the merger news was muted at other takeover candidates. But that's probably because investors are still digesting earning announcements, not because of a lack of interest.

Devoted to Takeovers

"Investors are doing their homework, trying to figure out which banks are like to be taken over within the next 12 months," said Sam A. Marchese, investment manager at SIFE Trust Fund, Walnut Creek, Calif.

Throughout the prolonged selloff in bank stocks last quarter, money managers and analysts said they prayed for merger news to bring buyers back to the sector.

Investors like mergers for two main reasons.

First, if they guess right and buy shares in a bank that gets a takeover offer, the payoff can be sizable.

Second, mergers are seen as good for the industry. They reduce price competition in markets and give an acquiring bank a revenue stream at a time when in merger talks with a "larger" financial institution. The day of that announcement, its share price jumped $3, or 12%, to $28.

Then there's Commercial Federal, Omaha, Neb. Shares of the thrift, which has $4.8 billion in assets, have been rising since mid-June when its biggest shareholders announced plans to have investors vote on whether the bank should solicit takeover offers. The share price went as high as $27.75 before retreating. The stock closed Monday at $25.375, up $1.125.

Rising on Rumors

	1-day gain	Monday's close
Integra Financial Corp.	$1.625	$48.375
Constellation Bank Corp.	12.5	10.25
UJB Financial	37.5	26.625

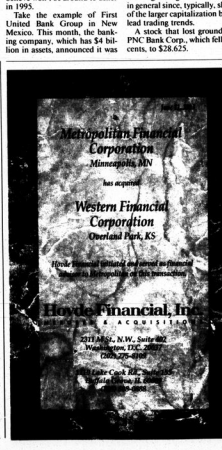
Potential takeover stocks returned to the spotlight.

revenue growth is a major concern among bankers and investors.

Speculation on 2 Banks

Just the possibility of a merger is enough to get investors to bid up the share prices of banks they believe won't be around to usher in 1995.

Take the example of First United Bank Group in New Mexico. This month, the banking company, which has $4 billion in assets, announced it was



MONDAY'S MARKET

Bank stocks were mostly up, as the Dow Jones industrial average rose 20.96 points, to 3,567.70.

Two of the biggest gains came from banks that have demonstrated revenue gains from trading. J.P. Morgan & Co.'s shares rose $1.25, to $70.50. Shares of Bankers Trust New York Co. jumped 75 cents, to $76.25.

BankAmerica Corp.'s shares rose $1, to $44.875.

Analysts said that those gains were a good sign for bank stocks in general since, typically, shares of the larger capitalization banks lead trading trends.

A stock that lost ground was PNC Bank Corp., which fell 87.5 cents, to $28.625. □

AMERICAN BANKER
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Industry Forced Study on Role For Fed Wire

By CLAUDIA CUMMINS

Wanted: a long-term vision for Fed Wire.

That's what the Federal Reserve hopes to glean from a study begun earlier this month on the operation of the electronic funds transfer system that moves about $1 trillion daily.

The review comes in response to industry sentiment that the central bank has been tinkering with Fed Wire without having a broader plan for how it wants the payment system to evolve.

The latest manifestation of this concern came after the Fed proposed extending Fed Wire's operating hours, opening at 6:30 a.m. instead of 8:30, to meet the needs of Chicago futures exchanges. Those markets already open early to service their global clientele.

The extended hours for Fed Wire would reduce risk to the system if a futures broker failed and its account could be settled, Fed officials said.

This seemingly simple move generated a storm of protest from the industry. Many bankers told the Fed that the risk-reduction benefits of the expanded hours would be too small to justify the added staffing costs. What's more, they said, the proposal was difficult to analyze, given that the Fed has never clearly articulated its long-term plans for the system.

Setting Strategy

"We think that there should be a plan or direction developed if the Fed Wire is to expand its hours," said George M. Hoffman, first vice president of the public National Bank of New York, in a letter to the Fed.

"Studies should be conducted to determine how expanded hours will benefit the risk market and encourage participants to change their payment and settlement habits," he added.

In response to the complaints, the Fed soon earlier this month to postpone plans to extend Fed Wire's operating hours. Fed officials said they will focus for now on action on that plan until they completed a comprehensive study of Fed Wire and the implications of expanding its hours.

Committee of Bureaucrats

The industry asked for a joint agency-industry task force to develop a long-term strategy. While Fed officials say they want to include private-sector input, the committee devising

See OFFICIALS page 3

INSIDE NEWS

REGIONAL BANKING



HUGH McCOLL, chairman and CEO of NationsBank Corp., joined the National Urban League in unveiling a plan to allow people to appeal rejected loan applications.

NEWS ANALYSIS

WASHINGTON

REPUBLICANS warned a House leadership panel that only a few GOP lawmakers will support funding for failed savings and loans, and urged support for amendments aimed at trimming the price tag of the legislation. *Page 2*

MORTGAGES

NORWEST MORTGAGE executives knew things were bad when they heard that a damage-assessment team had paddled a boat through a window of their downtown Des Moines headquarters. But the company has kept on lending. *Page 15*

INVESTMENT PRODUCTS

JANUS CAPITAL CORP., a superstar among no-load mutual fund companies, is now fueling growth with variable annuities. *Page 10*

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LATE NEWS

Norwest Strikes Deal

Norwest Corp. has agreed to buy First United Bank Group Inc. in a stock swap valued at $495 million. The deal will expand Minneapolis-based Norwest's 13-state bank network into New Mexico and Texas. First United, based in Albuquerque, has $3.8 billion of assets, including pending acquisitions.

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U.S. Panel: Scrap S&Ls, Cut Insurance

By ROBYN MEREDITH

WASHINGTON — A congressionally appointed commission recommended Tuesday that the savings and loan industry be eliminated and federal deposit insurance be limited to narrow banks to avoid another crisis like the S&L debacle.

"Fundamental reform of the deposit insurance system is central to avoiding future disasters of the sort that we were asked to examine," said John W. Snow, co-chairman of the commission and chairman and chief executive officer of CSX Corp., the international transportation company.

'Monetary Service Companies'

The National Commission on Financial Institution Reform, Recovery, and Enforcement recommended that institutions be allowed to offer federally insured deposit accounts only through separately capitalized "monetary service companies," which would be allowed to invest only in low-risk, short-term debt.

Mr. Snow said that under the proposal, there would be "no need to limit the amount of funds one could put into an insured account." The monetary service companies could be affiliates of noninsured banks or other financial institutions, which would be allowed to keep their traditional lending and other activities.

Insuring only the monetary

See IN REPORT page 18

PNC to Buy 1st Eastern In $330 Million Deal

By STEVE KLINKERMAN

PNC Bank Corp. on Tuesday agreed to buy troubled First Eastern Corp. in a stock deal valued at $330 million.

The nation's 11th-largest bank company separately announced that it would sell $130 million of problem real estate assets to a partnership organized by Goldman, Sachs & Co. PNC said the transaction would not affect its bottom line.

Wall Street reacted positively to the announcements, despite the fact that PNC is paying a hefty two times book value for First Eastern. PNC's share price rose 87.5 cents, to $29.50, in late trading Tuesday. In over-the-counter trading, First Eastern's stock soared $5 a share, to $25.

Large 1991-92 Losses

First Eastern eked out $1.1 million of profits in the first half of the year, rebounding from back-to-back losses in 1991 and 1992 that totaled $63.6 million. The Wilkes-Barre, Pa., company's lead bank continues to operate under a formal agreement with the Office of the Comptroller of the Currency.

But Thomas H. O'Brien, PNC's chairman and chief executive, said First Eastern should boost earnings per share almost immediately. The deal is expected to close in 1994's first half.

Mr. O'Brien cited market share gains, "rapidly improving" credit quality, and potential for cost savings to explain his company's strong bid.

First Eastern controls $2.1 billion of assets and 51 branches in the Scranton-Wilkes-Barre area. The deal will let Pittsburgh-based PNC boost market share in the anthracite coal region of northeastern Pennsylvania to about one-third of deposits.

PNC said it was uncertain whether First Eastern's top officer, Frederick A. Deal, would stay after the merger. The executive was recruited last August to turn around First Eastern. Since becoming president and chief executive, he has sold loan assets and a securities subsidiary, cut 150 jobs, and completed a secondary stock offering.

In discussions with analysts, PNC projected annual savings from the merger of about $33 million, or roughly one-third of First Eastern's annual noninter-

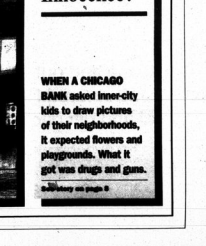
See PNC page 6

The Partners At a Glance

	PNC	First Eastern
Headquarters	Pittsburgh	Wilkes-Barre, Pa.
Assets	$58.3 billion	$2.1 billion
Branches	565	51
Earnings*	$336.8 million	$1.2 million
ROA*	1.39%	0.10%
Deal value	$330 million, equal to twice First Eastern's book value	

*First half of 1993





The Age of Innocence?

WHEN A CHICAGO BANK asked inner-city kids to draw pictures of their neighborhoods, it expected flowers and playgrounds. What it got was drugs and guns.

Full story on page 8

GRAPEVINE

Norwest Pounces

Norwest Corp. is about to snap up a trio of family owned banks in Denver, according to industry sources.

The Minneapolis-based banking company is paying two times book value for the $230 million of assets owned by First National Bank of Southeast Denver, First National Bank of Arapahoe County, and First National Bank of Lakewood, according to sources.

The deal would bring Norwest's assets in Colorado to about $6 billion.

"It's a seller's market," said one source, who added that Norwest came back three times before having its bid accepted. "I don't know how they can justify these prices."

The banks are owned by Denver's Leprino family, which owns a wholesale food products company and an upscale residential development.

Spokesmen for the Leprinos and for Norwest declined to comment. — **Keith DuBay**

* * *

Citi's Card Scar

Citicorp gives every sign of running on all its cylinders these days, but that old standby – credit cards – is slowing down.

The company's senior financial officer said competition in the credit card market is taking its toll on the bottom line.


Thomas E. Jones

During the first six months of the year, the nation's biggest bank saw revenues from fees and commissions fall $98 million, or 4%, compared with the same period last year. The reason is "obvious," said executive vice president Thomas E. Jones said last week. "There are more no-fee credit cards around."

Citibank, the country's largest issuer of MasterCard and Visa cards, has begun promoting some no-fee cards and is once again increasing its advertising and marketing budgets.

As Mr. Jones told analysts last week, Citi can accept some revenue loss "to protect [its] market share and franchise."

— **Yvette D. Kantrow**

* * *

Invisible Proposal

Banks are still waiting for the government to find a way to incorporate interest rate risk into its capital requirements. The delay appears to stem from a behind-the-scenes battle over how heavy-handed regulators should be on the issue.

Under the FDIC Improvement Act of 1991, banking regulators were required to design, by June 19, 1993, capital rules to protect banks from fluctuating interest rates. But the regulators have yet to take the first step of publishing their proposals for public comment.

The Federal Reserve Board and the Federal Deposit Insurance Corp. floated their ideas on the topic earlier this year. But OCC officials say they are being delayed by bureaucratic red tape. The agency has to clear proposed rules with the Treasury Department and the Office of Management and Budget. But others say there's more to the delay than that.

Rick Carnell, the Treasury's assistant secretary for financial institutions policy, helped draft the '91 law when he worked as a Senate Banking Committee staffer.

He is said to be taking a hard line – wanting regulators to require an automatic capital boost for banks with big rate risk. Mr. Carnell did not return phone calls seeking comment.

While the Fed thinks banks should take the capital hit, the FDIC and OCC want to give examiners more discretion in deciding when the capital boost will kick in.

If the Treasury doesn't publish a proposal in two to three weeks, sources said, the Fed and FDIC may go ahead without the OCC. That is likely to persuade Treasury to let the proposal go.

— **Barbara A. Rehm**

Correction

An article in the Community Banking section on Monday failed to identify the expert quoted as saying "quite a few banks" are holding fixed-rate mortgages to maturity. He is Reid Nagle, president of SNL Securities, Charlottesville, Va.

Send your tips to American Banker *Grapevine, One State Street Plaza, N.Y., N.Y. 10004. Or call 212-943-2932.*

Republicans Demanding Cuts In Proposed Funding for RTC

By ROBERT M. GARSON

WASHINGTON — Republicans warned a House leadership panel that only a few GOP lawmakers will support funding for failed savings and loans, and urged support for amendments aimed at trimming the price tag of the legislation.

"You have 276 Democrats, and you're going to lose 70 of them," said Rep. Gerald Solomon, R-N.Y., during a hearing before the House Rules Committee. "You need Republicans."

The rules committee, an arm of the House leadership, took up the Clinton administration's $34 billion funding package Tuesday with the expectation that the measure could be cleared for floor action today.

Delay in Vote Expected

Even Tuesday, however, the leadership was reported to be nervous about the prospects for the bill, and some congressional sources said a floor vote would probably be delayed.

Tuesday afternoon, key members of the House Banking Committee held talks on controversial parts of the bill, including the size of the Resolution Trust Corp. and Savings Association Insurance Fund appropriations and minority contracting provisions.

Vote counts show about 190 Democrats supporting the measure, 28 short of a majority.

And Rep. Solomon, a member of the Rules Committee, said Tuesday that unless the House approves a Republican-sponsored amendment eliminating funding for the SAIF, no more than six Republicans will vote for the package.

Democrats responded that Congress has no choice but to pass the funding package.

"It's the only fiscally responsible thing to do," said Rep. Stephen L. Neal, D-N.C., chairman of the House subcommittee that considered the measure first.

More Modest Funding Proposed

"Depositors have a claim on the federal government and they are going to get their money one way or the other," he said.


Rep. Sam Johnson
Would slash plans

"This provides an orderly mechanism."

Several Republican-backed amendments appeared likely to be approved for floor consideration. One, sponsored by Rep. Sam Johnson of Texas, would scale back funding for the RTC to $11.9 billion, down from the $18.3 billion approved by the House Banking Committee.

A second amendment, sponsored by Rep. Bill McCollum, R-Fla., and Rep. Jan Meyers, R-Kan., would scale back minority contracting requirements for the RTC.

A third, offered by Rep. Spencer Bachus, R-Ala., would limit pay for RTC employees to the levels established for other federal employees.

A major question mark is the fate of an amendment sponsored by Rep. Richard Baker, R-La., and Rep. Richard Dreier, R-Calif., that would remove all funding for the SAIF, but give the RTC an additional year to deal with failed institutions.

With SAIF funding removed, the bill could be more attractive to many Republicans. However, a number of liberal Democrats and minority lawmakers might abandon the bill if minority contracting provisions are scaled back, as the Baker-Dreier provision would also do.

Still, a number of Republicans present said they would vote against the bill no matter how it is amended. □

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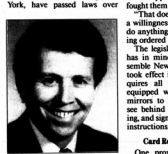
Correction

Banks in Chicago are again negotiating with city officials over automated teller machine security, hoping to avoid passage of stringent laws similar to ones New York City enacted last year.

But in Westchester County, N.Y., legislation mandating a minimum ATM safety measures designed to thwart crime appears inevitable, officials said.

Several cities, including New York, have passed laws over


Stephen Cole
Negotiating with lawmakers

bankers' objections that require financial institutions to install video cameras, rearview mirrors, and other security equipment at all ATMs.

Chicago banks have successfully avoided such legislation by meeting with local lawmakers and agreeing to adopt some basic safety measures, such as improved lighting at ATM sites.

The banks organized and lobbied by the Cash Station ATM network, hope that a round of meetings begun earlier this month will continue to make legislation unnecessary.

Legislation Looms

But while bankers in Westchester County are planning similar meetings with their local politicians, it now seems less likely that ATM security legislation in the county, which is just outside New York City, can be avoided.

According to Andrew A. Albanese, the majority leader of the Westchester County legislature, the county government is likely to introduce ATM legislation similar to the Big Apple's by the end of the year.

"We would like to give banks the opportunity to do this on a voluntary basis," he said.

"But if the New York [City] legislation is any indication, banks aren't going to do anything unless they are forced to."

Mr. Albanese said the impetus for the legislation is a recent rash of robberies in the towns bordering New York City.

He said that police and bank statistics indicate that the number of robberies of ATM customers is higher closer to the city.

In spite of that, Mr. Albanese, who is chairman of a safety committee that will oversee hearings on the new legislation, said he feels an ATM security law for the entire county is both necessary and likely to be passed.

Reluctance by Banks Seen

"I talked to New York City [council members] on this, and it was apparent that the banks fought them every step," he said.

"That does not indicate to me a willingness on banks' parts to do anything on their own, unless ordered to."

The legislator Mr. Albanese has in mind would closely resemble New York City's, which took effect in February and requires all ATM sites to be equipped with video cameras, mirrors to allow customers to see behind them, proper lighting, and signs giving ATM safety instructions.

Card Reader Provision

One provision in the New York City law would require improvements to the card readers that regulate entry to the ATM site is still being debated.

Originally, the provision required that the card readers take personal identification numbers before allowing a ATM users to enter a site.

But bankers and legislators are still studying whether that is technically feasible.

Mr. Albanese said it is unclear whether a card reader provision will be included in the bill he plans to introduce.

Bankers want to avoid strict security laws like the one New York adopted.

Meanwhile, in Chicago, the banks have contacted the City Council about revisiting the issue of ATM security and perhaps updating the measures that most banks currently employ.

"The key is that we aren't waiting for a problem to develop before we convene," said Stephen Cole, president of the Cash Station, which initiated the talks between its bank members and local officials.

Despite the fact that Chicago banks are not required to adhere to a minimum security standard, many banks have installed cameras and other safety equipment.

The number of reported ATM robberies in Chicago dropped from 57 in 1992 to 17 in 1993, said Mr. Cole, citing police statistics. □

TECHNOLOGY/OPERATIONS

Bankers in Chicago Keep Negotiating To Avert ATM Laws

By MATT BARTHEL

Officials Studying Fed Wire to Determine Its Role in Payment System of the Future

Continued from *page 1*

the strategy will be limited to Fed officials.

Bruce J. Summers, senior vice president at the Richmond Fed, will head the "Fed Wire hours working group," which will conduct the study. The 12 members come from the New York, Chicago, San Francisco, and Richmond districts, as well as the Washington board.

NEWS ANALYSIS

Representatives of the Fed's operations, monetary policy, legal, and discount and payment systems staffs will participate.

The group hopes to complete the study by yearend, an ambitious timetable, many industry officials said.

The effort aims to get a better handle on how Fed Wire fits into the broader architecture of interbank settlement arrangements, such as bilateral foreign exchange dealing and private-sector payment systems like the Chips network, run by the New York Clearing House Association.

The group will also study how and why various financial markets use Fed Wire, and how this use changes during systemwide financial shocks.

"To me, it's almost a study of the interaction of the markets," Mr. Summers said. "The focal point will be asking questions that enhance our knowledge of the role of final settlement in these particular markets."

Not an Easy Task

An important part of this effort will be better understanding the tradeoffs implicit in extending Fed Wire's day. One benefit to futures exchanges of greater certainty in final settlement must be weighed against the costs of changing bank operations to adapt to the new hours.

This sounds like a fairly straightforward issue, but given the broad reach of Fed Wire and the complexity of the payments system, understanding the market interactions and their impact on Fed Wire will not be easy, Mr. Summers said.

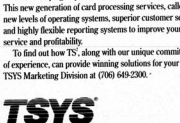
And Fed officials aren't likely to find a consensus among Fed Wire users.

Industry officials point out the myriad players – from small banks to large banks to clearinghouses to the exchanges – that have vested and often conflicting interests in the evolution of electronic funds transfer.

Fed officials say that until the study is completed, the board will not set a timetable for extending Fed Wire hours.

But Fed Governor Wayne D. Angell made his intentions known at a recent board meeting. "There's no backing away from our long-run plans to move in the 24-hour direction." □

It Takes Commitment to be a Winner



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Comment

By Paul S. Nadler

Banks Can't Play Santa Claus To Would-Be Entrepreneurs

A BANK NEEDS *to have 50 good loans for each one that goes bad, just to break even. What's the track record of new ventures? It's more like one in 50 than 49 in 50.*



It was a typical business meeting held by a bank.

The CEO had reviewed the bank's performance, then introduced me, after which I gave my usual 45 minutes – mixing my views on the economy with the tired jokes that have supported me through the years.

Then came what is always the most fun to me: the question period. Here I can show that I have not just memorized a talk (and, yes, the jokes).

A Touchy Point

But this time, the first question hit a hot button with me, and I gave it to the questioner with both barrels – but I hope tactfully enough so that he didn't pull his account from Schmidlapp National.

"What's happening to our country?" he asked.

"I have a new venture that I want financed. I walk into the bank, and despite their reputation for service, they don't give me the time of day. Instead, they wave me out of their bank and over to the venture capitalist.

"I go to him, and he wants half the company for putting any equity into it. How can we get new ventures financed to help the economy grow with a financial structure like this?" he complained.

No Tears

I showed him no sympathy.

"Look," I said, (or more likely I shouted), "you want the bank to finance your venture and take all the risk if it fails. Look at it from the banker's point of view.

"If the venture succeeds, the bank gets back its principal and maybe 2 or at most 3 percent above the prime rate in interest. If the venture fails, the bank loses everything it has placed into the project. Those are not very good odds.

"This bank is a beautiful earner, I explained, generating almost 2 percent on assets, which is about double what most banks earn today.

"But even with this record, the bank needs to have 50 good loans for each one that goes bad to just break even. What's the track record of new ventures succeeding? It's more like one in 50 than 49 in 50.

Ticket to the Poorhouse

"So if this bank were to finance new ventures like yours, we would undoubtedly be having a cash bar and no food in-

TOO MANY *think banks should be all things to all people.*

stead of a hosted reception tonight – if the bank were lucky enough to still be alive.

"What about the venture capitalist? He wants half of the project for providing finance.

"Should he get this?

"After all he is taking the risk of losing everything he invests. Shouldn't he get his share of the gain if the project succeeds?

"Does he demand too great a share? Probably," I said. "But there are two factors in defense of his position.

"First, you are running the venture, taking a salary from it, and determining by your actions whether the venture succeeds or fails.

"The lender is taking a passive risk or loss, a risk he can do nothing to prevent once his money is in the hopper. Why shouldn't he be paid for this?

"Second, look at supply and demand. The number of potential entrepreneurs ready, willing and able to spend someone else's money vastly exceeds the number of venture capitalists ready to put up the money for these ventures. So why not set a price for money that reflects this?" I concluded.

This particular encounter had a happy ending. The questioner was satisfied, feeling he now understood a little better what a bank's function is and isn't.

Too Much Asked of Banks

And several officers of the bank came up to me during the reception to thank me for stating their case in terms that they could not use since they did not have the position of tenured professor that I have.

But on reflection it seems to me that the banking industry has a big job ahead of it in explaining what a bank is and does and what it is not. Today everyone feels the bank should be all things to all people – providing banking service at low or no cost, rebuilding the community, and at the same time providing would-be entrepreneurs with a full wallet of borrowed funds.

Yet much of the money that these same people have available to deposit goes into thrift institutions, brokerage firms, and money funds.

For example, it is only now that politicians are first considering making Community Reinvestment Act provisions apply to nonbank lenders, like brokerage firms and finance companies.

Sure, banks have special responsibilities. They have to pay in some way for their deposit insurance and for the government capital limits on entry that prevent cutthroat competition.

But this does not mean that the banker has to give away the shop by financing ventures proposed by people who follow the philosophy "Heads I win, tails you lose."

The more banks do to get this point across, the better off the industry will be in the eyes of the public and its lawmakers. □

Mr. Nadler is a contributing editor of American Banker and professor of finance at the Rutgers University Graduate School of Management.

Letters to the Editor

Lawyers Can Be Directors, but Not if They Act as Counsel

To the Editor:

I was fascinated to read Paul Nadler's column, responding to Richard B. Foster Jr., concerning whether attorneys should serve on bank boards ["Lawyers as Directors: Maybe a Good Idea After All," July 12, page 9]. One gets the impression that lawyers are viewed as some sort of social pariah.

I believe Mr. Nadler and Mr. Foster miss the basic problem with lawyers' serving on bank boards. Lawyers should not be on the boards of banks they also serve as counsel.

Question of Objectivity

In the interest of full disclosure, I must admit – I are one. Therefore, anything said here could be considered biased, but I don't think so.

Lawyers bring expertise to bank and thrift boards no differently than accountants, druggists, housewives, farmers, executives, etc. There are so many legal ramifications of banks' and thrifts' business decisions that a lawyer is appropriate for a bank board.

A bank can run into a problem when decisions have been made by directors, when legal counsel is asked later to render an objective opinion on the legality or illegality, prudence or imprudence, care or lack of care of those decisions. If the bank counsel is also a director, then he is criticizing his previous conduct.

'Two Heads Are Better'

Needless to say, this can raise significant conflicts of interest between attorneys serving as directors and attorneys serving as attorneys.

An obvious solution is to recruit attorneys for bank or thrift boards who will be excellent in the role. Then, hire separate bank counsel to serve as either in-house or outside counsel to the board.

As P.T. Barnum might have said about his freak show, "Two heads are better than one." The outside, objective, disinterested legal counsel and the attorney on the board can act in concert rather than in conflict.

In essence, the issue is not whether attorneys should be on the board or serve simply as counsel, but whether the attorney can act in a nonconflict situation as both director and legal counsel at the same time.

A workable compromise might be to allow attorneys to be directors, and at the same time let legal counsel be attorneys and not directors.

Douglas V. Austin
President and chief executive Austin Financial Services Inc.
Toledo, Ohio

Reader Forum

Please direct letters to Jeffrey Kutler, assistant managing editor, *American Banker*, One State Street Plaza, New York, N.Y. 10004.

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Comment

By John J. Jerome

Bankruptcy Cases Move Faster than Ever



Proposed bankruptcy legislation now in Congress, which includes parts designed to expedite bankruptcy cases, is motivated by the presence of special interest proposals that would impinge on the efficacy of the 1978 reforms.

A review of the past 15 years of proceedings under the Bankruptcy Reform Act of 1978, against the background of its predecessor statute, Chapter 10 of the Bankruptcy Act of 1898, shows how far we have come in expediting bankruptcy proceedings.

Before 1978, Chapter 10 required that the assets of a financially distressed business be turned over to an "outside trustee." The debtor in possession, a feature of the Bankruptcy Reform Act of 1978, has shortened, not lengthened, the duration of bankruptcy cases.

Under the current system, Chapter 11 proceedings in major cases are concluded in two to three years, on average. This is in contrast to the seven to 10 years or longer under the old Chapter 10 system. Leland Cases, for example, lasted 41 years).

In enacting the Bankruptcy Reform Act of 1978, Congress was critical of the fact that the old Chapter 10 and its "outside" trustee system not only prolonged bankruptcy proceedings unduly, but resulted in liquidations costing jobs and capital and, in many cases, wiping out creditors altogether.

In introducing the current bankruptcy system in 1978, Rep. Don Edwards, D-Calif., said the new Chapter 11 system would "protect the investing public, protect jobs, and help some troubled businesses." He added at the time that one "cannot overemphasize the advantages of speed and simplicity to both creditors and debtors."

Streamlining Proceedings

The Chapter 10 system was extremely cumbersome and was replaced by the current Chapter 11 system in order to streamline and expedite bankruptcy proceedings.

While eliminating the outside trustee and installing the debtor in possession, creditors participating in the 1978 reform processes, mindful of the mischief that could be wrought by continuing management in possession, insisted on certain safeguards.

First of these was a provision for the removal of management for dishonesty or incompetence and replacing it with a court appointed trustee.

Second, the debtor was required to file a plan within 120 days unless that time was extended by the court for "cause."

Third, provision was made for the conversion of a Chapter 11 reorganization case to Chapter 7 liquidation case if the debtor or could not properly reorganize.

Fourth, the Securities and Exchange Commission insisted upon a provision for the automatic appointment of an official "examiner" in large public cases to foster the public interest.

Protections that Work

Finally, recent court decisions make it clear that the "adequate protection" to which secured creditors are entitled in Chapter 11 includes protection against undue delay in completing a Chapter 11 case.

By and large, the 1978 reforms have worked in large cases – though with some notable exceptions. They have greatly accelerated the emergence from bankruptcy proceedings of corporate debtors and maximized value for the benefit of creditors, shareholders, and employees.

This expedited process, as distinguished from the old process in which corporate debtors languished for years and lost values, encouraged more debtors in distress to seek the protection of the new Chapter 11.

While it is true that courts may extend the time in which a debtor is required to file a plan many times during the course of a proceeding, the "cause" for such extensions lies usually in the complexity of the large cases.

This is not to say, of course, that there is not room for improvement and that abuses of the system have not occurred.

Unfortunately, the legislative proposals now pending before Congress also include special interest legislation that would significantly restrict the relief traditionally offered to distressed corporate debtors. Indeed, the current hype for "reform" is driven by special interests.

The proposed "reform" legislation will, on balance, do more harm to the system than good and will result in more liquidations than rehabilitations. □

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Jerome is chairman of the City Bar Association Committee on Corporate Reorganization and Bankruptcy and is the head of the bankruptcy and reorganization group at Milbank, Tweed, Hadley & McCloy, New York.

NEWS *briefs*

Meridian Cleared to Acquire Commonwealth

WASHINGTON — The Federal Reserve Board has approved the application of Meridian Bancorp of Reading, Pa., to acquire Commonwealth Bancshares of Williamsport, Pa.

The deal will make Meridian the fifth-largest bank in Pennsylvania, controlling $10.6 billion in deposits. As part of the acquisition, the company will merge its Reading-based Meridian Bank with Commonwealth Bank, and add several branches.

The Fed also approved Meridian's applications to acquire Phoenix-based Susquehanna Life Insurance Co.

Separately, the Fed approved an application by Continental Bank Corp. of Chicago to engage through a subsidiary in asset management, servicing, and collection activities.

Continental is the second-largest bank in Illinois, with assets of $22 billion. Its subsidiary would provide asset management services to the Resolution Trust Corp. and the Federal Deposit Insurance Corp.

It also would offer these services to third-party investors that buy pools of assets assembled by the RTC or the FDIC from troubled financial institutions.

Unionfed Says Loss Widened in Fiscal '93

BREA, Calif. — Unionfed Financial Corp., the parent of Union Federal Bank, announced on Tuesday a loss of $11.4 million, or $1.53 a share, for its fourth fiscal quarter, which ended June 30.

For the entire year, the thrift company lost $32.1 million, against a loss of $22.1 million for all of fiscal 1992.

The Southern California thrift attributed most of the loss to a loan provision and costs from real estate operations of $13 million, versus $6.5 million in the corresponding 1992 quarter.

Union Federal, which has $1.2 billion of assets, said it is taking the hits as part of an "aggressive reduction" of nonperforming assets through the sale of problem real estate and the restructuring of some problem loans.

The thrift is under a federal regulatory order to achieve core and risk-based capital levels of 4% and a total risk-based capital ratio of 8% by Sept. 22. At June 30, the ratios were, respectively, 1.4%, 1.8%, and 3.1%. Unionfed said it will meet the requirements by completing a planned $45 million common-stock offering.

Harris Seeks to Retain City Bankshares Stake

CHICAGO — Harris Bankcorp has asked regulators to let it continue holding a 22.6% stake in City Bankshares, the parent of City Bank and Trust Co. in Oklahoma City.

Harris, which picked up the investment after the Oklahoma bank defaulted on a loan five years ago, hopes to eventually sell the stake.

A spokesman for Harris Bank, which is wholly owned by Bank of Montreal, said the filing to extend the holding was routine. He added that Harris has no intention of expanding its stake in City Bank, which has $70 million of assets.

The market value of the stock held by Harris is about $400,000 short of the $2 million the company hopes to recover, officials said.

"The market is so thin that we haven't been able to sell it," said Paul Skubic, controller for Harris Bank. "We don't want to be forced to sell it for a fire-sale price."

Sterling Buying Units in Western Washington

SPOKANE, Wash. — Sterling Savings, a unit of Sterling Financial Corp., said it has agreed to acquire six branches in the western part of the state from Key Bank of Washington, a subsidiary of Albany, N.Y.-based Key.

"This purchase affirms Sterling's commitment to further expansion in Washington," said Harold Gilkey, chief executive officer. The thrift has 34 branches and about $700 million of assets.

First Union to Buy Florida's Enterprise Bank

WINTER PARK, Fla. — First Union Corp.'s First Union National Bank of Florida signed an agreement to pay $8.8 million in cash for Enterprise Bank.

Enterprise has one office in Winter Park, Fla., with about $40 million in assets.

First Union expects to complete the acquisition by the end of the year, subject to Enterprise shareholders' approval, regulatory approval, and other conditions.

The briefs were compiled from staff and wire reports.

NationsBank, Urban League Set Up 'Appeals Courts' for Borrowers

By JED HOROWITZ

NationsBank Corp. and the National Urban League on Tuesday unveiled a comprehensive plan to let people appeal their rejected loan applications.

The bank company said it will spend $1.4 million on a three-year pilot program that will create loan review panels in eight southern states and the District of Columbia.

NationsBank will reconsider applications that a panel deems to have been unfairly rejected. The review group also will work with rejected applicants on ways to improve their credit or better marshal their loan-application data.

The program is the latest attempt by the nation's fifth-largest bank company to demonstrate a voluntary commitment to community lending. Nations-Bank also hopes to persuade legislators and regulators to relax record-keeping requirements related to the Community Reinvestment Act and the Home Mortgage Disclosure Act.

Lenders Prodded by Regulators

Bank and thrift regulators have been urging lenders to take a second look at rejected consumer, mortgage, and small-business loan applications through internal review panels. Some banks have said such reviews lead to approval of 10% to 50% of loans that were initially rejected.

NationsBank, which said the panels will initially focus on mortgages and home-improvement loans, appears to be the first large bank company to formally set up review panels coordinated by outsiders.

Each group will include the president of a local Urban League affiliate, three community representatives, and three credit officers from the bank. The plan is expected to be operational in 18 cities by March 1.



Hugh McColl
Hopes to end bias in lending

The bank will spend $1.4 million to set up loan review panels.

John E. Jacob, chief executive of the National Urban League, said he will encourage other banks to join the review program.

"The intent is to raise the consciousness of the institutions so they have a hypersensitivity to understand the people they serve," he said.

Hugh McColl, the chairman and chief executive of NationsBank, said his company hopes to uncover conscious and unconscious prejudice on the part of lenders and credit officers through the review panels.

"We will review turndowns to see that we don't have discriminatory practices," he said. "We probably have some people who are overtly prejudiced, and when we found out we will get rid of them."

Another Agenda

The feisty chairman, whose company promised at the end of 1991 to make $10 billion of community loans over 10 years as part of its deal to buy C&S/ Sovran Corp., also hinted at another agenda.

"We would love to have the government relax CRA paperwork," said Mr. McColl, an outspoken advocate for rolling back record-keeping requirements. "We want to be judged on the results rather than on keeping the books."

The Urban League's Mr. Jacobs said his group, which has 113 national affiliates, is taking a calculated risk in working so closely with a big commercial bank.

"What prompted us to put our national credibility on the line for this is that our cause is right," he said. "The bank has money, we have goodwill and credibility, and we both have customers. Our customers ought to be their customers."

— Claudia Cummins

Standard Federal of Michigan to Purchase Heritage Bankcorp for $111 Million in Cash

By STEVE KLINKERMAN

Standard Federal Bank, the Midwest's largest thrift, agreed to buy Heritage Bankcorp in its home state of Michigan in a cash deal valued at $111 million, or 1.7 times book value.

Heritage, based in Taylor, owns Heritage Federal Savings Bank, which has 45 branch offices controlling $930 million of assets.

Standard Federal, which has about $9.8 billion of assets, operates in southern Michigan, northern Indiana, and northwestern Ohio.

Earnings of $54 Million

Thomas R. Ricketts, chairman, president, and chief executive of Standard Federal, said the deal will be accretive to earnings in 1994. The transaction is expected close early next year.

Standard Federal earned $54.3 million during 1993's first half, for an ROA of 1.12%.

The company operates 118 branch offices and 200 automated teller machines in its three-state market. □

PNC Bids $330 Million for Troubled First Eastern

Continued from *page 1*

est expense.

The deal requires approval by regulators and First Eastern shareholders.

Busy Merger Arena

Despite many years of economic decline, northeastern Pennsylvania has been an active locale for bank mergers in recent years. James M. Schutz, an analyst at Chicago Corp., said the First Eastern deal virtually completes consolidation in the area.

Outside bank companies – including PNC, Mellon Bank Corp., Meridian Bancorp., UJB Financial Corp., and First Fidelity Bancorp. – now dominate the scene.

Assets Discounted 21.5%-Plus

Sally Pope Davis, a Goldman analyst in New York, said PNC had made no secret of its desire to expand from northeastern Pennsylvania into neighboring New Jersey.

Separately, PNC said sale of problem realty assets to White-hall Street Fund, the Goldman partnership, should be completed in the third quarter. The assets, a mix of delinquent loans and foreclosed properties, are being sold for $102 million, a 21.5% discount from current carrying value.

William H. Callihan, head of investor relations for PNC, said additional writedowns had been taken earlier on the assets, meaning original book value was more than $130 million. □

EXECUTIVE *changes*

Mitsubishi Names Hirai as CEO Of North American Headquarters

Mitsubishi Bank Ltd., Tokyo, has appointed **Yasuyuki Hirai** chief executive officer of its North American headquarters in New York.

Mr. Hirai, who assumed the post last week, was formerly general manager of the bank's corporate planning division in Tokyo.

He was Mitsubishi's management international capital markets in 1987-89 and general manager of the bank's international planning division in 1989-90.



Yasuyuki Hirai

In New York he succeeded **Takeshi Yano**, who is returning to Mitsubishi's head office in Tokyo to oversee the corporate planning division and public relations. He will also represent the bank in the Federation of Bankers Associations of Japan.

— Franklin Smith

NEW ENGLAND

STATE STREET Bank and Trust Co., Boston, named **Roland P. Lacey** and **Nancy M. Newman** as vice presidents of its U.S. mutual funds service division.

Also named as State Street vice presidents were **K. Stuart Peskin** in the bank's global advisory division, **Thomas A. Pierce** in information technology, and **Philip M. Sinisgalli** in the personal trust division of the commercial banking services area.

Promoted to assistant vice presidents were:

• **Doreen R. Christopher** in the global data control services division of the operations area.

• **Joshua C. Feuerman** in the global advisory unit.

• **Darren J. Marcus** in the European financial asset services division-Luxembourg of the global financial asset services area.

• **George E. Sullivan Jr.** in information technology.

• **Kevin J. Williams** in the human resources division-London of corporate staff.

MIDWEST

HUNTINGTON Bancshares, Columbus, Ohio, said that **Beth Russell** has been promoted to senior vice president of its **Huntington National Bank** subsidiary.



Beth A. Russell

Ms. Russell is investment portfolio and wholesale funding manager in the bank's treasury group.

Other promotions at Huntington National include:

• **Jeanne P. Jones**, a commercial loan representative, who was named a vice president of corporate banking.

• **Christopher J. Humphrey**, a project architect in the bank properties division, who was appointed assistant vice president.

• **Rebecca H. Hord**, named an assistant vice president. She works in the personal banker automation project in the complementary delivery systems division, managing a training team that covers three states.

• **James J. Lombardi**, named an investment officer in the treasury group.

At **Huntington Services Co.**, **Thomas E. Hetterscheidt** was promoted to systems officer. And at **Huntington Trust Co.**, **Nicholas S. Madrod** was promoted to vice president of institutional and personal trust sales.

In the branch system, **Patricia D. Pilcher, Lawrence B. Klatt,** and **Matthew E. Hall** were named banking office managers – Ms. Pilcher for the Southern Village banking office in Springfield, Mr. Klatt at the Springfield Park office, and Mr. Hall in Groveport.

FIRST CHICAGO CORP. announced the following appointments to senior vice presidents at **First National Bank of Chicago:**

• **Stanley J. Dietzel**, head of marketing and sales for cash management products.

• **Paul C. Friedland**, head of banking for electronic and gas corporate customers.

• **Craig L. Coit**, head of profitability analysis and planning.

• **Peter J. Nowak**, chief financial officer for First Chicago's credit card business.

BANK ONE Akron in Ohio has promoted **Sandra J. Pryor** to senior vice president of human resources.



Sandra J. Pryor

She had been a vice president and human resources director for the bank since 1988.

WEST

ARCS MORTGAGE INC., Los Angeles, the mortgage banking affiliate of **Bank of New York**, has named **Ann Holmes Pennywit** to the post of vice president for secondary marketing.

Ms. Pennywitt had previously held senior secondary marketing positions with Standard Federal Savings Bank of Virginia.

She also has worked in Boston at BancNewEngland Mortgage Co. and at Pioneer Financial.

SOUTHEAST

BANK SOUTH, Atlanta, said **Barry R. Anderson** has joined the company as executive vice president and director of human resources.



Barry R. Anderson

He had been with Lanier Worldwide Inc., an Atlanta subsidiary of Harris Corp., as vice president of human resources. □

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033267Z64	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
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Youngsters' Work Gives Bank a Lesson In Inner-City Life

By ROBERT B. COX

CHICAGO — When Hyde Park Bank wanted to tout its commitment to community affairs, it came up with what it thought was a clever idea.

The bank decided to put together a promotional booklet, and, in a twist, held a contest for elementary school students, who were asked to submit poems, essays, and illustrations about their neighborhoods.

The bank, which has $180 million of assets, is based in the affluent Hyde Park area, where single-family homes typically sell for more than $200,000. But under the Community Reinvestment Act, its lending territory encompasses most of the city's South Side, which includes some of the city's poorest neighborhoods.

CRA

So the bank solicited responses from students at 53 inner-city schools – and got a lot more than it bargained for.

"We thought we would have brightly colored, childish drawings of trees and houses, and funny little stories about the postman and the people on the block," said Timothy Goodsell, the bank's president. "The responses we received stunned us."

A Fearsome World

What the bank received were disturbing portraits of children imprisoned in landscapes of urban despair.

- "My neighborhood is like a hellhole," wrote Carolyn Bradley, age 11.
- "Leaving for school is scary. You never know when you might get shot," wrote Demetrius Jones, 13.
- Ten-year-old Nicole Lampkin wrote:

My neighborhood is so bad,
It makes you sad.
It's not fun,
Because they have guns.
Don't go outside to get a ride,
Because they might skin your hide.

"I've lived in the South Side for almost 20 years," said Mr. Goodsell. "I thought I had a very good picture of what life is like in these neighborhoods – and this was news to me."

The 600 responses so stirred the bank that it published a paperback collection of the most moving entries, called "My Neighborhood: The Words and Pictures of Inner-City Children."

"We viewed this as an opportunity to serve this community by trying to educate the public in some small way of the problems that prevail here," said Mr. Goodsell. "We think there is a lesson in this for the banking industry: There are needs in this society that aren't being met."

With its efforts, the bank has also earned some good will in the community. "It indicates to me that the Hyde Park Bank is concerned about their community," said Nancy Stevenson, chief executive of Voices for Illinois Children, an advocacy group. "Anything that raises the consciousness about what we can do to help children is positive."

The initial printing of 5,000 copies sold out within weeks. Another 5,000 have been published, and the bank is weighing a third printing. It is also speaking with a national distributor.

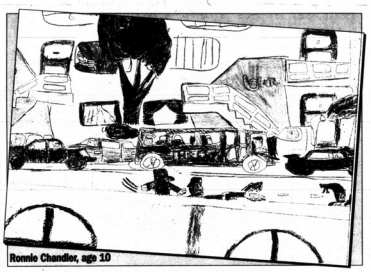
Proceeds from the book, which sells for $15.95, will go to the bank's foundation, which provides grants to local schools for enrichment and attendance incentive programs, said Linda Waldman, the public relations executive who wrote the text introducing the children's work.

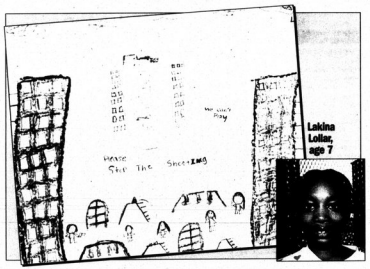
The bank also awarded savings bonds of $500, $250, and $100 to the three best entries, plus $1,000 in cash to the school of the first-place contestant.

'Eye-Opening Experience'

Mr. Goodsell said that what he thought was a sharp promotional campaign has become an eye-opening experience.

"The lesson for society in this is that there is a problem festering here that will come back to haunt us," he said. "The business community has got to play a larger role in developing a political consensus" on the problems of the inner city. □







Safe Deposit Boxes: Evaluating the Potential Payback

By MARIE HOFFMAN
Owner, Safetex Inc.
Newburyport, Mass.

Prosaic as they may seem, safe deposit boxes are in demand, and the service must be managed to provide a payback to your institution.

Here are some steps toward evaluating the potential payback and feasibility of the safe-deposit service.

The first step is to arrive at the number of boxes that you intend to offer, by box size. The mix of sizes is as important as the total number. The demand by size may vary greatly by locale because of demographics and the mix of available boxes in the area.

The projected rental income will depend on this size mix. A 10-inch by 10-inch box may generate as much as five times the rental revenue of a 2-inch by five-inch box.

To assess the demand per box size among your customers, do a survey in a newsletter or as a "sign-up sheet." Inform them that the results will determine, among other things, if you will offer safe deposit services. Give your customers some ideas as to how each box size could be used so that they can more accurately predict the box size that will best suit their needs.

Establish Rental Rates

Your next step is to obtain the range of rates for each box size offered in your locale. Safe deposit rates vary widely from community to community. The rates charged locally should be the most important gauge in determining your rates.

In addition to establishing the competitive rates by box size, determine how well local supply per box size is satisfying demand.

Ask each institution what box sizes are currently available after asking for rates. This information will further help determine the most favorable mix of box sizes for your vault.

You will learn a lot by doing this competitive survey. For example, you might notice that the institution with the lowest rates has a low vacancy rate and the one with the highest rates has a high vacancy rate.

This scenario will suggest that setting rates somewhere in the middle will help you attain the optimal occupancy rate.

Don't be afraid to set rates on the high end of the range in your community. Financial institutions have overlooked safe deposits when raising rates for other services in the past. Some are still charging the same rates as 20 years ago.

Estimate Start-Up Costs

Your third task is to estimate all start-up expenses for offering the service. Start by getting estimates from as many vault companies as possible.

Choose the company offering the best value on safe deposit boxes and their installation. Next, obtain estimates from outside consultants on their fees for developing the procedure manual, lease agreement, cards, and forms.

Compare these fees to an estimate of what it will cost to develop these in-house and make the "make or buy" decision.

Estimate other one-time expenses associated with offering the service. You will want to include initial staffing and training expenses that are not expected to recur.

Estimate Operating Expenses

Salaries will be the biggest expense, but you also have to consider insurance, periodic training, maintenance, and the vault's share of management and other credit union expenses.


Marie Hoffman

The initial investment in boxes, installation, operations system, and training should, for our purposes, be spread over 10 years.

Estimate Rental Revenue

The maximum revenue available from a given mix of box sizes and box rates needs to be multiplied by an estimated occupancy rate to arrive at the yearly estimated rental revenue.

Make a 10-year projection that reflects a low start-up occupancy rate which increases in the second and third years. Assume your maximum (but reasonable) occupancy rate is reached in the third year and is maintained.

When projecting revenues, it is best to avoid speculating on the effects of inflation.

The final step is to record the projected revenue for each of the 10 years less the projected expenses (including amortization and depreciation of start-up expenses) for those years.

Revenue estimates in excess of expense estimates tell the story. You have your "Go/No Go" decision expressed in dollars. If the number is positive, you have the green light.

And if you maintain competitive rates, control costs, and establish a conscientious personnel training program, safe deposit will not only satisfy customer demand but generate an attractive return on your investment. □

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Bailey Fuels Janus' Growth with Variable Annuities

If any company epitomizes the meteoric rise in popularity of no-load mutual funds in the past decade, it is Denver-based Janus Capital Corp.

Just four years ago this month, Janus had less than $1 billion under management in a handful of funds. Today, the company manages $26.1 billion in assets, including $15.6 billion in mutual funds.

Janus was founded in 1969 by Thomas H. Bailey and William Mangus.

Mr. Bailey was working in New York as a stockbroker when a Colorado stockbroker offered to sell him a tiny fund management business: A self-professed Vail ski bum, Mr. Bailey leapt at the chance to head for the Rockies. He managed the $650,000-asset business with Mr. Mangus, then bought out his partner in 1970.

Mr. Bailey still loves the mountains, fly fishing, and skiing. He lives in Aspen and commutes by plane to Denver when business calls.

Under Mr. Bailey's leadership, Janus built a solid performance record throughout the 1970s, averaging an 18.4% annual return from 1970 to 1982.

But the bull market of the late 1980s provided the company's rocket fuel. With consistently impressive returns on its showcase portfolios, the Janus Fund and the Janus Twenty Fund, the company started showing up on everyone's list for best fund ideas.

Assets have grown so dramatically that the company recently closed two fund portfolios to new investors. The Janus Twenty and Janus Ventures funds were becoming too big and unwieldly, the portfolio managers argued.

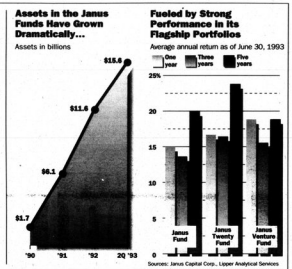
The company's growth investment strategy emphasizes companies that produce consistently increasing earnings. Today, Janus offers 12 no-load mutual funds. Its two newest additions are a federal tax-exempt fund and the Janus Mercury Fund, an aggressive growth stock fund.

In 1984, Mr. Bailey sold an 81% stake in Janus to Kansas City Southern Industries. He retains 18% of the company's stock, and a board member holds the remaining 1%. Mr. Bailey continues as chairman and president.

Keith DuBay, American Banker's Denver bureau chief, recently caught up with Mr. Bailey in his Denver office.



Thomas W. Bailey says Janus stays strong by sticking to its knitting. "I've turned down some business propositions. I don't want to try to grow this thing in all directions at once."



Q: How much money has come into the Janus funds from banks? And is it still flowing in?

BAILEY: I think generally that's going on. But how much we're getting, who knows? We're not targeting it.

Q: What do you make of banks entering the mutual fund business?

BAILEY: If I were a bank, I'd probably be in that business one way or another. It's a natural outgrowth. I can't imagine a bank that wouldn't do it.

Funds have always been an ease-of-entry business. I don't see a difference between a Bank of America growth fund and Fidelity Magellan.

It's been conventional to knock banks as not having any expertise in portfolio work. I've got analysts who worked for banks and think they're real bright.

Whether they'll be successful or not is another thing. With Janus, investment is 100% of what we do. Banks are not as focused. But banks are just as capable of hiring bright people as I am.

Q: It has been said mutual funds are becoming the banks of the 1990s. Do you agree?

BAILEY: I disagree. A typical mutual fund customer might have a three- to five-year outlook with an above-average rate of return. When I think of a bank deposit, I put money in there I might use next week. It's an entirely different objective.

Q: Does Janus have any plans to sell through banks?

BAILEY: We would certainly entertain being a subadviser. But we don't have any pointed marketing effort calling on banks around the country.

Q: Is there anything in the works?

BAILEY: We don't talk about potential deals. There are lots of potential deals we could pursue.

We have no banks selling Janus services. We're not entering the bank market. It just wouldn't be our deal. Our business is being an investment adviser on no-load, load for insurance, 401(k), pension, variable annuities, those kinds of things. □

Q: What is fueling Janus' growth these days?

BAILEY: We are getting ourselves involved in the variable annuity products. We are introducing a new Aspen series in that area. It's under registration. We have a pretty strong effort in the 401(k) business. We do research and don't get involved with administration.

We treat the $20 billion [asset base] like a stool and get as many legs as we can. Obviously, the biggest area is no-load mutual funds.

We're also subadviser on a number of other fund products, such as loads for insurance companies. We have 1.9 million accounts.

Q: Is the mutual fund business getting too big and too complicated?

BAILEY: It's a hell of a lot more complicated now than when I first started, when there were 520 mutual funds. There are almost, what, 5,000 now? It's also become a preferred method of saving in America.

[To succeed in the funds business,] you have to have the research, but also be strong in customer service. You have to answer phones, send out accurate statements.

We're not doing anything too differently. I've turned down some business propositions. I don't want to try to grow this thing in all directions at once.

I don't see us in the discount brokerage business. I don't see us doing a lot of things like sector funds, or index and country funds. We really can't be all things to all people.

Q: Are today's mutual fund investors different from those of 10 years ago?

BAILEY: The last guy in generally has the highest expectations. Maybe in that respect they're a little different. The 1980s were the second-best 10 years in history. Over the next five years those returns are not going to be achieved.

Q: Have you made any preparations for an extended market retreat?

BAILEY: What kind of contingency plan can I have for that? I've never been able to predict any downturn.

We can look at prices relative to historical periods and say this and that group is out of line. Hopefully, we're right on the earnings on a lot of these companies. If interest rates went way up, you'd see some things done in the portfolio.

"You have to have the research but also be strong in customer service."

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Behavioral Testing Urged for Filling Sales Positions

By MICHAEL O'D. MOORE

Banks can double their mutual fund sales by profiling the behavioral patterns of prospective employees, according to a consultant.

H. Joseph Marshall, managing partner of Resource Management Associates, said using behavioral surveys can help banks select strong employees and then help those employees hone professional skills.

By using the surveys – which allow prospective job applicants to rate themselves on traits such as aggressiveness and the ability to conform – banks can identify which employees are most inclined to excel in sales.

Big Sales Boost Seen

Indeed, Mr. Marshall said, banks that use this approach for hiring and in training can boost their mutual fund sales to 4.3% of customer deposits – more than double the industry norm of 2%.

"The next quantum leap in terms of profits and profitability will come from emphasizing people as much as systems," he told bankers at a conference sponsored by the Council on Financial Competition.

As an example, Mr. Marshall points to a bank in New York State that hired more than 40 investment product sales representatives using behavioral profiling three years ago. Those employees have outsold representatives hired through more traditional means by 65%.

Mr. Marshall spent years developing profiling systems for banks as a senior executive with Liberty Financial Bank Group in Boston before launching a consulting firm in West Barnstable, Mass., a few weeks ago.

Academic Credentials

The roots of his interest in behavioral profiling go back to the 1970s, when he earned doctorates in psychology, sociology, and human resources development from the University of North Carolina at Chapel Hill.

He picked up some practical experience in 1986, when he surveyed employees for E.F. Hutton. A skeptical executive there challenged Mr. Marshall to pick the firm's top six brokers from a stack of more than 100 surveys. Mr. Marshall said he swallowed hard, then correctly identified the six.

Today, he routinely demonstrates how he can identify the top guns at banks.

But picking a top producer involves more than just finding the employee with what seems to be the right behavioral profile for the job. Sometimes a person's principles can override those behavioral measures.

Unstoppable Drive

In a recent challenge to pick the top producer at a New England bank, he chose an employee with a weak behavioral profile for sales who placed an amazingly strong value on success. This employee's drive to succeed was so strong that no behavioral traits could hold him back, Mr. Marshall said.

"Behavioral profiling probably accounts for 75% to 80% for one's motivation," Mr. Marshall said. "The remaining part is very dependent on peoples' values."

Bankers at the conference pressed Mr. Marshall to endorse one of the handful of surveys on the market, but he declined. He said a bank must identify what it wants from its employees, then select one or more surveys fitting those objectives. He often uses two or more tests to assess workers.

Developmental Approach

In looking at surveys, bankers have to choose between two philosophical approaches.

Some surveys are like litmus tests that indicate which people are less prone to succeed. Others are less black and white, and assume that employees can be educated to overcome weaknesses. Mr. Marshall leans toward the latter category, which he terms "developmental."



H. Joseph Marshall
Profiles potential employees

These developmental surveys are continually being improved to be more effective in identifying characteristics and how they relate to specific jobs. And the reports are easier for managers to understand than they were a few years ago.

But profiling has more uses than just in hiring, Mr. Marshall said. He believes surveys are a good way to train and retrain sales forces.

Using survey results to help employees understand and overcome weaknesses can improve morale and productivity, he said. "You create an environment where they mature themselves."

Some bank brokers use an abbreviated form of the survey to better understand customer motivations. After interviewing a customer the broker fills out a form with 10 questions. The answers determines in which of six ways the customer learns.

If the customer is a no-nonsense type who just wants the facts, the broker will try to present information in that manner. For the person who likes chit-chat and socializing, the broker will present information in a more informal way. □

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INVESTMENT PRODUCTS

Guidelines from Comptroller's Office For Bank Sales of Investment Products

In a long-awaited move, the Office of the Comptroller of the Currency last week issued guidelines for national banks that sell mutual funds, annuities, and other uninsured investment products.

The message was clear: Banks must design their investment programs to make sure that customers understand the risks of investing.

Banks and their directors will be held accountable for monitoring these programs, whether administered by the bank itself or by a third-party marketing firm.

Generally, the Comptroller's office said, banks should follow the National Association of Securities Dealers' Rules of Fair Practice.

But the agency elaborated on those rules in an attempt to tailor them to "the particular circumstances surrounding bank-related sales of nondeposit investment products."

Following are excerpts from the Comptroller's guidelines.

A. Program management

Banks should adopt a statement describing the features of the sales program, the roles of bank employees, and the roles of third-party entities. At a minimum, this statement should address the following issues:

• *Supervision of personnel involved in nondeposit investment sales programs.* Senior bank managers will be expected to ensure that specific individuals employed by the bank, an affiliated broker-dealer, or a third-party vendor are responsible for each activity outlined in the bank's investment sales policy.

• *The roles of other entities selling on bank premises, including supervision of selling employees.* Bank management must plan to monitor compliance by other entities on an ongoing basis.

The degree of bank management's involvement should be dictated by the nature and extent of nondeposit investment product sales, the effectiveness of customer protection systems, and customers' responses.

• *The types of products that the bank will sell.* For each type of product sold by bank employees, the bank should identify specific laws, regulations, regulatory conditions, and any other limitations or requirements, including qualitative considerations, that will expressly govern the selection and marketing of products the bank will offer.

• *Policies governing the permissible uses of bank customer information.* Such policies should address the use of bank customer information for any purpose in connection with a bank-related retail investment sales activity.

B. Setting and circumstances of retail nondeposit investment sales

Banks should market nondeposit products in a manner that does not mislead or confuse customers as to the nature of the products or the risks.

To avoid customer confusion about these products, bank policies should specifically address

> **"Banks should prohibit tellers from offering investment advice."**

the locations at which sales will take place. To the extent permitted by space and personnel considerations, bank management should take steps to separate the retail deposit-taking and retail nondeposit-sales functions.

Banks should prohibit tellers from offering investment advice. In addition, the OCC strongly discourages employees who accept retail deposits from selling retail nondeposit investment products.

If the bank permits an employee to perform both functions, the bank should disclose this dual role to customers.

In addition, banks may not offer uninsured retail investment products with a product name identical to the bank's name.

Banks should also recognize that the potential for customer confusion may be increased where the bank uses uninsured products/names that are similar to the bank's own, and should design their sales training to minimize this risk.

C. Disclosures and advertising

Complete and accurate disclosure must be provided to avoid customer confusion as to whether a bank-related product is an investment product or an insured bank deposit.

When selling, advertising, or otherwise marketing uninsured investment products to retail customers, the following product disclosures should be made conspicuously:

The products offered (1) are not FDIC insured; (2) are not obligations of the bank; (3) are not guaranteed by the bank; and (4) involve investments risks, including the possible loss of principal.

The OCC believes it is appropriate to obtain a signed statement, acknowledging such disclosures from customers at the time a retail nondeposit investment account is opened.

For accounts established prior to the issuance of this circular, the bank should consider obtaining such a signed statement prior to the next sale.

These disclosures also should be featured conspicuously in all written or oral sales presentations, advertising and promotional materials, prospectuses, and periodic statements that include information on both deposit and nondeposit products.

The bank should review bank-related sales advertisements to ensure that they are accurate, do not mislead customers about the nature of the product, and include required disclosures.

Where applicable, the bank should disclose:

• The existence of an advisory or other relationship between the bank or any affiliate involved in providing the nondeposit investment product, and

• The existence of any early withdrawal penalties, surrender charge penalties, and deferred sales charges.

D. Suitability

Consistent with the Rules of Fair Practice, the OCC expects banks to determine whether a product being recommended is an appropriate investment for the customer.

Banks should ensure that any salespeople involved in bank-related sales obtain sufficient information from customers to enable the salesperson to make a judgment about the suitability of recommendations for particular customers.

At a minimum, suitability inquiries should be made and responses documented consistent with the Rules of Fair Practice concerning the customer's financial status, tax status, investment objectives, and other factors that may be relevant prior to making recommendations to the customer.

E. Qualifications and training

Banks should ensure that sales personnel are properly qualified and adequately trained to sell all bank-related nondeposit investment products. Bank management should consider securities industry or other professional qualification training as an appropriate reference.

Banks should implement training programs to ensure that sales personnel have thorough product knowledge (as opposed to simple sales training for a product) and understand customer protection requirements.

> **Train salespeople to ensure they have "thorough product knowledge."**

Background inquiries about new bank sales employees with previous securities industry experience should include a check of possible disciplinary history with securities regulators.

F. Compensation

Bank management should ensure that compensation programs do not operate as an incentive for salespeople to sell retail nondeposit investment products over a more suitable option.

If tellers participate in referral programs that include compensation features, banks should not base such compensation on the success of the sale.

G. Fiduciary accounts

Banks must comply with all applicable state and federal restrictions on transactions involving the bank's fiduciary accounts.

For example, pursuant to 12 CFR 9.12, national bank fiduciaries are restricted from using the bank's own brokerage service, or any other entity with which the bank has a conflict of interest, to conduct fiduciary transactions without express authorization in the governing trust documents, under local law, a court order, or without informed consents from all beneficiaries.

Similar restrictions govern purchases of a bank's proprietary and other products for fiduciary accounts where a conflict of interest arises.

If so authorized, bank trust departments are reminded that they must conduct a regular and reasonable periodic review of the continuing prudence of holding the product for a fiduciary account.

Banks also should comply with any applicable provisions of the Employee Retirement Income Security Act of 1974, including it prohibited-transaction provisions.

H. Compliance program

Banks must maintain compliance programs capable of verifying compliance with the guidelines specified in this circular and with any other applicable requirements.

The compliance function should be performed independently of bank investment product sales and management.

At a minimum, the compliance function should include a system to monitor customer complaints and to review periodically customer accounts to detect and prevent abusive practices.

Supervision

The OCC will continue to include a review of compliance with all applicable requirements including those in this circular, in its supervision of national banks involved in retail sales of investment products. The guidelines take effect immediately.

Questions on the content of this circular may be submitted to the Office of the Chief National Bank Examiner, Capital Markets Group, Washington, D.C. 20219. □

Preview:

The Comptroller's guidelines are the latest in a string of regulatory announcements on bank mutual fund activities. So how do they all stack up?

Robert M. Kurucza, a partner with the Washington law firm of Morrison & Foerster, will tackle that question next week with an analysis of the policy developments.

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INVESTMENT PRODUCTS

Independent Financial Marketing Group Hires Polhemus for Annuities Program

By KAREN TALLEY

Independent Financial Marketing Group has snared insurance industry veteran James J. Polhemus to help it distribute more annuities through banks.

The White Plains, N.Y., firm named Mr. Polhemus to the newly created position of director of insurance services for IFS Agencies, its insurance unit.

Mr. Polhemus has been involved with insurance marketing for almost two decades, both as a bank employee and with outside companies.

Most recently, Mr. Polhemus worked for GNA Corp. as operations manager for the investment-products program that the Seattle company operates at Chase Manhattan Corp. At GNA, Mr. Polhemus reported to Steven Plump, who recently left for Liberty Financial, which is launching a joint venture with Chemical Banking Corp.

Mr. Polhemus declined to say whether his departure was related to GNA's recent purchase by GE Capital Corp.

"Independent's high degree of integrity and teamwork appeal to me," Mr. Polhemus said. "That's not to say GNA doesn't have these."

The addition of Mr. Polhemus underscores the company's growing focus on insurance products, executives said. Vice president Denis Kaplan, president of Independent, "We look forward to his leadership in further strengthening our carrier affiliations and product offerings."

Last year, Independent placed $200 million of fixed annuities and $50 million of variable annuities through banks.

These sales, in combination with $300 million of mutual funds distributed, make Independent the 30th-largest distributor of investment products through banks, according to Kenneth Kehrer Associates, a Princeton, N.J., research firm.

Successful applicants would become dual employees of Wells Fargo and Marketing One, an Oregon-based firm that does the actual recruiting, licensing, and managing of the sales force.

* * *

Trade Group Making Compensation Study

The Investment Company Institute is conducting its second annual survey of mutual fund industry compensation practices.

Some 90 companies will participate in the survey, up from 70 last year, according to Thomas Simmons, a vice president with the institute. He said banks that manage their own mutual funds will be better represented this year than last, although he would not provide figures.

The survey covers 75 job titles in 13 broad categories, such as investment management and marketing. Results will be distributed in early September to participants only. □

* * *

Fortis Financial Enters Asset Allocation Field

Fortis Financial Group has joined the growing number of financial service firms offering asset allocation products.

The St. Paul, Minn., company's entry is a privileged-account service with a minimum investment of $10,000.

The product carries a front-end load that generally ranges between 4.25% and 4.75%.

Like other asset allocation products, Fortis' offering is designed to maximize returns by maintaining a portfolio mix of stock, bond, and money market mutual funds.

The privileged account "helps investors to buy low and sell high to take advantage of the normal price fluctuations of stocks and bonds," said Kyle Seiberg, a second vice president at Fortis. Investors create their portfolio by choosing among Fortis' 13 mutual funds.

* * *

Wells Seeks Brokers For Its Proprietaries

Wells Fargo & Co. is trying to attract new brokers to sell its Stagecoach and Overland Express mutual funds.

The San Francisco-based banking company is advertising in industry publications for licensed representatives to market the proprietary mutual funds in branches.

Company officials said earlier this year that Wells Fargo was planning to increase its mutual fund sales from 200 to 300 by the end of 1993.

But a spokeswoman downplayed the ad campaign, saying it was part of Wells Fargo's "standard recruiting practice. There is no big push on to hire a lot of extra people."

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DEADLINE FOR COPY AND PAYMENT:

20th of the month preceding first Wednesday or following month. Example: Next available Directory issue is August 4th; copy and payment deadline is July 20th.

NOTE: PAYMENT IN FULL MUST ACCOMPANY ALL ORDERS

To Place Your Company's Listing in The Fee Income Product Marketplace, Contact: Penny Papakostas, Classified Advertising
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PROFESSIONAL EMPLOYMENT OPPORTUNITIES

banking

TRUST MARKETING SPECIALIST

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Working with the Trust Product Line Managers, you will prepare detailed business/marketing plans for designated products and coordinate all related research and analysis. In addition, you will develop product marketing materials and advertising, while contributing to new product development.

Share The Benefits of Our **Growth**

To qualify, you must possess a Bachelor's degree in Marketing, or the equivalent, and at least 5-7 years of progressively responsible trust marketing experience. A proven background working with graphics, WordPerfect, Lotus and third party vendors is essential. Excellent interpersonal and group presentation skills are also required.

In return for your expertise, we offer excellent compensation and full benefits. For confidential consideration, forward your resume and salary requirements to: FIRST OF AMERICA BANK CORPORATION, Corporate Employment Dept. AB-TMS, 108 E. Michigan Ave., Kalamazoo, MI 49007. An equal opportunity employer m/f/d/v.

FIRST of AMERICA
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Growing But Still A Neighbor

NATIONAL DIRECTOR
Major Accounts

Prominent NYSE company in high service industry seeks Major Accounts Director. We are uniquely positioned to launch this newly created Major Accounts division throughout our national office network. We offer the perfect environment for an entrepreneurial professional to interface with senior management and drive our Major Account expansion on a nationwide basis. The ideal candidate will be degreed and possess five plus years of successful Major Accounts sales experience in either the financial services or personnel industry. Excellent oral and written communication skills are necessary. Extensive travel from west coast Headquarters.

We offer an attractive base salary, plus one of the finest incentive plans in the industry with a full benefits package including stock options, 401K, health, life and dental. Send resumes to:

Box 8095
c/o American Banker
One State Street Plaza
New York, New York 10004

Equal Opportunity Employer

PERSONAL TRUST ADMINISTRATOR

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- **4 to 5 years solid knowledge/experience in personal trust administration and fiduciary tax preparation**
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- **strong written communication, math and customer contact skills**
- **new business development/sales experience**

We offer a warm, businesslike environment, competitive salary/benefit package, and opportunity for professional growth. For consideration, please send resume and cover letter, including salary history to:

The First National Bank
Human Resources Department
P.O. Box 4658
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Equal Employment Opportunity M/F/Y/H

To Advertise in the American Banker's Weekly Service Guide Please Call Penny Papakostas at (212) 943-5716 or 1-800-221-1910

RELATIONSHIP MANAGER

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An Equal Opportunity Employer M/F

Treasury Positions
Saudi Arabia

Major joint-venture bank based in Riyadh seeks Senior Officer and Senior Salesman for Group Treasury Division.

Minimum 5 years Treasury experience, advanced knowledge of traditional treasury products, understanding of pricing mechanisms and risks, fluency in SAUDI Arabic; marketing and interpersonal skills a must. Resumes to:

Int'l Resources, 770 Lexington Avenue, New York, NY 10021

Equal Opportunity Employer

BANK CEO

FLORIDA BANK NEEDS CEO EXPERIENCED IN LOW-TO-MEDIUM NINE-FIGURE BANK WITH MULTI-BRANCHES. STRONG REAL ESTATE BACKGROUND REQUIRED. SALARY INTO SIX FIGURES FOR RIGHT PERSON. SEND RESUME TO:

BOX 158
P.O. Box 158
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E. O. E.

NOTICE OF FORECLOSURE

ADJOURNED FORECLOSURE SALE
CO-OP APT COLLATERAL

BY VIRTUE OF A DEFAULT JUDGMENT, under a Proprietary Lease and other documents, executed by and between 150 MADISON OWNERS CORP. (Lessor), a N.Y.S. Co-op Corp., and 159 MADISON AVENUE ASSOCIATES. (former Lessee) and its Proprietary Lessee having been terminated, whereby the leasehold estate reverted back to the Lessor. The undersigned Successor will expose for sale at Public Auction, with reserve, 13,608 shares of stock of 150 MADISON OWNERS CORP. and all right title and interest in and to a Proprietary Lease allocated to apartment units listed below in building 159 Madison Ave., New York, NY, on July 23, 1993, at 12:00 p.m. in the law offices of Smith, Buss, & Jacobs, 9th Floor, 1370 Avenue of the Americas, New York, NY, 10019. Apartment Units 2A, 2D, 3G, 3H, 3M, 5I, 7D, 7F, 8J, 9D, 10B, 11F, 12E, & 12J. 10% in bank certified funds at knock down plus Auct'rs fees. Bal. in 30 days. Jack O'Sullivan, Professional Auctioneer (Lic. # 0725811) Phone (718) 252-5167 Fax (718) 951-0340. THE SALE INDICATED ABOVE HAS BEEN ADJOURNED TO AUGUST 6th, 1993, at 12:00 p.m. AT LOCATION SHOWN ABOVE. (ICON#2560B)

PARTNERSHIP NOTICE

Nordek Fund, L.P. has been formed as a foreign limited partnership (L.P.) and states the following: The name of the L.P. is Nordek Fund, L.P. The date of filing of the Application of Authority with the Secretary of State of the State of NY (S/S) is 8/5/92. The L.P. was organized in DE on 7/20/92. The county in which the office is located is NY. The S/S is designated as the agent of the L.P. upon whom process against it may be served. The P.O. address to which the S/S shall mail a copy of any process against the L.P. served upon him is c/o The Prentice-Hall Corporation System, Inc., 15 Columbus Circle, N.Y., N.Y. 10023-7773. In addition in DE is c/o The Prentice-Hall Corporation System, Inc., 32 Loockerman Sq., Ste. L-100, Dover, DE 19901. The list of names and addresses of all general partners is available from the S/S. The name and address of the authorized office in DE where a copy of it certificate of L.P. is filed is S/S, Corp. Dept., Federal & Duke of York Sts., Dover, DE 19901. The purpose of the L.P. is investment in Securities.

FOUNDATION NOTICE

NOTICE

The annual report of the **ARMOUR FAMILY FOUNDATION** for the fiscal year ended March 31, 1993 is available at the principal office of the Foundation's accountants, R.D. Hunter & Co., One Mack Centre Drive, Paramus, NJ 07652 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Joan B. Armour.

CORRECTION NOTICE

CORRECTION NOTICE: M. SIGOLINCK DCA LIC#959108 and/or S. GORELICK DCA LIC #841437 SOLD JULY 21, 1993 10:35 AM 222-12 147th Ave Queens 1978 Pontiac Lemans 2 Dr Sdn #2D27A8316402 Rec J. Shaughressy: Metropolitan Auctioneers, Inc.

Have an Important Legal Notice? Call Lisa Logan at 212/943-5739

AUCTION NOTICES

Garagaman's lien sale Andrew O. Judge nc#048680 sells on 8/13/93 at 9am at 333 E. 109 St., NYC 1986 nissan 2dsd #JN1MN24S3GM064971 re:Sha Huang; 1987 mercury 2dsd 2MEBM13S8HH860 3931 re:Ricardo S.A. Moreau; 1986 pontiac 2dsd #1G2NE69U8GC376805 re:Jonathan Washington & Jefferson Crib Corp; 1987 ford 4dsd #1FAHP25W0HW 85126 re: Benigno Martinez. At 9:30am at 265 Edgecombe Av.Manhtn 1983 buick 2dsd #1G4AZ57YXDE422265 re:Benjamin Hayes & Conso Nti B&B;Trac Co NY; 1983 chevy sdn #1G4GG23H4D7157513 re:Roderick Daniels & Empire State of America. At 10am at 401 W. 216 St.NYC; 1984 plymouth van #2P4FH41G2ER13 3468 re:Javier Sala & Chrysler Cnb Corp; 1984 buick 4dsd #1G4AN69AOEH850557 re:Lan E. Cuzales & Empire Nat'l of America. At 11am at 711 E. 139 SLBX 1979 olds 2dsd #1K47F9B9AS339919 re: Wendell Feliciano; 1985 ford subn #1FABP3 4948T206040 re:Rose Bolden. At 11:30 am at 1810 Cross BX Exp.Bx 1984 chevy van #2GCGG33M4E4142326 re:Juan Camilo. At 11:45am at 2929 Boston Rd.Bx1986 mitsu 4dsd #JA3BB04L7 GY002026 re: Daniel Ramirez & Raymond Tirado; 1984 porsche 2dsd #WPOAA0943EN453469 re: Mtor Wilson Sabino & Marine Midland Bk. licnsr may bid. Ad dates:7/28, 8/5, 93.

Lien Services Inc. Sells For Cash On July 30, 1993: 9:00 AM at 110-38 Springfield Blvd., Queens Village, NY 1988 Nissan #JN1FJ02S1J0398643 Re: E. Medina/ National Westminster Bank USA; 9:15 AM at 1027 Atlantic Ave., Brooklyn, NY 1989 Pontiac #1G2JB51K9K7619139 Re: Z. Yarney; 9:30 A.M. at 87-11 118th Street, Richmond Hill, NY 1987 Dodge #1B7FD-24T3FS590756 Re: L. Yost/Chemical Bank Metro Bus. Cred. Dept., 1989 Chevy #1G1FF21RXKL164858 Re: R. Audrey/ Bank of Smithtown; 9:45 AM at 16-18 Dutch Broadway, Elmont, NY 1985 Toyota #JT2TAE81L2F3222020 Re: J. Maps/M. Maps/GECC-General Electric Credit Corp.; 10:00 AM at 4150 Boston Road, Bronx, NY 1978 Chevy #1X27D8-T200791 Re: A. Rodriguez. D Motor Auctr #841590. Lenor May Bid.

L. Posner lic #847081 sells for cash 8/05/93 at 10AM at 134 Nassau Ave.Bklyn. 85 81 Ford Vin #1FTEE24Y9HHA76452 Re: F. Drought; 10:30AM at 360 Sunken Meadow Rd.SI 84 Chevr P-U #1GCBS14A3C2149975 Re: T. Mayo: 11AM at 250-21 Northern Blvd Qns. 83 Toyota #JT2AE72E9D2007393 Re: A. Martinez; 85 Olds Cutlass #1G3AM19E8FG830192 Re: M. Albs.

PAWNBROKER AUCTION

Herbert B. Caspert, Auctioneer DCA #460873 Sell At Paradise Pawnbrokers Inc., 2348 Grand Concourse, Bronx, New York On AUG. 16, 1993 At 9 A.M. All Unredeemed Pledges Including All Holdovers From Previous Sales: From 89459 Of JULY 5, '88 To 31192 Of Jan. 2 '93.

Norwest, Evicted by Flood, Keeps on Lending

NOBLE

Top execu... Norwest Mortgage knew things were bad when word came back that a damage-assessment team had paddled a boat through a window of their downtown Des Moines headquarters.

"It's drying out," said Mark Oman, the company's chief executive, reached this week in his temporary office in West Des Moines. "But it's a mess."

Though Norwest Mortgage says it has experienced little disruption of customer service, it has clearly had to scramble to stay a step ahead of the great flood of 1993.

Four Buildings Evacuated

The company, the nation's third-largest mortgage originator, evacuated its four headquarter buildings in Des Moines the day before the muddy flood waters arrived.

The company moved most of the 750 employees to temporary offices in West Des Moines, while another 100 or so people were sent to servicing centers in Ohio and Minnesota.

The flooding was worst at the company's main facility at River Point, a development located at the confluence of the Raccoon and Des Moines Rivers in the heart of the city. There, nearly four feet of water filled the building, destroying virtually all the furniture and fixtures.

Norwest was fully insured, so Mr. Oman foresees no significant financial loss for the company. But his best guess is that it will be at least two to three months before employees can return to their home base.

Meanwhile, the company has found itself playing some unusual roles. It flew water in to Des Moines for its employees, helped those displaced by the flood to find temporary homes, and has allowed employees to come to work.in casual clothes.

The lending business, however, has been unfazed. In fact, the company has taken in a higher-than-average $2 billion of mortgage applications in the past two weeks, Mr. Oman said. □



Mark Oman
Headquarters "a mess"



J. Albert Smith
"Important segment"

Banc One Mortgage Forming Division for 'Wholesale' Lending

By CHRISTOPHER NOBLE

Moving to bolster its share of a flourishing business, Banc One Mortgage Corp. announced Tuesday that it is forming a "wholesale" lending division.

The division will seek to step up the company's purchases of new loans from both mortgage banks and mortgage brokers.

In the first six months of this year, such purchases accounted for 31% of Banc One Mortgage's total loan production of $3.5 billion.

With the new division, that share could rise as high as 50%, said Kent Day, a senior vice president at the Indianapolis-based company.

A number of big mortgage companies have been increasing their wholesale lending as a way to expand their loan servicing businesses.

Bigger Market Share Sought

"This new organizational structure will permit us to expand our market share in this important segment of the mortgage business," said J. Albert Smith, president of Banc One Mortgage.

The department will be headed by Veronica Mensch, who is currently Banc One Mortgage's regional manager of residential production in Illinois.

The company's servicing portfolio stands at $17 billion and continues to grow, Mr. Day said.



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banking

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CEO
P.O. Box 158
New Smyrna Beach, Florida 32170
E. O. E.

NOTICE OF FORECLOSURE

ADJOURNED FORECLOSURE SALE
CO-OP APT COLLATERAL

BY VIRTUE OF a DEFAULT, under a Proprietary Lease and other documents, executed by and between 139 MADISON OWNERS CORP. (Lessor), a N.Y.S. Co-op Corp., and 139 MADISON AVENUE ASSOCIATES. (former Lessee) and its Proprietary Lessee having been terminated, whereby the leasehold estate reverted back to the Lessor. The undersigned Auctioneer will expose for sale at Public Auction, with reserve, 13,608 shares of stock of 139 MADISON OWNERS CORP. and all right title and interest in and to a Proprietary Lease allocated to apartment 3mth listed below in building 139 Madison Ave., New York, NY, on July 23, 1993, at 12:00 p.m. in the law offices of Smith, Buss, & Jacobs, 9th Floor, 1370 Avenue of the Americas, New York, NY, 10019. Apartment Units 2A, 2D, 2G, 2H, 3H, 5J, 7D, 7F, 8J, 9D, 10B, 11F, 12E, & 12J. 10% in bank certified funds at knock down plus Auct's fees. Bal. in 30 days. Jack O'Sullivan, Professional Auctioneer (Lic. # 672381) Phone (718) 252-5167 Fax (718) 951-0340. THE SALE INDICATED ABOVE HAS BEEN ADJOURNED TO AUGUST 6th, 1993, at 12:00 p.m. AT LOCATION SHOWN ABOVE. (CON#25608)

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L. Posner lic #0907081 sells for cash 8/05/93 at 10AM at 138 Alaska St. SI 81 Ford Van #1FTEE24F9HKA76451 Re: F. Drosdpic 10:30AM at 584 Yonkers Ave. Yonkers 82 Chevy #1G1BR5144KC149975 Re: T. Mayer. 11AM at 250-21 Northern Blvd. Qns. 83 Toyota #JT2AT72E9D0007393 Re: A. Marsinez, 85 Olds Cutlass #1G3AM19E8FG301192 Re: M. Alls.

PAWNBROKER AUCTION

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The annual report of the **ARMOUR FAMILY FOUNDATION** for the fiscal year ended March 31, 1993 is available at the principal office of the Foundation's accountants, R.D. Hunter & Co., One Mack Centre Drive, Paramus, NJ 07652 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Joan B. Armour.

CORRECTION NOTICE

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Norwest, Evicted by Flood, Keeps on Lending

By CHRISTOPHER NOBLE

Top executives at Norwest Mortgage knew things were bad when word came back that a damage-assessment team had paddled a boat through a window of their downtown Des Moines headquarters.

"It's drying out," said Mark Oman, the company's chief executive, reached this week in his temporary office in West Des Moines. "But it's a mess."

Though Norwest Mortgage says it has experienced little disruption of customer service, it has clearly had to scramble to stay a step ahead of the great flood of 1993.

Four Buildings Evacuated

The company, the nation's third-largest mortgage originator, evacuated its four headquarter buildings in Des Moines the day before the muddy flood waters arrived.

The company moved most of the 750 employees to temporary offices in West Des Moines, while another 100 or so people were sent to servicing centers in Ohio and Minnesota.

The flooding was worst at the company's main facility at River Point, a development located at the confluence of the Raccoon and Des Moines Rivers in the heart of the city. There, nearly four feet of water filled the building, destroying virtually all the furniture and fixtures.

Norwest was fully insured, so Mr. Oman foresees no significant financial loss for the company. But his best guess is that it will be at least two to three months before employees can return to their home base.

Meanwhile, the company has found itself playing some unusual roles. It flew water in to Des Moines for its employees, helped those displaced by the flood to find temporary homes, and has allowed employees to come to work in casual clothes.

The lending business, however, has been unfazed. In fact, the company has taken in a higher-than-average $2 billion of mortgage applications in the past two weeks, Mr. Oman said. □



Mark Oman
Headquarters "a mess"



J. Albert Smith
"Important segment"

Banc One Mortgage Forming Division for 'Wholesale' Lending

By CHRISTOPHER NOBLE

Moving to bolster its share of a flourishing business, Banc One Mortgage Corp. announced Tuesday that it is forming a "wholesale" lending division.

The division will seek to step up the company's purchases of new loans from both mortgage banks and mortgage brokers.

In the first six months of this year, such purchases accounted for 31% of Banc One Mortgage's total loan production of $5.1 billion.

With the new division, that share could rise as high as 50%, said Kent Day, a senior vice president at the Indianapolis-based company.

A number of big mortgage companies have been increasing their wholesale lending as a way to expand their loan servicing businesses.

Bigger Market Share Sought

"This new organizational structure will permit us to expand our participation in this important segment of the mortgage business," said J. Albert Smith, president of Banc One Mortgage.

The department will be headed by Veronica Mensch, who is currently Banc One Mortgage's regional manager of residential production in Illinois.

The company's servicing portfolio stands at $17 billion and continues to grow, Mr. Day said.

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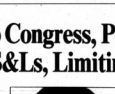
In Report to Congress, Panel Proposes Scrapping S&Ls, Limiting Coverage

Continued from page 1

service company subsidiaries "would significantly reduce the risk of taxpayers ever having to pay for losses," Mr. Snow said.

Sen. Christopher J. Dodd, D-Conn., praised the commission's report. "The best way to guarantee the safety and soundness is to limit the type of investments that thrifts can make with insured deposits," he said. "I think it's a key element to modernizing our financial service industries."

In addition, the commission said all S&Ls should be converted into commercial banks. "We see no remaining rationale for a separate thrift industry receiving special charters from the federal government," Mr. Snow said. "All distinctions between commercial banks and S&Ls should be eliminated."



Robert E. Litan
Dissents on deposit insurance

Paul A. Schosberg, president of the S&L trade group, the Savings and Community Bankers of America, said the commission's recommendation to eliminate the S&L industry was irresponsible and wrongheaded.

"It is a silly proposal. The savings institutions that are doing business today not only are not a threat, but are making significant contributions to the social and economic life of their communities," he said.

Robert E. Litan, director of the Center for Law, Economics, and Politics at the Brookings Institution, differed with the commission on the future of deposit insurance. He said deposit insurance should be offered not only to monetary service companies, but also to smaller, community banks.

There is no reason, he said, to disturb the "many thousands of small institutions," that use deposit insurance, as long as they were not allowed to link up with larger banks.

Deposit Insurance Proposal

Bert Ely, an Alexandria, Va.-based banking consultant, strongly opposed the commission's proposed restrictions on deposit insurance.

"A lot of people," Mr. Ely said, "to get the higher yield, are going to put their money in the uninsured part of the bank." But

The panel said "fundamental reform" was crucial.

if the bank fails and people lose their money, he said, they would protest that the government should have been protecting them.

Kenneth Guenther, executive vice president of the Independent Bankers Association of America, described the commission's proposal to scale back deposit insurance as "highly irresponsible."

"Community banks and thrifts depend on deposit insurance to maintain their core deposits," Mr. Guenther said.

Policymakers Assailed

James L. Pierce, the commission's executive director, said a key cause of the S&L crisis was "complete disregard by government policymakers of the role that deposit insurance played," by creating "a no-lose situation for operators of savings and loans" that were having trouble but wanted to gamble by making risky investments.

"Most fundamentally, misguided, and ill-advised government policies," created opportunities and incentives for crooks during the 1980s that culminated in the S&L crisis, Mr. Pierce said. "These individuals just didn't descend on the industry – they were attracted to it," by government policies, said Mr. Pierce, who is an economist at the University of California at Berkeley.

"Roughly one third of the industry acted on the incentives and the opportunities that were created," Mr. Pierce said. "These incentives were truly perverse," because with deposit insurance, "it paid to bankrupt a company," he said. □

The announcement appears as a matter of record only.

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TRANSAMERICA FINANCIAL SERVICES

BT Marketing Its Expertise In Managing Swaps Risk

By YVETTE D. KANTROW

Bankers Trust Co. is selling its risk-management skills to other participants in the over-the-counter derivatives market.

The company is making available its C-Trax+ system, which helps manage collateral pledged by a counterparty in a derivatives trade, such as a swap or forward contract.

Bankers Trust, one of the largest participants in the derivatives market, has been using the system for four years.

"Collateral has been taking off as a risk-management tool," said Thomas F. Wiese, a Bankers Trust vice president. The value of collateral in the over-the-counter derivatives market – primarily government agency bonds and government securities – exceeds $10 billion, according to Bankers Trust.

Feeding Off Regulatory Intervention

The bank announced its program for monitoring counterparty collateral just days after an international group of banks – known as the Group of Thirty – released recommendations to help derivative-market participants better manage real and potential risks.

The report was seen as an attempt to fend off regulatory intervention in the unregulated over-the-counter derivatives market.

Bankers Trust officials said that C-Trax+ should help banks implement some of the recommendations.

"Every top manager is worrying about how to implement and how to charge finished at $565.65, down 2.24 points. Observers said weakness was due to profit taking after Monday's record close, and to sharp losses in steel stocks after the International Trade Commission ruled on several dumping charges.

— David Siegel

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Highlights for Tuesday, July 27

TOP 10 GAINERS %

First Eastern Corp.	25.0
BOK Financial Corporation	5.0
1st Source Corporation	4.4
USBANCORP, Inc.	4.3
California Bancshares	4.3
City Holding Company	3.9
Baltimore Bancorp	3.9
Midlantic Corporation	3.8
Liberty National Bancorp, Inc.	3.7
MBNA Corporation	3.6

TOP 10 LOSERS %

Frankford Corporation	-5.4
NBT Bancorp	-5.0
National Penn Bancshares, Inc.	-3.8
Omega Financial Corporation	-3.7
Security Capital Bancorp	-3.6
North Fork Bancorporation	-3.2
Pinnacle Banc Group, Inc.	-2.9
First Financial Corporation	-2.7
BancorpSouth, Inc.	-2.7
UST Corp.	-2.6

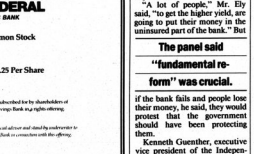
MOST SHARES TRADED

Citicorp	2553500
First Eastern Corp.	2050700
Chase Manhattan Corporation	1018600
BankAmerica Corporation	962100
Midlantic Corporation	730700

VOLUME AS % OF AVERAGE

First Eastern Corp.	4913.6
First Financial Corporation	1251.8
First Amarillo Bancorporation	1067.9
Centura Banks, Inc.	904.1
Mercantile Bankshares Corp.	739.0

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.06	0.58	2.14	0.19	0.67	2.44	-0.65	0.96	6.52

Top 225 Banks

52 Wk Hi	Lo		PE to bb	Mkt Cap.	Chg.	
27¾	18¼	1stSourceCorp/IN	11.5	118.4	24	⅛
27¾	18¼	1ARCORE Fncl. Hd.	11.9	133.7	25	⅛
35¾	26¾	AmBankBancorp AL	10.9	45.9	33¾	⅛
35¾	26¾	AmSouthBancorp AL	10.7	147.6	31⅜	⅛
38½	30	AtlantaBancorp/GA	10.6	178.5	36¾	⅜
39¾	27¾	BB&T Fncl Corp/NC	11.9	153.1	39¾	...
8¾	5¾	BSB Bancorp/NY	11.3	13.9	8¾	⅛
22¾	17	BancFlorida/FL	11.3	139.8	20¾	⅛
10	5	BaltimoreBanc/MD	12.4	104.1	10	⅛
31¾	24¾	BankFirst Corp/US	9.9	131.3	29¾	⅛
61	42¾	BankOne/Corp OH	14.6	233.5	54¼	⅛
53¾	40¾	BancorpSouth Inc	13.8	102.3	43¾	⅛
40¾	27¾	BancorpSouth MS	11.2	141.4	36¾	-½
54¾	42	BankAmerica/Corp CA	8.4	118.1	47¾	⅜
30¾	26¾	BankNorthGroup/MI	17.0	269.5	28¾	...
14¾	9¾	BankUnited Fncl/FL	11.2	166.3	14¼	⅛
77¾	59	BankersTrust/NY	8.4	167.9	76¾	⅛
59½	32¾	BankersWestFncl/MT	10.7	100.9	49	⅛
28¾	18¾	BankofBoston/MA	8.7	109.5	24¾	⅛
61¾	38¾	BankofNY/NY	11.1	135.4	55¼	⅛
50¾	34¾	BarnettBanks/Inc FL	18.2	176.0	47	...
50¾	34¾	BarnettBanks/Inc FL	12.7	135.2	47	⅛
64¾	49¾	Boatmen'sBcshs/MO	11.9	156.6	61	⅛
44¾	31¾	CBT Corp/GA	11.9	147.8	36¾	⅛
34	23¾	CBT Corp/Georgia IN	10.7	164.7	33¾	⅛
29¾	22¼	CFB Inc./IN	9.0	130.7	26¾	...
24	16¾	CNB Bncshrs/CA	8.1	153.2	22¾	⅛
14	9¾	CaliforniaBancshs CA	14.8	107.0	13¾	⅛
34¾	13¾	CapitalBancorp/KY	10.2	135.3	13¾	⅛
26¾	18	CentralBancshs AL	11.2	177.4	25	...
34¾	24¾	CentralBancshs MO	11.8	176.3	29¾	-⅛
24¾	18¾	CentralJersey/NJ	15.0	155.3	22	⅛
24¾	17¾	CentralBancShs/KS	11.1	153.9	20¾	⅛
37¾	21	ChaseManhattan/NY	8.8	97.4	32	⅛
37¾	27¾	ChemicalBanking/NY	13.7	174.1	36¾	⅛
37¾	27¾	ChemicalFncl Corp MI	13.7	174.1	36¾	⅛
32¾	24¾	CitizensBancorp/MD	12.4	129.2	24¾	⅛
36	19¾	CitizensBancorp/MI	14.2	129.2	24¾	⅛
24	16¾	CitizensBanking/MI	12.8	137.2	23¾	⅛
7¾	3¾	CitizensFirst/MD	11.2	18.7	6¾	...
30	17¾	CitizensUtilities/CO	11.2	1,107.1	20¼	⅛
11¾	4¾	CityNatCorp/CA	NM	105.7	6¾	...
23¾	17¾	CoastFncl Hld/FL	11.2	135.3	20¾	⅛
34¾	27¾	ComericaInc MI	10.7	165.2	30	⅛
26¾	18¾	CommercialBcshs MO	11.7	197.6	26¼	⅛
17¾	11¼	CommercialBancshs/KS	11.5	156.1	16¾	⅛
33¾	25	CommercialFed Corp/NE	11.5	1,107.5	31¾	⅛
45¾	24¾	CommonwealthBk PA	13.9	205.3	42¼	⅛
15	11¼	CommunityBkSys/NY	10.5	144.9	13¾	⅛
19¾	3¾	CorestatesFncl Corp	NM	191.6	19¼	⅛
19¾	13¾	CrestarFncl Corp/VA	11.5	1,107.5	19¾	⅛
47¾	37¾	CrossLandFncl/PA	11.5	187.4	47¾	⅛
40¾	31¾	CrossLandFncl/pp VA	13.3	153.9	40¾	⅛
30¾	21	CulbroFncl 7.5	11.2	1,107.5	30¾	⅛
27¾	20¾	DauphinDeposit PA	11.6	156.5	23¾	⅛
20¾	15¾	DeposittGuaranty MS	10.5	155.2	19¼	⅛
17¾	12¼	F & M Nat/Corp VA	11.4	148.8	15	⅛
22	17¾	FAB/Bancorp MD	10.2	142.4	20¾	⅛
16¾	9¾	FNB Corp/PA	10.8	109.1	13¾	...
7¾	4¾	FarmersCapital KY	11.4	124.8	7¾	⅛
58¼	45	FifthThirdBncp/OH	17.6	296.6	53	⅛
40¾	31¾	FirstAlabamaBk/AL	11.3	181.0	40¾	⅛
55¾	33¾	FirstBancFnl/MI	14.0	222.2	53	⅛

52 Wk Hi	Lo		PE to bb	Mkt Cap.	Chg.	
28¼	17¾	FirstAlabamaBk /AL	12.2	183.8	33¼	⅛
20¼	10¼	FirstAmerica/Cp TN	7.8	209.9	20¼	⅛
24¾	16¾	FirstBancorp/Corp PA	11.5	107.3	24¾	⅛
50¼	39½	FirstBancorp/OH	11.2	158.3	46	⅛
24¾	16¾	FirstBancorp/Corp NH	12.4	176.3	23¾	⅛
45	29¾	FirstChicago/IL	117.8	123.4	44¾	...
45	29¾	FirstChicago/IL	11.7	123.4	44¾	⅛
48	28¾	FirstCommerce/LA	10.0	107.3	35¼	⅛
48	28¾	FirstCommerce/LA	10.0	107.3	35¼	...
34¾	27¼	FirstCommerce/LA	11.7	139.8	30¾	⅛
34¾	27¼	FirstCommerce/LA	11.4	170.2	33¼	...
31¾	25¾	FirstCommerce/LA	12.1	157.2	29¾	⅛
25	9¼	FirstEastern/PA	NM	185.3	25	5
117¾	128	FirstEmpire/NY	11.6	163.5	104¾	⅛
51¾	34	FirstFidelity/NJ	11.1	164.6	47¾	⅛
15¾	10¾	FirstFncl Corp/IN	15.8	207.1	15	⅛
56	36¾	FirstFncl Corp/IN	11.4	149.2	54½	⅛
29¾	22¾	FirstFncl Corp/IN	10.2	133.8	29¾	⅛
65¾	39¾	FirstInterstate/CA	9.2	163.8	65¼	⅛
24¾	15¾	FirstMichBancCp/MI	13.1	177.4	24¾	⅛
24¼	15¾	FirstMidwest/IL	16.3	156.1	24	⅛
24¼	15¾	FirstMidwest/IL	12.4	137.9	20	⅛
30¾	21¾	FirstSecurity/UT	11.1	158.0	27¾	⅛
30¾	21¾	FirstSecurity/UT	11.1	158.0	27¾	⅛
32	18¾	FirstTennessee/TN	12.1	188.2	30¾	⅛
27¾	17	FirstUnion/NC	8.0	136.7	27¼	⅛
27¾	17	FirstUnion/NC	14.2	136.7	27¼	⅛
28¼	15¾	FirstUnitedBkGp NM	14.0	108.8	27¼	⅛
39¾	30	FirstVirginia/VA	10.5	178.3	38¾	⅛
37	26¾	FirstarCorp/WI	11.2	194.0	32¾	⅛
34	25¾	FirstarCorp/WI	11.2	188.8	32	⅛
43¾	30¾	FirstoMonte/AR	10.7	160.7	38¼	⅛
44¾	32¾	FirstTennessee/LA	14.0	155.2	38¾	⅛
44¾	32¾	FortWayneNat/Cp IN	13.2	169.6	40	⅛
31¾	24¾	FourthFncl/OK	11.2	151.6	30¾	⅛
28	20¾	FranklinCorp/TN	10.5	151.8	26¾	-1/16
30¾	24¾	FreddieMac/VA/CP	11.3	174.3	25¾	⅛
31¾	23¾	FultonFinCorp/PA	12.3	188.1	29¾	⅛
17¾	13¾	GBC Bancorp/CA	11.7	171.6	15¾	⅛
17¾	13¾	GBC Bancorp/CA	8.0	147.1	15¾	⅛
30¾	21¾	GeorgiaBancshs/GA	11.2	158.3	28¾	⅛
30¾	21¾	GeorgiaBancshs/GA	9.7	158.3	28¾	⅛
39	32¾	HancockHold/LA	11.6	186.6	38	⅛
19¾	12¾	HarleysvilleNt/PA	11.2	151.4	19¾	⅛
16¼	12¾	HeritageFncl/Grp IL	12.8	178.0	16	⅛
24¾	11¼	HibernaCorp/FL	NM	152.2	11¾	⅛
24¾	11¼	Hubco/NJ	12.4	209.8	21¼	⅛
27¾	18¾	IndianaUnitedBcp/IN	13.3	153.7	26¾	⅛
15	6¾	ImperialBancorp/CA	11.5	61.9	9¾	⅛
36¾	26¾	IndianaUnitedBcp/IN	10.1	122.4	34¾	⅛
49¾	32¼	IntegraFnc/Cp PA	10.4	192.2	48¼	⅛
28	12¾	InterWestBncp/NV	12.7	157.8	17¾	⅛
47	38	IowaBankShs/cm IA	10.7	121.7	44¾	⅛
24¾	17	IrwinFncl/Cp IN	9.3	218.3	24¾	⅛
74¾	58¾	J.P. Morgan/NY	10.0	181.5	71	⅛
19¾	12¾	JeffersonBncshs/VA	11.2	151.4	19¾	⅛
19¾	12¾	JeffersonBncshs/VA	11.2	151.4	19¾	⅛
34¼	24¼	KeystoneFn/PA	12.6	187.2	30	⅛
34¼	24¼	KeystoneFn/PA	13.9	187.2	33¼	⅛
34¾	23¾	LibertyBancorp/OK	8.3	141.6	32	...
34¾	23¾	LibertyBancorp/OK	14.8	158.0	28¾	⅛
29¾	18¾	MBNACorp/DE	15.9	418.7	29¼	⅛
14¾	10¾	MNC Financial/MD	10.1	122.4	14¾	⅛
18¾	12¾	MagnaGroup/MO	11.3	116.1	16¾	...
29	17¾	MarshallBancshs MO	13.6	154.5	29¼	⅛
25¾	19¾	MarshallBkNa/WI	13.9	194.3	23	⅛
40	30¾	MarylandFncl/Cp PA	9.6	157.8	38¾	⅛
50¾	38¼	MercantileBan MO	12.1	148.5	49¼	⅛
50¾	37¾	MercantileBan MO	12.1	148.5	49¼	⅛
62	44¾	MerchantsBancSP	13.9	183.8	55	⅛

52 Wk Hi	Lo		PE to bb	Mkt Cap.	Chg.	
35¾	24¾	MerchantBancorp PA	11.1	147.7	30¾	⅛
64¼	43½	MichiganNatCorp MI	NM	118.2	58¼	½
19¾	14½	MicAmericaN/I	14.0	132.9	18¾	⅛
23½	18	MidAm.Inc./OH	12.4	176.3	23½	⅛
24¾	13¾	MidlanticCorp/NJ	12.8	138.0	23¾	⅛
36¾	26¾	MountainwnBC	12.6	164.4	35	⅛
27¾	27¾	MutualBk/MA	36.8	NM	27¾	...
39¾	27¾	NBD Bancorp/MI	13.9	171.3	33	⅛
17¾	13¾	NBTBancorp/IN	14.3	125.7	16¾	⅛
31¾	24¾	NationalBcshs/TX	11.2	151.6	29¾	⅛
28¾	19¾	NationalPenn/PA	12.8	138.5	19½	-⅝
57¾	41¾	NationsBank/NC	9.3	149.7	49¾	⅛
57¾	43¾	NationsBank/NC	12.7	153.0	53	⅛
37	27¾	NatlCityBncshs IN	17.6	168.1	36¾	...
37¾	28¾	NatlCityBncshs IN	14.0	168.1	36¾	⅛
57¾	25¾	NatlCommunity/IN	22.4	238.2	53¾	⅛
13¾	9¾	NorthSideBk/OH	11.6	111.0	11¾	⅛
50¾	37¾	NorthernTrust/IL	14.7	238.2	41	⅛
28¼	17¾	NorwestCorp/MN	16.7	284.2	27¾	⅛
31¼	18	OhioBancorp/OH	NM	158.7	27¼	⅛
31¾	27	OldBancCorp/CA	11.0	172.4	32¾	⅛
35¾	28¾	OldKentBancp/MI	10.6	219.8	35¼	-⅛
35¾	28¾	OldKentBancp/MI	12.9	183.4	29¾	⅛
31¾	24¾	OneBancorp/OH	11.3	175.2	29½	⅛
30¾	24	PNC Bnk Corp/PA	11.3	175.2	29½	⅛
4¾	3¾	PacificNorcan/CA	11.2	110.7	4¼	⅛
85	61	ParkNatCorp/OH	14.8	270.7	75	...
34¾	31¾	PeoplesFncl/CT	14.8	167.0	35	⅛
35¾	24¾	PiedmontBk/NY	13.3	192.5	35¼	...
36¾	22	PrimeBancorp/LA	8.9	212.5	33	⅛
18¾	9¾	PremierBancorp/LA	4.7	153.7	15¾	...
23	14¾	PremierBancorp/LA	9.9	159.3	18	...
30¾	17¾	PremierBanc OH	11.3	161.3	28¼	⅛
10¾	9	PremierBancshs MO	15.6	78.9	10¾	⅛
13¾	7¾	RepublicBancorp MI	7.7	155.5	12¾	...
16¾	10¾	RepublicNtlCorp/KY	11.1	149.8	15½	⅛
11¾	6¾	RiggsNatCorp/DC	NM	88.4	6¾	⅛
31¾	18¾	SIBTBancorp/IN	11.7	201.6	30¾	⅛
17¾	12¾	SIBTBancorp/IN	12.6	168.2	14¼	⅛
22¾	14¼	SeacoastBanking/FL	17.4	158.1	14¼	⅛
14¾	10¾	SecondBancorp/OH	14.4	138.3	13¾	⅛
24¾	13¾	ShawmutNatCorp/MA	21.1	159.3	23¾	...
24¾	13¾	ShawmutNatCorp/MA	15.7	159.3	20	⅛
60¾	34¼	SignetBanking/VA	11.3	175.8	55¾	⅛
36¾	26¾	SouthCarFncl/SC	11.3	155.1	34	⅛
22¾	15¾	SouthTrustCp/AL	10.8	154.9	19¾	...
22¾	15¾	SouthernNatCp/LA	12.1	181.8	22¼	⅛
37	25¾	SouthwestNatCp/FA	11.2	141.5	33	...
37¾	25¾	Star Banc Corp OH	11.2	187.1	36¼	⅛
49	29¾	StateStBoston/MA	15.6	153.3	34½	⅛
11¾	9¾	SunBancorp/NJ	9.9	138.9	42¼	⅛
21	21	SuntrustBanc GA	7.4	79.3	30	...
21	21	SuntrustBanc GA	15.3	166.8	21¼	⅛
32¾	24	SuntrustBanks GA	12.6	166.8	45¼	⅛
32¾	24¾	SuntrustBanks GA	11.3	166.8	45¼	⅛
17¾	12¾	SuperiorBancorp/IL	17.4	266.9	17¾	⅛
31	21½	TempletonCmty/HI	12.2	223.0	31	...
22¾	12¾	TempletonCmty/HI	13.0	185.8	18	⅛
41¾	28¾	TrustCoBankCorp/NY	15.1	220.1	41	...
41¾	28¾	TrustCoBankCorp/NY	17.1	196.6	35¾	⅛
50¾	33¾	TrustmarkCorp/MS	11.3	152.2	47¾	⅛
15¾	11¾	U.S. Bancorp/OR	11.8	164.3	15¾	⅛
58¾	45¼	U.S.TrustCorp/NY	13.7	255.2	53	⅛
21¾	18¼	UMB Financial/MO	11.8	147.8	20¾	⅛
26	20¾	USBANCORP/PA	8.2	102.8	24¼	1
21	7¾	UST Corp/MA	NM	865.8	20¾	⅛
39¼	22¼	UnionBancCal/CA	9.6	89.6	27¼	⅛
30¾	21¾	UnionPlanters/TN	10.5	145.3	26	⅛
25¾	18	UnitedBkshs/WV	14.6	176.8	24½	⅛
23¾	18¼	UnitedCarolina/SC	15.8	140.8	23	⅛

52 Wk Hi	Lo		PE to bb	Mkt Cap.	Chg.	
89	72	UnitedCounties/NJ	8.1	124.9	85¾	⅛
40¾	36¼	UnitedMissouri/KS	11.8	130.2	38½	⅛
32½	17	UnitedNatBcp/Co NJ	12.7	143.1	32½	⅛
34¾	24¾	WaMutBancorp/WI	13.3	175.8	44½	⅛
28	18¾	WaterfedNatn/FL	13.3	267.0	25¾	⅛
27¾	20¾	WatsonBancorp/CT	27¾	20¾	WatsonCorp/NC	13.4	209.4	35¾	⅛
120	61¾	WellsFargo/CA	22.0	588.2	114¾	1½
32	21¼	WestBancorp/RI	15.2	170.9	30¾	⅛
27¾	19¾	WestCoastBcp/OR	11.2	108.1	26¾	⅛
27¾	11¼	WestFncl Svcs/CA	11.2	108.1	26¾	⅛
33½	20¾	WesternBancorp/CA	14.3	218.6	33½	-½
31¾	24¾	WilmingtonTrust/DE	11.2	151.6	30¾	⅛
31	24¾	WilmingtonTrust/DE	13.0	268.5	28	⅛
49¾	36¾	WisconsinEnergy/WI	14.0	2,009.2	49¾	⅛
49	27	ZionsBancorp/UT	11.2	199.2	40¾	⅛

Top 25 Thrifts

52 Wk Hi	Lo		PE to bb	Mkt Cap.	Chg.	
18¾	12¾	ALBANYFinancial/NY	10.1	104.0	17¾	⅛
21¼	13¾	AmFedBancorp/CA	NM	104.0	19¾	⅛
24¾	17¾	CalFedBancorp/CA	11.2	1,107.5	24¾	⅛
23¾	23¾	CharterFed/Inc GA	7.9	147.6	23¾	...
18¾	6¾	CoastSavingsFn CA	14.1	65.2	13¾	⅛
27¾	11¼	CommercialFed/NE	8.7	166.6	27¾	⅛
27¾	11¼	CommercialFed/NE	11.5	118.6	24¾	⅛
24¾	17¾	CrossLandFed/OK	10.1	73.4	20¾	⅛
22	11¾	DowneySavings/CA	6.7	105.1	21¾	⅛
15¾	7¾	FedFirst/Inc PA	9.3	180.9	15¾	⅛
34	17¾	FedNetMort/VT	10.1	74.0	32¼	⅛
32	30¼	GlendaleFed/CA	11.2	1,107.5	32	⅛
19¼	13	GreatWesternFn CA	248.2	1,104.2	17¾	⅛
26¾	18	HomeFed/CA	11.2	1,107.5	26¾	⅛
31¼	18¼	MetroFin/GA NM	9.9	139.5	16¾	⅛
31¼	18¼	NBB Bancorp/MA	10.6	112.2	30	⅛
32¾	22¾	NSBancorp/IL	8.6	113.0	31½	⅛
32¾	22¾	NSBancorp/IL/pp MO	8.6	113.0	31½	⅛
21¾	6¾	SoveregnBk/PA	11.2	1,107.5	21¾	⅛
28¼	19	StPaulBancorp/IL	9.2	113.9	27¼	⅛
17¾	11¾	StandardFed/MI	11.2	1,107.5	17¾	⅛
34¼	23¾	TCFFinancial/MN	9.4	145.7	32½	⅛
24¾	16¾	WashingtonFed/CO	11.2	1,107.5	24¾	⅛
29	22¾	WashingtonMut/WA	11.2	208.5	27¾	⅛
14¾	8¾	WorldSvgs/MI/CM	10.2	83.1	14¾	⅛

Bank Stock Table Explained: The table lists in alphabetical order daily composite stock prices at 4:30 p.m. (unless otherwise noted) for the 225 largest publicly traded banks and thrifts. The first and the 25 largest publicly traded thrifts as measured by the market value of their outstanding common stock. The 225 banks had a market value cutoff for banks of $149.04 mil. and for thrifts $244.20 mil. **52 Wk Hi** (or the moving 52-week high and low closing prices for the stock. **PE to bb** (price/earnings ratio) is the current stock price divided by the trailing four-quarter earnings per share as reported to the Federal Reserve Board. **Mkt Cap.** is the value used for comparison with more than four quarters of data. **Mkt. to bb:** the ratio of the current day's closing price to the stock's book value, expressed as a percentage. **Div:** the latest annualized or announced earnings and dividends. **Last:** The price at which the stock last traded. If no trades for the day, the bid price. **52 Bank and Thrift Index:** A weighted average of the top 225 banks in market value. **Bold face** in the Chg. column and the Index Net Change highlights show largest percentage increases in price and two-volume indicators; most shares traded and today's volume as a percentage of average shares traded daily over the past month.

Data sources: SNL SECURITIES, Charlottesville, Va. 804-977-1600, producer of the tables. Financial News Network, Re

STOCKS

Thrifts Buoyed by Takeover Talk And Stronger Performance Trend

By JAMES R. KRAUS

Thrift stocks are quietly staging a rally.

Fueled by improving performance and takeover speculation, thrift shares have climbed by about 8% over the past month, according to the *American Banker* index of 25 large thrifts.

During the same period, bank stocks rose by 2.5%, while the broader market, as measured by the Dow Jones industrial average, climbed by 2.2%.

And despite earnings setbacks by a few big thrifts in recent days, analysts think the ride isn't over yet for the sector.

Hopeful Signs

Among the reasons for optimism: On the whole, loan quality is improving, provisions are declining, and profit margins are growing.

Another key factor is the growing interest by banks in acquiring thrifts, both to increase market share and enter new regions.

"Banks, which long looked as if they'd never acquire a thrift, are looking at them as a more cost-effective way of acquiring a franchise in a given geographical area," says Jerome Baroo, vice president and senior financial services analyst at Josephthal, Lyon & Ross in New York.

Recent Acquisitions

Within the last two months, First Fidelity Bancorp has acquired Peoples Westchester Savings Bank in Hawthorne, N.Y., and Citizens Financial Corp. of Providence, R.I., has acquired the Boston Five Bancorp as well as a Connecticut thrift, New England Savings Group.

Further west, three of the best-performing thrifts have also been purchased.

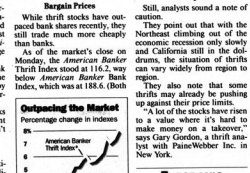
ABN Amro bought Cragin Financial Savings in Chicago. Fourth Financial Corp., the largest banking company in Kansas, acquired Great Southern Bancorp in Springfield, Mo.

And Huntington Bancshares of Columbus, Ohio, bought Railroadmen's Federal Savings and Loan Association in Indianapolis.

Bargain Prices

While thrift stocks have outpaced bank shares recently, they still trade much more cheaply than banks.

As of the market's close on Monday, the *American Banker* Thrift Index stood at 116.2, way below *American Banker* Bank Index, which was at 188.6. (Both sectors were indexed at 100 on Jan. 1, 1989.)



Indeed, thrifts have historically traded at a discount to banks because of the limited nature of their business.

"Thrifts sell at cheaper price-to-earnings ratio than banks, so banks view thrifts as a bargain," says Wayne Bopp, a thrift analyst in St. Louis with Stifel Nicolaus.

Among the thrifts his firm favors are MAF Bancorp in Clarendon Hills, Ill.; First Federal Capital Corp. in Lacrosse, Wis.; and Advantage Bancorp in Kenosha, Wis.

Josephthal Lyon recommends the $3.5 billion-asset Collective Bancorp, Egg Harbor, N.J.; the $11 billion-asset Firstfed Michigan in Detroit; and, on a turnaround basis, Greater New York Savings Bank.

Soft Spots

Still, analysts sound a note of caution.

They point out that with the Northeast climbing out of the economic recession only slowly and California still in the doldrums, the situation of thrifts can vary widely from region to region.

They also note that some thrifts may already be pushing up against their price limits.

"A lot of the stocks have risen to a value where it's hard to make money on a takeover," says Gary Gordon, a thrift analyst with PaineWebber Inc. in New York.

TUESDAY'S MARKET

Bank stocks were mixed at 4 p.m.

Among the losers was Chemical Banking Corp., which fell 50 cents, to $40.25. Comerica fell 75 cents, to $30, and First Bank System Inc. fell 50 cents, to $30.50.

Gainers included Fifth Third Bancorp, up 25 cents, to $53; and Crestar Financial, up 50 cents, to $41.625.

PNC gained 87.5 cents, to $29.50. Wachovia Corp. rose 75 cents, to $35.625.

Regional Differences

Raphael Soifer, an analyst with Brown Brothers, Harriman & Co. in New York, said investors were mainly favoring banks with prospects for bigger revenues.

"Banks in healthy regions are seeing loan growth, but you're not seeing much loan growth in New York, and what you're seeing in California is loan shrinkage," he said.

One of the negatives of Chemical, he added, is that the bank is heavily dependent on middle-market commercial and retail business in the New York metropolitan area, where the economy is still sluggish. □

UNDERWRITING

NationsBank Move Aimed At Corporate Customers

By DAVID SIEGEL

NationsBank Corp.'s entry into the securities underwriting business is the latest step in the bank's quest to raise its profile with corporate customers.

"We feel this will drive the value of the NationsBank relationship up in the eyes of our customers," said Robert Hollmeyer, chief operating officer of the company's securities subsidiary, NationsBanc Capital Markets.

The North Carolina-based superregional on Monday received approval from the Federal Reserve Board to underwrite corporate debt and equity through the subsidiary.

Expected to Wait on Equities

The bank can begin underwriting corporate debt immediately, but is not expected to underwrite equities for up to 18 months, pending a further review by the Fed.

Two other major U.S. banks have equity powers – Bankers Trust New York Corp. and J.P. Morgan & Co.

Full corporate debt underwriting powers were previously given to Bankers Trust, Chase Manhattan Corp., Chemical Banking Corp., Chicorp, and Morgan.

"Over time this may prove to be important to NationsBank because debt underwriting is a necessity for serving sophisticated corporations in a full capacity," said Diane Glossman, an analyst with Salomon Brothers.

Fifth in Corporate Loans

NationsBank is already a leader in the corporate loan business. It arranged syndicated loans totaling $42 billion for 41 corporate borrowers in the second quarter, ranking it fifth, according to Loan Pricing Corp.

The bank's new corporate debt underwriting business will not give an immediate lift to earnings from corporate banking, said Judah Kraushaar, analyst with Merrill Lynch & Co. But, taken together with the bank's pending purchase of derivatives powerhouse Chicago Research and Trading Group, NationsBank will be able to offer significant new products for its corporate clients, he said.

"If they can carefully manage the business, they may well be on to something in terms of sizable future incremental earnings," Mr. Kraushaar said.

Mr. Hollmeyer said the bank has no firm underwriting assignments at this point.

NationsBanc Capital Markets increased its capital by $90 million to $150 million at the end of last year, to support its plans for securities underwriting as well as other activities, said Mr. Hollmeyer.

Five foreign banks have full corporate debt and equity securities underwriting powers, and another has full debt powers. □

1st Interstate, UJB Debt Upgraded

Declining bad loans at First Interstate Bancorp and UJB Financial Corp. earned them rating upgrades from Moody's Investors Service.

First Interstate's long-term debt was upgraded a notch, to A3 from Baa1. The bank's other debt instruments were upgraded as well. In all, $7 billion worth of securities were affected.

The ratings company said the upgrades reflect the bank's "substantial progress" in improving its asset quality, despite economic weakness in some markets.

UJB's shelf registration for senior debt was upgraded to Baa2 from Baa3. The change follows improvements in reserve coverage, the result of a decline in new nonperforming loans, extensive chargeoffs, and provisioning against real estate and commercial loans over the past three years. — Richard Layne

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8:00 - 9:00 **CONTINENTAL BREAKFAST**

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9:00 - 9:15 **CONFERENCE CHAIR**

Debra McGinty-Poteet
Senior Vice President & Director
Bank of America

9:15 - 9:45 **"THE ROLE BANKS ARE PLAYING IN THE MUTUAL FUND EXPLOSION"**

A. Michael Lipper
President
Lipper Analytical Services

9:45 - 10:45 **"HOW BANKS CAN BUILD A PROFITABLE MUTUAL FUND BUSINESS"**

PROPRIETARY
Paul Klug
Vice President
Vista Capital Management

NON-PROPRIETARY
J. Edward Diamond
Senior Vice President
Dime Savings Bank

10:45 - 11:00 **COFFEE BREAK**

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11:00 - 11:30 **"BANKS & MUTUAL FUNDS: RISKS & OPPORTUNITIES"**

Matthew P. Fink
President
Investment Company Institute

11:30 - 1:00 **LUNCHEON**

1:00 - 2:30 **"YOUR FUNDS OR MINE: THE ADVANTAGES & DISADVANTAGES OF STARTING YOUR OWN FUND, WORKING WITH A THIRD PARTY PROVIDER OR ENTERING INTO A PRIVATE LABEL ARRANGEMENT"**

MODERATOR:
Joy P. Montgomery
Pysident
Money Marketing Initiatives

W. Christopher Maxwell
Executive Vice President
KeyTrust

Mark Mitchell
Senior Vice President
First Federal Bank

Harley Sefton
Vice Chairman
San Diego Trust & Saving Bank

C. McNeill Baker, Jr.
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Barnett Banks Trust Company

2:30 - 2:45 **COFFEE BREAK**

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2:45 - 3:15 **"TAKING THE PLUNGE: WHAT DO CUSTOMERS WANT? A LOOK AT CUSTOMER ATTITUDES"**

Marcia Selz
President & CEO
Marketing Matrix

DAY ONE

3:15 - 4:15 **"BUILDING A MUTUAL FUND BUSINESS: MARKETING TO YOUR CUSTOMER BASE: CROSS SELLING OPPORTUNITIES"**

MODERATOR:
Debra Cope
Investment Product Editor
American Banker

Eugene Purcell
Vice President
Branch Banking & Trust

Richard Davies
President
First Chicago Investment Services, Inc.

4:15 - 5:00 **"AND THE WALLS COME TUMBLING DOWN: A LOOK AT WHAT STATE/NATIONAL BANKS & STATE/FEDERAL THRIFTS CAN & CANNOT DO"**

MODERATOR:
Melanie Fein
Partner
Arnold & Porter

Laurie Schaffer
Senior Attorney
Federal Reserve Board

Thomas Harman
Chief Counsel
Division of Investment Management,
Securities & Exchange Commission

5:00 **COCKTAIL RECEPTION**

DAY TWO

8:00 - 9:00 **REGISTRATION**

8:00 - 9:00 **CONTINENTAL BREAKFAST**

Sponsored by:
PNC FINANCIAL SERVICES GROUP

9:00 - 9:30 **"MUTUAL FUND VS DEPOSITS: THE IMPACT ON THE BANKING INDUSTRY"**

Lawrence Kudlow
Chief Economist
Bear Stearns & Co.

9:30 - 10:30 **"PRICING THE PRODUCT: THE LOAD, NO LOAD QUESTION"**

MODERATOR:
Fred Werblow
Partner
Price Waterhouse

Marc Lieberman
Director
Mutual Funds
First Union Corporation

Peter Herlihy
Vice President
Fleet Investment Services

10:30 - 11:00 **"MANAGING COMPLIANCE IN AN AGGRESSIVE SALES ENVIRONMENT"**

Rainey Gray
Senior Vice President
Boatmen's National Bank

11:00 - 11:45 **"BANKS & MUTUAL FUNDS: THE NEXT GENERATION"**

L. William Seidman
Chairman of the Board
CostMac
Former Chairman
Federal Deposit Insurance Corporation

11:45 **CONFERENCE ADJOURNS**

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AMERICAN BANKER

VOL. CLVIII NO. 144 | Thursday, July 29, 1993 | 158th year

Nordstrom Deal With Visa Marks End of an Era

By JEFFREY KUTLER

Nordstrom Inc. buried a hatchet last week by announcing it will issue Visa cards.

For more than a decade, Nordstrom had been one of the retailing industry's harshest critics of bank credit cards. Although there was never any love lost between the merchants and bankers who compete for consumer credit, Nordstrom was especially militant. Its objections to Visa's pricing escalated into a lawsuit 10 years ago.

Changes in Visa policies led Nordstrom to withdraw that suit, and the trendy Seattle-based retailer has since been accepting MasterCard and Visa cards without incident. But the legal battle left an aftertaste — perhaps as strong among other merchandisers as within Nordstrom itself.

NEWS ANALYSIS

Retailers may still harbor suspicions about bankers, who have been tough — in some merchants' eyes, unfair — counselors for the credit card dollar.

But the bitter Nordstrom chapter, it is over. The company plans to begin issuing Visa cards next spring. Both Nordstrom and Visa are declaring an era of good feeling.

More Competitive Pricing

"Times have changed," said John Walgamott, president of Nordstrom National Credit Bank in Englewood, Colo., which will issue the cards. "They [Visa] have got a good franchise, and pricing is much more competitive" than it was when Nordstrom sued to protest Visa's one-price policy for both credit and debit transactions.

Retailers argued then that the fee banks charged to process a credit card payment should be greater than that to process a debit item. The latter worked like a check, which costs nothing to clear.

None of Their Business

Visa, which at the time did not require that debit cards look different from credit cards, said a store had no business knowing whether a transaction was one or the other. It was a private matter of customer choice.

"There was a time when one pricing scheme fit all," said H. Robert Heller, president of Visa U.S.A. "As we have become more sophisticated, with the ability to differentiate between types of cards and transactions from a product and technical

See **NORDSTROM** *page* **14**

INSIDE NEWS

REGIONAL BANKING

FLEET FINANCIAL Group is embarking on a seven-month, comprehensive review of costs throughout its banking operations in the Northeast. *Page 5*

JOE IRWIN's decision to have PNC Bank join the Federal Home Loan Bank System brings new visibility to an arrangement that is gaining popularity. *Page 6*

COMMUNITY BANKING

TENNESSEE's small banks had plenty of reasons to fret a couple of years ago, but the state's economy has proved resilient. *Page 8*

COMPLIANCE

THE BOARD's role must be redefined to help it recognize an oncoming crisis and take appropriate action, writes Roberta J. Wagner. *Page 13*

MORTGAGES

A DECLINE in the Federal Housing Administration's home-loan business may pose a threat to the financial strength of its insurance fund. *Page 15*

SPECIAL REPORT



AFTER YEARS of focusing on asset growth, foreign banks are turning their sights to profitability. A special report on international banking. *Page 1A*

RANKING of the world's 500 largest banks. *Page 8A*

TECHNOLOGY

SIGNET's profit system is coming on the market. *Page 3*

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Norwest Defends Rich Price It's Paying for First United

By JOHN RACINE

Norwest Corp.'s decision to pay almost twice book value for First United Bank Group, a collection of banks in New Mexico and West Texas, was greeted with some concern by the stock market, but executives of the Minneapolis-based banking company defended the deal.

"It's a fair price for both parties and certainly within our own guidelines," Norwest president Richard M. Kovacevich said of the decision to pay $495 million in stock for First United.

The deal, one of the largest negotiated this year, was announced after the market closed on Tuesday. The company's stock fell $1 to $26.25 a share Wednesday. Shares of First United, which is controlled by the Ford Bank Group of Lubbock, Tex., lost 25 cents to $27.25.

Formed in March

First United, which has $3.8 billion of assets and 79 branches in New Mexico and Texas, was formed March 25 when United New Mexico Financial Corp. and the Ford group merged. The bank earned $15.9 million on a pro-forma basis in the first six months of 1993.

The purchase, which is expected to be completed in the first quarter of 1994, will include $400 million of assets that First United expects to acquire later this year. The purchase price

See **NORWEST** *page* **5**

Citi Pitches Mutual Funds To Its Card Customers

By DEIDRE SULLIVAN
Special to the American Banker

In an aggressive bid to expand in mutual funds, Citicorp is enclosing promotional materials in mailings to credit card customers.

Along with their monthly bills, selected MasterCard and Visa holders are getting brochures from Citicorp Investments Services.

While some other banks have tried to boost sales by marketing a range of products to credit card customers, none has access to a list as big as Citicorp's industry-leading 20 million accounts.

Cross-Selling Trend

The marketing of mutual funds to customers is a new phenomenon, but it is in keeping with the trend toward cross-selling.

"Banks are always looking for ways to solidify and expand their relationship with customers," said Robert Skolnick, executive vice president at BAI Mail Monitor, a Tarrytown, N.Y., company that tracks credit card and direct mail solicitations.

His firm has not yet begun monitoring the mutual fund-related mailings consistently. But Mr. Skolnick said he has noticed an increase in the activity.

The Citicorp Investments brochure appeals to investors' dissatisfaction with the current

See **CITICORP** *page* **16**

Mich. National Seeks President, Not Buyer

By STEVE KLINKERMAN

Michigan National Corp. has decided to search for a new president and steer an independent course, the company's top executive said.

Robert J. Mylod, chairman and chief executive of the struggling company, which has $10.5 billion of assets, said in an interview that he and the board decided to look outside the company for a president, who will also be chief operating officer of Michigan National.

The president's post has been vacant since 1990.

Mr. Mylod, 53, said he and the board jointly decided it was time to fill the president's post, explaining that growing managerial demands made it "inappropriate" for him to continue alone.

'I'm Still the CEO'

At the same time, Mr. Mylod emphasized he is not contemplating leaving his post.



Pat Beck/Detroit Free Press

Robert J. Mylod
Sees 'a bright future'

"I'm still the CEO, and Michigan National has a bright future," he said.

Michigan National's second-quarter net income plunged 16% over the year-earlier period to $16.15 million, for a 0.62% return on assets. In this year's first quarter, the company lost $44.8 million.

The company's recent problems included heavy refinancing activity that required it to accelerate amortization of its servicing portfolio.

Michigan National's board has given lengthy consideration to seeking a buyer, but recently rejected that option, Mr. Mylod said.

'A Course of Independence'

"We decided to steer a course of independence," the executive said. "[The board] wanted to get that issue clear in our heads before seeking a president."

Analysts expressed support for the stance, saying it does not make sense to sell the Farmington Hills-based company in its current state of disrepair.

However, most believe the company is stalling for time. They foresee a slow turnaround for Michigan National, predict-

See **MICHIGAN** *page* **5**

NEWS *briefs*

Ford's Thrift Unit Posts $18 Million Loss

SAN FRANCISCO. — First Nationwide Financial Corp., Ford Motor Co.'s thrift subsidiary, reported an $18 million loss for its second quarter on Tuesday. In the year-earlier quarter, it had a deficit of $7 million.

In the first six months of 1993, the San Francisco-based thrift company lost $35 million.

First Nationwide, which has $17.3 billion of assets, said its most recent deficit resulted from writedowns on real estate development loans and losses on mortgage derivative securities purchased as interest rate hedges.

The company said its main operating unit, First Nationwide Bank, earned $16 million in the second quarter thanks to sharply lower operating costs and the transfer of some nonperforming assets to the holding company.

House Action on S&L Bailout Delayed

WASHINGTON — The House Democratic leadership has delayed action on funding for failed savings and loans, a sign that the votes needed to pass the $43.3 billion measure had not been found.

Though some congressional sources said the measure could come up at any time, others said prospects appear dismal. "I don't think we'll get to it before the August recess," said one key Republican lawmaker, Rep. Richard Baker of Louisiana.

Rep. Jim Leach of Iowa, the ranking Republican on the House Banking Committee, said a House-passed appropriation providing money for the infant Savings Association Insurance Fund could end up being the only funding available for failed thrifts this year. If so, he said, House and Senate negotiators could rewrite the measure to permit the Resolution Trust Corp. to also use the funds.

The House Rules Committee, an arm of the House leadership, took up the bill Tuesday but broke off without issuing a rule for bringing the bill to the floor.

Morgan Arranges $100 Million Chile Loan

NEW YORK — J.P. Morgan & Co. announced Wednesday that it has arranged a $100 million, three-year senior financing for Banco del Estado de Chile.

The loan represents the first foreign-currency borrowing by a Chilean government agency in more than 10 years and will be used for trade finance.

The government-owned Banco del Estado is Chile's largest bank, with 207 branches and $5.4 billion in assets at yearend.

Morgan is acting as arranger and agent for the loan.

NationsBank Raises Its Dividend by 5%

CHARLOTTE, N.C. — NationsBank Corp. increased the dividend of its common stock by 5%.

The quarterly dividend will be 42 cents a share, up from 40 cents. It is payable Sept. 24 to shareholders of record Sept. 3.

PNC Wins 'Strong Buy' Rating from Kemper

NEW YORK — Kemper Securities Inc. analyst Thomas Maier upgraded PNC Bank Corp. to "strong buy" from "market term buy," citing strong earnings momentum.

The analyst, who picked up coverage of PNC for Kemper recently, also raised his 1993 earnings estimate to $3.25 a share, from $3.10, and his 1994 estimate to $2.90 a share, from $2.75. In 1992, PNC earned $2.36 a share before nonrecurring charges related to changes in accounting standards.

Mr. Maier also noted that PNC's annual dividend of $1.14 a share is yielding 3.9%.

M2 Remains Useful, Fed's Mullins Says

NEW YORK — The M2 monetary aggregate, though deemphasized in the Federal Reserve Board's policy decisions, continues to be a useful tool in tracking the economy, Vice Chairman David Mullins said.

The Fed recognizes that investors are putting money into stock and bond funds but is not ready to create a new aggregate that would include the money now funneled into funds, Mr. Mullins said.

"In my opinion, we are not at the stage of annointing a successor to M2," he said in remarks at a swaps association meeting.

Mellon to Ban Smoking in All Its Offices

PITTSBURGH — Mellon Bank Corp. said it will institute a smoke-free workplace policy effective Jan. 1. The company said smoking will be prohibited at all of its facilities throughout North America and overseas.

Citing "the dangers of passive tobacco smoke as well as the expressed desire of a majority of Mellon associates for a clean-air work environment," D. Michael Roark, executive vice president and director of human resources for the company, said Mellon will assist smokers in adjusting to the new policy.

The company is working with the American Cancer Society to design smoking cessation-modification programs, he said.

The briefs were compiled from staff and wire reports.

HSBC Rises Most as Mergers Shift Rankings of World's Biggest Banks

By JAMES R. KRAUS

Mergers shuffled the rankings of the world's largest banks last year.

The biggest gainer: London-based HSBC Holdings PLC, which climbed 14 notches to 17th place, according to the *American Banker*'s annual survey of the 100 largest banks by assets. (Tables begin on page 8A).

Last July, HSBC acquired the $111 billion-asset Midland Bank PLC in London, then the world's 47th-largest banking company.

That boosted HSBC's assets to $258.1 billion at the end of last year, from $160.3 billion a year earlier.

BankAmerica Makes Strides

The No. 2 gainer was BankAmerica Corp., San Francisco, which moved up 13 places to rank as the world's 32d-biggest bank.

BankAmerica acquired $76 billion-asset Security Pacific Corp., Los Angeles, the world's 72d-largest banking company in April 1992, boosting its total assets to $179.4 billion, up from $114 billion at yearend 1991.

Banca di Roma was the No. 3 gainer, moving to 55th place after a merger with $61 billion-asset Banco di Santo Spirito in August 1992 boosted its total assets to $102 billion from $69.5 billion.

How U.S. Banks Rank Worldwide

World asset rank		Total assets (2-31-93) (billions)
30	Citibank	$162.0
32	Bank of America	132.2
47	Chemical Bank	107.6
66	Morgan Guaranty Trust Co.	75.7
73	Chase Manhattan Bank	73.8
91	Bankers Trust Co.	55.5
97	Wells Fargo Bank	50.7
130	Home Savings of America	47.6
132	Great Western Bank	36.6
137	Bank of New York	35.9

The survey also found that several banks slumped significantly in the ranks, especially banks in Sweden, Norway, Denmark, Italy, and France, after their assets fell sharply.

Exchange Rate Woes

The drop stemmed mainly from exchange rate fluctuations that drove down the value of their currencies against the dollar and from writeoffs on bad lending.

Among the top losers were 82d-ranked Skandinaviska Enskilda Banken, Stockholm, which slid 11 notches.

Scandinaviska's assets fell to $68.4 billion from $81.1 billion in 1991 after the Swedish krona fell 21.7% against the dollar and the bank had writeoffs resulting from the Swedish economic crisis.

Credito Italiano, Milan, fell six notches to 74th place, after its assets fell to $72.3 billion from $84.0 billion, largely because of a 22% fall in the Italian lira against the dollar. Assets in liras actually rose 7%.

Changing Capital Positions

Rankings in the survey also show significant improvements as well as deteriorations in capital ratios.

The bank that most improved its risked-based capital ratios was 75th ranked Bankers Trust New York Corp. It boosted its ratio 2.75% to 13.65% in 1992 from 10.90% in 1991.

Chemical Banking Corp., New York, the world's 39th-biggest bank, raised its capital ratio 2.41% to 11.54% at yearend from 9.13% in 1991. Citicorp, New York, rated No. 26, improved 2.14% to 9.50% from 7.46%.

J.P. Morgan & Co., Chuo Trust, Tokyo and Yasuda Trust also significantly improved their capital ratios.

European banks were hardest hit by weakening capital ratios, according to the survey. □

Flake Sees His Plan Speeding Loans to Poor

By ROBERT M. GARSON

WASHINGTON — Rep. Floyd Flake, D-N.Y., praised President Clinton for having "brought us to the table" of community development, but said his own bill would make more credit available more quickly to low-income communities.

Rep. Flake and Rep. Jim Leach, R-Iowa, last week introduced legislation that would fund community development banks but also provide financial incentives to commercial banks that lend to distressed communities.

Part of the money would be used to fund the Bank Enterprise Act, a law that gives banks a rebate on deposit insurance premiums for certain types of lending activities.

Bonus for Good Grades

The bill would mandate performance-based standards for the Community Reinvestment Act, and give banks with a three-year record of outstanding ratings on CRA a "safe harbor" on CRA challenges.

"We are trying to solve the problems of the Third World nation within our own borders," said Rep. Flake.

He said his bill complements the President's approach, but the bill differs in major respects from the White House bill. The White House proposal would not permit financial incentives for most commercial banks, thrifts, or credit unions, and it puts off CRA issues.

"The goal of this is to make the President look as good as possible," said Rep. Leach. □

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

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Signet's Profit Software Gets Marketing Push

By BARTON CROCKETT

Signet Banking Corp. of Richmond, Va., has begun using new profitability software that is now being made available to other institutions.

The new software, called Insight, is being marketed by Software Alliance Corp. of Berkeley, Calif., and Milwaukee-based Marshall & Ilsley Corp. It uses a technology called relational data base management that helps bankers better understand how and where they make their money.

"This type of software is absolutely critical for banks," said Lawrence A. Willis, executive vice president of First Manhattan Consulting Group in New York.

Custom Designed

Signet began using Insight, which runs on a mainframe computer, in November. The software was designed to Signet's specifications by Software Alliance and Marshall & Ilsley in partnership with Electronic Data Systems Corp., of Plano, Tex.

EDS runs Signet's computers as part of a 10-year outsourcing contract signed in 1991, using a number of other Marshall & Ilsley software packages to manage the bank's core computing chores.

Insight takes transaction and account information from deposit, lending, and corporate account systems and stores it in a relational data base management system from International Business Machines Corp. called DB2.

Signet uses Insight to analyze the information in the data base, and to figure out such things as the profitability of various bank customers, products, or lines of business.

Used in Marketing

Signet also uses the software to help with marketing campaigns, by tracking how they affect customer behavior.

Vendors have been responding with a series of new products to meet this need. The vendors include: Hogan Systems Inc. Dallas; Newtrend, Orlando, Fla.; Interactive Planning Systems Inc., Atalanta; Micro/Resources Inc., Costa Madeira, Calif.; Treasury Services Corp., Santa Monica, Calif.; and Sendero Corp., Scottdale, Ariz.

David Fassler, Software Alliance's chief technology officer, said that banks can license Insight for between $300,000 and $500,000. □

First Financial To Buy Installer Of Store Branches

By JEANNE IIDA

First Financial Management Corp. has agreed to acquire IBT, an Atlanta-based company that specializes in installing bank branches in supermarkets.

The privately-held IBT, which stands for International Banking Technologies, had revenues in 1992 of $20 million. It has installed about 600 in-store bank branches – one-third of all in-store branches – in 34 states.

First Financial, a computer services company with 1992 revenues of $1.5 billion, has been expanding rapidly.

Sold a Bank In Past Year

In the last 12 months, First Financial, also Atlanta-based, sold a thrift subsidiary and an outsourcing unit to concentrate on marketing information services.

First Financial said it will pay one million unregistered common shares in IBT. Subject to regulatory approval, the deal is expected to close in 30 to 45 days.

Founded in 1985, IBT built on its consulting work by forming a trade group, the In-Store Bankers Alliance. It also tracked the growth of supermarket branching. The facilities have grown more than eightfold since 1985, and 28% since midyear 1992, to 1,749 as of June 30.

Retree into Supermarkets

A spokesman for First Financial said IBT could give its other businessmen an entree into supermarkets.

First Financial also owns Nabanco, a merchant credit card processor; Microbilt, which builds systems for use in credit card authorizations; and Telecheck, a check guarantee company.

First Financial is developing an integrated product offering that includes processing and handling of credit cards, debit cards, and checks, as well as coupon fulfillment programs for food stores, the company said.

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With Clinton's appointees promising to turn up the heat on regulatory compliance, bankers can't afford to rely on monthly guides or word of mouth to determine what examiners will do next. That's why you need *Regulatory Compliance Watch*, from American Banker's newsletter division, to get every Monday the data you need to face the regulators.

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Opinion

Comment

By Marilyn R. Seymann and Steve Williams

Bank Structures Blur The Responsibility for Risk

In April 1979, Paul Harvey told a story on his radio broadcast about a woman in Jackson, Miss., who was having all kinds of trouble driving to and from work.

She said it used to be easy. No traffic, no rat race.

But now – wow! Cars coming from all directions!

Ever since she got her new glasses.

Risk Is Not a Bad Word

If a better glimpse of reality doesn't change circumstances, at least it should change our awareness.

Our world is undergoing an incredible transformation. Because of rapid technological advances, opening of global markets, and the banking industry are in bankers' misguided belief that risk management is achieved through regulatory compliance and rigid control systems within their organizations.

Change Needed

The banking industry's future is plagued by two major problems: a burdensome, rigid, and outdated regulatory structure and a need to dramatically improve the ability to take risk.

Bankers must accept responsibility for changing and improving their industry. If they want more freedom, deregulation, and the ability to take risk on their own terms, they must prove that they have increased their understanding of risk.

Additionally, they must demonstrate that they will accept more responsibility and take greater "ownership" of the risks they choose in a less controlled environment.

Maximizing Returns

Bankers must revolutionize their philosophy of risk management.

In the world of financial services, the ultimate is not to categorically reduce risk, to minimize risk, and certainly not to eliminate risk. Bankers are here to maximize risk-adjusted returns — to move in those areas where it will be best utilized on a risk-adjusted basis.

They must remember that taking risk is not the same thing as intelligent risks, educated risks, active risks – they use knowledge and creativity to stack the deck in their favor.

Process Has Been Fragmented

And when bankers take risks correctly, they have the power to create wealth. Winning this way does not require that someone else lose.

Why do banks seem to continually lose the battle with risk? The answer lies in the fact that the banking industry, among others, has disaggregated the fundamental process of risk taking, weakening the ability to manage risk.

Think how basic the process really is:

Banks invest capital that generates a return on the investment sufficient to compensate for the risk involved in the transaction.

To an individual, this algorithm is fairly straightforward. But in a bank, the interdependent components of taking a risk and return have been fragmented all over the organization.

Because of this organizational design, banks do not force the balancing of risk and return strongly enough for these business units and individuals.

Wrong Focus

Banks push their loan officers to generate volume – and ask them only parenthetically to keep an eye on risk.

Loan officers are not told to go out and maximize risk-adjusted equity returns. But that is just what they should be told.

Bank portfolio managers may make investment decisions, but usually these investments get quickly dumped into a balance-sheet melting pot, with the true consequences of this risk-return decision never to be known.

The problem is actually very simple:

• The fundamental mission of a financial organization is balancing – balancing risk and return, deploying capital to appropriately balanced transactions.

But when this process is fragmented so the balancing dynamics cannot be tracked and bankers can't learn from the outcomes of past decisions – cannot assign "ownership" to the risk-adjusted return – the industry is consigned to a future of flawed risk taking.

People, Not Rules

How can the banking industry improve its risk-management capabilities?

• Rely on the knowledge and the "ownership" of the risk managers, not on rigid rules and controls.

• Create an environment that encourages and requires constant learning. Only in such an environment can risk-management organizations increase their knowledge.

• Increase risk managers' "ownership" of risk by aligning the goals of individuals with those of the organization. Actual "co-ownership" of the risk and return is the optimal approach.

• Encourage candid debate in risk-management organizations.

• Do not allow badly performing risk managers to survive in the organization – and conversely, let top-performing risk managers gain influence.

• Live by the process; that is the only way to understand its complexity. Risk management is a never-ending process that allows the organization to learn, change, and improve its ability to survive. □



Marilyn Seymann



Steve Williams

• Use risk-adjusted return on capital as the common risk-measurement and analytical tool throughout the organization.

Plan Ahead

Finally, develop a formal risk-management plan that recognizes the complexity of the banking enterprise.

Unfortunately, high bank executives usually augment their institutions' strategic plans with financial plans, marketing plans – sometimes even information systems plans – only rarely are formal risk-management plans prepared.

It will be very difficult for the banking industry to effect worthwhile changes in its risk-management cultures without such plans.

Taking Responsibility

Our lawmakers must enact a long-term plan to create a more open, market-driven financial system.

The movement of capital cannot rest on the practice of regulatory arbitrage. Technical, global markets, and value-driven consumers will make it impractical to segregate the American financial system into simple, convenient pieces that never touch.

The financial system of the future should stress the two key principals of enterprise: knowledge and ownership. Bankers must focus on these principles as they build their risk-management organizations.

It comes down to creating cultures in which bankers, having developed the instincts of successful entrepreneurs, act more as if the money entrusted to them were their own. □

Reader Forum

The American Banker welcomes points of view on issues of interest and importance to the banking industry. Please direct letters to Jeffrey Kutler, assistant managing editor, *American Banker*, One State Street Plaza, New York, N.Y. 10004.

BANKERS MUST *accept more "ownership" of the risks they choose. The object is not to eliminate risk but to maximize risk-adjusted returns.*

Marilyn Seymann is president and Steve Williams is vice president of M One Anetbase Services Inc., Phoenix, a consultant to banks.

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REGIONAL BANKING

Norwest Defends the Price It's Paying for First United

Continued from *page 1*

equals about 1.9 times the mid-year book value of First United, analysts said.

Mr. Kovacevich, whose profitable company has been on an acquisition spree for two years, said Norwest will continue to look selectively for purchases in New Mexico and Texas.

Norwest, the nation's 14th largest bank company with $47.8 billion of assets, has outposts in 15 states, including recent expansions into Arizona, Colorado, and California.

Analysts said they have few arguments with Norwest's acquisition strategy but are somewhat disappointed with its willingness to pay such high prices.

Bankers in the Southwest said they understood that several banks, including Banc One Corp., competed for First United. A Banc One spokesman was not available for comment.

Long-Term Investment

Kenneth Puglisi, an analyst at Chicago Corp. who reduced

The stock market greeted the deal with some concern.

Norwest's stock to "hold" from "buy" shortly before the deal was announced, said the company's sterling credit quality and revenue potential has been fully valued by the market. But he recommends Norwest only for investors with long-term horizons.

"I continue to think it's one of the best-run banks in the country," Mr. Puglisi said. "It's a safe-deposit-box stock. Put it away and you'll do just fine."

Norwest said the acquisition will be slightly dilutive to earnings in the first year of operations and begin to add to earnings per share beginning in the second year.

"It's not a home run," said Sandra J. Flannigan, an analyst at Merrill ynch & Co., "but it recently has been trading at a modest 15% premium over book value. In late trading Wednesday, its shares rose $1.625 to $59.875.

Mr. Mylod said the search for a president began in earnest about a week ago. He noted that the new executive's arrival will allow him to devote fuller attention to corporate strategy.

To Promote Bank's Strengths

He said he will try to promote Michigan National's strengths in middle-market commercial lending and consumer banking.

But Mr. Cummings, the analyst, said it might take until 1995 for Mr. Mylod to deliver a benchmark 1% return on assets and 15% return on equity.

Michigan National's return on assets for 1992 was 0.56% ROA, well below the average of 1.09% for 28 Midwest regional banking companies tracked by Keefe, Bruyette & Woods Inc. □



Richard M. Kovacevich
"Within our own guidelines"

Michigan National Looking for President

Continued from *page 1*

ing it eventually will be acquired.

Problem Assets Linger

"Longer-term, it is difficult to picture Michigan National as a survivor in the banking industry consolidation, especially in the context of a slow-growth economy," said Fred Cummings, a banking analyst with McDonald &Co. in Cleveland.

A Modest Premium

Though credit quality has improved at the company, problem assets still equaled an unwieldy 4.15% of gross loans at midyear.

The banking company's stock

The struggling company has decided to steer an independent course.

Fleet Reviewing Operations In the Northeast to Cut Costs

By YVETTE D. KANTROW

Fleet Financial Group said Wednesday that it is embarking on a seven-month, comprehensive review of costs throughout its banking operations in the Northeast.

The program, dubbed Fleet Focus 1994, will ultimately result in staff reductions and other cost-cutting measures, said the Providence, R.I.-based banking company.

The "reengineering" is designed to meet chairman Terrence L. Murray's goal of reducing Fleet's efficiency ratio from 67% – that is, 67 cents of expenses for each $1 of revenue – to under 60% within two years.

Kudos from Wall Street

Analysts applauded Fleet's decision to go public with its plan.

"They have really put their feet to the fire," said Michael Mayo, an analyst at UBS Securities, New York. "The entire investment community will be watching them, and that's good."

Eugene M. McQuade, Fleet's chief financial officer, said in an interview that Fleet hopes to add $25 million to $150 million of annual profits as a result of the program.

Fleet is also sending a clear, though risky, message to its employees in unveiling the plan. Officials said they have not established a work force reduction goal but know that the program could create low morale and fear.

Finessing the Work Force

But management said it hopes to persuade employees that the easier lies in getting their own hands. Fleet is asking all employees to work toward the goal of improving their units' profitability by 50%, Mr. McQuade said.

"We are asking them not just to fine-tune their jobs but to redefine them," he said.

The company said Fleet Focus is an outgrowth of that reorganization.

The program, designed in consultation with Tandon Capital Associates, a New York-based bank advisory firm, will be administered by 50 employees companywide.

Fleet said they were chosen from 250 of the bank's "top performers."

The group will meet over the next few months with 150 business units to discern ways to trim expenses.

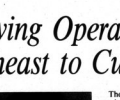
Aiming for March

After a seven-month review period, the group will make its recommendations to Mr. Murray, Mr. McQuade, and the vice chairmen – Robert Higgins, H. Jay Sarles, and Michael Zucchini.

Fleet hopes to put the recommendations into effect by March.

Some analysts praised Fleet's measured approach to layoffs as more effective than a massive slash-and-burn technique.

"Other banks have run into problems in the past when they have cut costs too hastily," said Gerard Cassidy, an analyst with Hancock Institutional Equity Services. "Those banks run the risk of adversely impacting their customer base." □



Eugene M. McQuade
Aiming to boost profits

Fleet, the nation's 14th-largest banking company, has long been plagued by high costs. The New England-based company, which has $48 billion of assets, operates seven banks in six northeastern states and several finance units and fee-producing subsidiaries.

Power Centralized

In March, Fleet took steps to centralize an unwieldy organizational structure that had been blamed for problems in some of its units.

The bank reduced many management responsibilities of its seven bank presidents, centralizing power in the hands of three new vice chairmen in Providence.

Get MOHR information about profitable banking in the 90's

Two years ago, breakthrough research by MOHR Development, the recognized leader in sales, service and leadership training for banks, defined five key issues for profitable consumer banking in the '90s. Now follow-up research – conducted jointly with the *ABA Banking Journal* – examines consumer banking's progress in addressing those issues, including:

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MOHR Development's all-new report highlights critical gaps between the industry's acknowledged priorities and its actual practices. It also draws important conclusions about how to close these gaps, and points the way to more profitable banking.

For a free copy of *Sales, Service and Leadership in Banking: The Gap Between Vision and Reality*, call **1-800-222-1349**.

MOHR Development
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1st Tennessee Buying In-State Bank

MEMPHIS — First Tennessee National Corp. and Cleveland Bank and Trust Co. of Cleveland, Tenn., announced Wednesday a definitive agreement by which First Tennessee will buy Cleveland Bank.

Cleveland Bank and Trust has $225 million of total assets, $198 million in total deposits, and $22.2 million in capital. First Tennessee reported total assets of $9 billion and shareholders' equity of $635.3 million at June 30.

Subject to Approval

In trading late Wednesday afternoon, First Tennessee shares were up $1, to $42.50.

The agreement is subject to approval by regulators and Cleveland Bank's shareholders.

Based on a price of $40 per share for First Tennessee's common stock, Cleveland Bank shareholders would receive 10.95 shares of the buyer's common stock for each share of their stock.

First Tennessee will pay out about 1.1 million shares of its common stock, subject to adjustments for increases or reductions in the price of its common.

Retaining Name and Charter

Cleveland Bank will retain its charter and name and will continue to be managed by its current officers and directors.

"We're very pleased to welcome the customers and employees of Cleveland Bank and Trust to the First Tennessee group of companies," said Ronald Terry, First Tennessee's chairman.

"Our goal is to go beyond what our customers expect in order to provide the highest level of service available from any bank. Our affiliation with Cleveland Bank and Trust will further strengthen our position in east Tennessee."

Cleveland Bank chairman Sam McReynolds said the deal should provide new products for its customers. □

Citizens Financial Posts Quarterly Profit of $7.2 Million

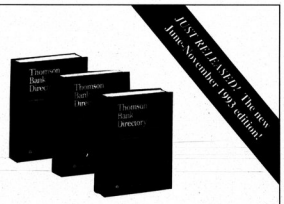
PROVIDENCE, R.I. — Citizens Financial Group said Wednesday it earned $7.2 million in its third fiscal quarter, a 16% gain from the year-earlier period ending June 30.

Citizens, a wholly owned subsidiary of the Royal Bank of Scotland, attributed its improved results to "strong mortgage banking activity" and income from a newly acquired bank in southeastern Connecticut.

In the past 12 months, Citizens bought the 21-branch New England Savings Bank in Connecticut and the eight-branch Plymouth Five Cents Savings Bank in Massachusetts. Both were acquired from the Federal Deposit Insurance Corp.

The bank company, which had $5.3 billion of assets on June 30, also is waiting to close on its purchase of the Boston Five Bancorp, a healthy company with about $1.8 billion of assets.

The company's credit quality improved. Its provision of $5.4 million was down 16.7% from the year-earlier period and its reserve coverage for problem loans and leases grew to 97.9% on June 30 from 85.1% three months earlier. □



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Why PNC's Joe Irwin Swung Toward Joining Home Loan System

By STEVE KLINKERMAN

People in the News

JOE R. IRWIN IS ONE of hundreds of bankers who have made alliances with the Federal Home Loan Bank System. But his recent move to join the government-sponsored group brings new visibility to the arrangements.

Mr. Irwin is chief investment officer of PNC Bank Corp., the nation's 11th-biggest bank company. Its flagship subsidiary, the $31 billion-asset lead bank in Pittsburgh, joined the Home Loan system earlier this month as its largest commercial bank member. PNC Bank of Ohio also has been approved for membership.

For decades the Home Loan banks have provided long-term wholesale funds to thrifts, but only since 1989 have they been empowered to sell advances to qualifying commercial banks, credit unions, and life insurance companies.


Joe R. Irwin

After an early lull, the arrangement has gained steam. About 800 commercial banks joined the system during the 12 months that ended May 31 – more than doubling their ranks, to 1,609, according to the Federal Housing Finance Board.

Simultaneously, outstanding advances to bank members leaped by 150%, to about $10 billion.

Mr. Irwin said risk management guided his decision. Home Loan bank advances should help narrow maturity mismatches on funding for PNC's vast holdings of residential mortgages and mortgage-backed securities, he explained.

"As long as we are comfortable with rate risk, we'd rather not shrink the balance sheet, because that would penalize profitability," said Mr. Irwin, who is responsible for the treasury, securities, and investment banking divisions of PNC.



The company expects to draw advances having maturities of two to five years, he said.

That is clearly preferable to selling liabilities to money-market mutual funds, which are legally restricted to investments with maturities of 13 months or less, he explained.

Mr. Irwin is a new convert to the advantages of the Home Loan system.

He said he shrugged off membership three years ago, when the yield curve was flat and short-term rates appeared poised to fall.

But the reversal of those two variables changed his thinking, he said.

PNC Bank of Pittsburgh has agreed to phase in its required purchase of more than $90 million of stock in the Federal Home Loan Bank of Pittsburgh, over a year, so as not to swamp the lender with capital.

Mr. Irwin must keep a close eye on the other advantage of membership: the dividend on the Home Loan Bank stock.

The current annualized yield of 8% is "fairly attractive," he said. "Should it become unattractive, then we would have to reevaluate."

Commerce Unit Buys 4 Anchor Offices in N.J.

CHERRY HILL, N.J. — Commerce Bancorp said its unit, Commerce Bank, completed the acquisition of about $210 million of deposits and four branch offices of Anchor Savings Bank, a unit of Anchor Bancorp.

The branches are in Cherry Hill, Bellmawr, and Mantua, N.J.

Separately, Commerce Bancorp said it has completed the sale of $23 million in 10-year, 8.375% subordinated notes. The sale included an overallotment option of $3 million.

The company said proceeds will be used for possible future acquisitions and general corporate purposes, including about $14 million to provide equity capital to Commerce Bank for its recent acquisition.

— Dow Jones

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Charles E. Nelson
Chairman & CEO
Liberty Bancorp
Oklahoma City, Oklahoma

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Tennessee's Bankers Hope Luck Can Hold

By TERRENCE O'HARA

Community bankers in Tennessee had plenty of reason to fret a couple of years ago. Commercial real estate values were plummeting, and weakness in the sales of automobiles – a top source of manufacturing revenue in the state – raised the specter of layoffs.

But the anticipated hit in auto manufacturing jobs never materialized as the central Tennessee plants of Nissan and General Motors Corp.'s Saturn division became huge successes. So capital, and luck, saved the state's 200-plus community banks from the real estate crunch.

"Tennessee has been lucky through the bad economic times of the last three years," said Kathryn Edge, assistant commissioner of financial institutions. "It hasn't been a great time, but there are strong trends toward an economic recovery."

Fallout from Realty Slump

Five years ago, when James D. Harris founded a bank in the tony Nashville suburb of Brentwood, his business plan didn't include a drop in commercial real estate prices.

"Most of our market is retail and it's affluent," said the president of $84 million-asset Brentwood National Bank. "While we weren't impacted by it directly, many of our customers were in the real estate investment business. We had a few years of higher-than-normal reserves, but that has slackened off recently."

Mr. Harris said the booming residential construction market around Nashville is his best hope for the near future.

Brentwood's core capital stands at 13.5%, and its return on average equity has hovered between 6% and 7%.

Insulated from Problem

Brentwood's capital, while on the high side, is indicative of Tennessee's small banks. Of the 249 banks in Tennessee, 239 have asset sizes of less than $500 million. And only a handful of these small banks have a core capital ratio under 6%. So both size and capital strength insulated these banks from the commercial real estate problem.

Of greater concern is the automotive industry.

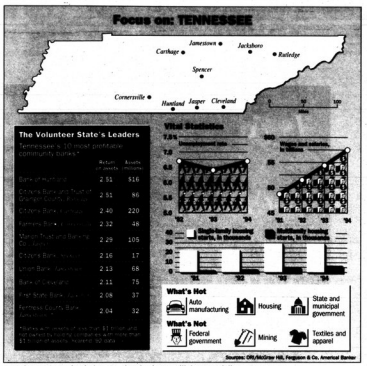
"Where the automotive industry goes so goes our community," said Mike Rowland, chief executive of Hardeman County Bank in Bolivar, Tenn. Much of the economy is based around a plant that manufactures mirrors for automobiles.

He said $71 million-asset Hardeman County Bank, though profitable, has not grown significantly in 10 years. And, with the uncertain future of the American automotive industry, he doesn't see that changing.

"The best we can hope for in a town like this is to steal some business away from some other small bank," Mr. Rowland said.

Jennifer Ver Linden, a DRI/McGraw-Hill analyst, says stealing business will be especially difficult now that Kentucky has enacted an economic ingentive package granting income tax credits to new or expanding manufacturers, service industries, and existing operations that would shut down without the credits.

However, she says, "Stronger growth in Tennessee's existing industries will help to offset the fact that Kentucky may be the region's winner in the struggle for new industries." □



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Summit of S. C. Finds a Way To Keep Insider Rates in Line

By PHIL ZAHODIAKIN

A community bank in South Carolina has come up with an ingenious way to keep track of insider loans and their rates using an artificial intelligence program.

Summit National Bank, Greenville, says the program helps it comply with Regulation O, which requires pricing for insider loans to reflect rates applied to other lending.

"Our exercise with Regulation O leads us to believe that, ultimately, our approach would help document our adherence to fair lending rules as well," says Bill Squadroni, head of deposit banking and compliance at the $60 million-asset bank.

Issue Raised by Auditor

Mr. Squadroni says he thought of applying an artificial intelligence program – Braincell, by Promised Land Technologies, New Haven, Conn. – after reading about such programs.

But the issue already had been raised by an external auditor, who advised the bank to attach explanations and rate comparisons to each insider loan file.

"We fed a data base of noninsider loans into the program, and showed what rates of interest were applied. Then we took 31 insider loans and fed in the inputs but not rates. We then asked the program to predict the insider rates, and its prediction fell within 25 basis points of the rates we actually applied."

Compliments from Examiners

"The OCC [Office of the Comptroller of the Currency] folks complimented us for taking the extra step," Mr. Squadroni said. "They said the numbers [in the prediction spreadsheets] looked fine."

Ed Furash, president of Furash & Co., Washington, calls Summit's approach ingenious, but adds: "AI is just a process of putting in an orderly fashion what is normally done intuitively. The real utility here is affording one more piece of documentation for the examiners to hang their hat on when they try to determine if a decision meets a set of standards."

Mr. Squadroni believes that determining this is no mean feat because "after enough [loan] comparisons, the argument [with an examiner] becomes very subjective. Each side thinks the other cherry-picked the loans in the comparisons." □

EXECUTIVE *changes*

American Pacific Appoints Chen President, Chief Executive Officer

David T. Chen has been appointed president and chief executive officer of **American Pacific Bank**, Portland, Ore.

From March 1990 to December 1991, Mr. Chen was associate administrator of Farmers Home Administration, Washington.


David T. Chen

Mr. Chen was state director of the Farmers Home Administration for Oregon from 1986 to 1990. Earlier, he held financial management positions with several public entities.

Silicon Valley Hires Simmons as Exec VP

Glen G. Simmons has joined **Silicon Valley Bank**, San Jose, Calif., as executive vice president and manager of human resources and administration.


Glen G. Simmons

Mr. Simmons, 51, was most recently senior vice president and manager of human resources for First Interstate Bank's northwest region, an organization with 7,000 employees.

He will be responsible for the management of Silicon Valley Bank's human resources, marketing and communications, compliance, and facilities departments.

Mr. Simmons has been in banking, mostly in human resources, for 18 years.

In addition to First Interstate, he has held senior positions with Seafirst Bank and Olympic Bank, both in Washington State.

Simmons was also responsible for designing human resource and training programs as head of human resources consulting for the West Coast regional office of Moss Adams, a public accounting firm. — **Franklin Smith**

MIDWEST

AMERIBANK, Bloomington, Minn., has launched a residential mortgage lending division and hired three executives.

They are: **Forrest Gillson**, who has been named senior vice president and manager of the residential mortgage division. He previously was vice president and manager of mortgage lending at American National Bank in St. Paul.

Karl Mueller has been named vice president of the division. He previously was vice president of mortgage lending at American National Bank.

Judie Swierczek has been named mortgage operations officer. She, too, joins Ameribank from American National, where she was a mortgage processor.

DOLLAR SAVINGS AND Trust Co., Youngstown, Ohio, an **Ohio Bancorp** subsidiary, has promoted **Jewell Klumpp** to vice president of operations.

He is responsible for managing the wire transfer, automatic clearing house, and automated teller machine departments. Mr. Klumpp also manages the bank's central information file, oversees regulatory compliance, and coordinates operations functions for the other Ohio Bancorp affiliates.

Mr. Klumpp worked 26 years for Potters Bank and Trust Co. in East Liverpool, most recently as senior vice president and secretary.

Also, **Robert A. Coggeshall**, assistant treasurer of the Dollar Savings and Trust Co. and manager of its Columbiana office, has been elected president of the Columbiana County Bankers Association for 1993-94.

MIDDLE ATLANTIC

FIRST NATIONAL BANK of Long Island, Glen Head, N.Y., has appointed **John T. Scagnelli** senior vice president, executive officer, and senior operations officer.


John T. Scagnelli

He come to his job with 13 years of experience in bank operations, technology, and branch administration management.

He was formerly principal and president of J. Thomas Associates, a management consulting practice with clients in the financial services and consumer products industries.

Mr. Scagnelli spent nearly a decade with Bankers Trust Co., New York, where he was a vice president and division executive for several operating and technology functions.

WEST

BANK OF THE WEST, Walnut Creek, Calif., has promoted **Peggy S. Turney** to vice president and employment manager, human resources department.

Richard D. Arendt has joined the bank as vice president and chief loan examiner. He was formerly credit examiner for national banks at the Office of the Comptroller of the Currency in San Francisco.

SOUTHEAST

GOVERNORS BANK, West Palm Beach, Fla., has named **Dotty Perkins** vice president of operations and branch administration. Ms. Perkins was formerly assistant vice president of the bank.


Dotty Perkins

Kristine Mattson has been named assistant vice president of lending. She had been assistant vice president commercial loans, commercial real estate, and business development at Flagler National Bank. □

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Behind FDIC Rules, A Veteran Author

By BARBARA A. REHM

Robert F. Miailovich never figured his first job would be his only job.

But 30 years after joining the Federal Deposit Insurance Corp. right out of college, he is the agency's chief regulation writer.

Mr. Miailovich (pronounced mee-AL-o-vitch) has had a hand in every regulation the FDIC has issued since 1985, when he took his current position as associate director for policy and planning.

Risk-based capital, brokered deposits, highly leveraged transactions, prompt corrective action, interest rate risk, real estate appraisals, bank audits, golden parachutes, and many more regulations have been crafted by Mr. Miailovich and the 10 people who work for him.

One of a Kind

"Bob is the sort of a guy who can sit down and write regulations for a year and come out on the other side still sane," said Jim Sexton, a partner with Bracewell & Patterson in Austin, Tex. "There are not a lot of people in the world who can do that.

"He is very organized. All this sounds pretty corny, but he likes to do things right."

Acting FDIC Chairman Andrew C. Hove Jr. agreed. "He's a valuable person at FDIC. We've dumped a lot of regulation in his lap. He really does a very thorough job."

Not everyone is so complimentary.

Some people – off the record, of course – criticize Mr. Miailovich for being too stubborn. His dry sense of humor also can make him appear flippant.

The Job Gets Done

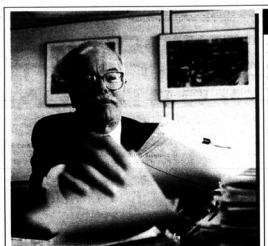
But friends and enemies alike concur: Mr. Miailovich is a workhorse who gets the job done.

Mr. Miailovich, 54, started as an examiner, spending eight years monitoring banks in the West. Then, from 1971 to 1975, he took a management job in the FDIC's San Francisco office. He was plucked from the field to serve as a special assistant to then-FDIC Chairman Frank Wille.

After his two-year stint, during which he oversaw failed bank deals, Mr. Miailovich moved to the supervision division, where he continued to work with problem banks.

In April 1980, the FDIC experienced its first big bank failure: First Pennsylvania, the $5 billion-asset Philadelphia bank. Mr. Miailovich considers that failure the biggest challenge of his career.

From failing banks, Mr. Miailovich in 1982 went on to run the FDIC's applications office, where banks go for merger approvals and the like.



Robert F. Miailovich

Age: 54

Years at FDIC: 30

Pay: $130,000

Born: San Francisco

Home: Arlington, Va.

Education: University of California at Berkeley

Career: Began as a field examiner in San Francisco. Moved to Washington in 1975 to work in chairman's office. Ran troubled banks section and then shifted to current position as chief regulation writer.

Most memorable experience: Handling the collapse in 1980 of First Pennsylvania Bank, at the time the biggest failure in U.S. history.

Interests: Music and theater

Cause: Bringing the Catholic church into the 20th century

Then in 1985, Mr. Miailovich landed in his current job. Today, he is one of three associate directors in the supervision division.

Unlike many regulators, Mr. Miailovich doesn't hesitate to tell you what's on his mind. That can be a problem, particularly when superiors think differently.

Mr. Miailovich's boldest moment came in April 1991 when he stood to challenge then-Treasury Secretary Nicholas Brady who had just concluded in a speech that overzealous bank examiners were to blame for the credit crunch.

"I knew going into that dinner that I really wanted to say something. Until I said it, I didn't know if i would have the guts," Mr. Miailovich recalled recently. "There are a few people around here who wished I hadn't said it . . . but people were willing to live with me."

Mr. Miailovich, who makes about $130,000 a year, is eligible to retire at the end of this year but is not sure if he will. □

BANCO di NAPOLI

The total assets of Banco di Napoli exceeded Lit. 110,000 billion in 1992. In the course of the year the Bank opened 110 new branches, thereby achieving its objective of 750 branches in Italy. The strength of the Bank's balance sheet and the extension of its branch network enable it to meet the European challenge with confidence. Banco di Napoli also has many other branches throughout the world in order to maintain ever closer contact with its customers.

ACCOUNTS 1992

HIGHLIGHTS OF THE ANNUAL ACCOUNTS FOR 1992 (IN BILLIONS OF ITALIAN LIRE)

454th FINANCIAL YEAR		Percentage change 92/91
Total assets	111.568	+15,4
Loans and advances	76.484	+20,0
Deposits and borrowed funds	91.690	+19,3
Capital and reserves	4.436	+2,5
Net profit	213	+19,9
Gross income	2.869	+13,2
Gross profit	954	+11,3
Depreciation and provisions	741	+9,1

BANCO di NAPOLI

HEAD OFFICE: VIA TOLEDO 177 - 80132 NAPLES - 750 BRANCHES IN ITALY. ABROAD: BRANCHES IN NEW YORK, FRANKFURT, MADRID, BARCELONA, THE CAYMAN ISLANDS, LONDON, HONG KONG AND PARIS - SUBSIDIARY COMPANIES IN LUXEMBOURG (BANCO DI NAPOLI INTERNATIONAL) AND THE USA (BDN COMMERCIAL PAPER) - REPRESENTATIVE OFFICES IN BRUSSELS, LOS ANGELES AND MOSCOW.

Government Subpoenas Cost Banks $11.2 Million in '92

By ROBYN MEREDITH

Banks spent $11.2 million last year complying with government subpoenas for data on their corporate customers, according to a survey by the American Bankers Association.

"We felt all along that this was costing our banks a lot of money," said John Byrne, senior counsel at the ABA. The results of the survey reinforced that view, he said.

When banks receive court requests from the federal government asking for information on their customers, they search, retrieve, and photocopy the records requested and send them to the government.

If the subpoena covers an individual's records, the government reimburses the bank for the cost of turning over the records.

Practice Called Unfair

But if the request covers corporate records, the bank is not reimbursed, which Mr. Byrne said is "patently unfair."

Both the number of requests for corporate records and the costs of complying with them have steadily increased over the past three years, the survey showed. In 1990, banks received 60,000 requests and spent $2.7 million complying.

In 1991, they received 76,000 such requests, and spent $7.4 million on them. By last year, when they got 90,000 requests for data, they spent the $11.2 million complying, the survey showed.

Rule Change Studied

As the result of a law passed last year, the Department of Justice will use the ABA survey, along with other data collected – such as what it would cost law enforcement agencies to reimburse banks for corporate records – to determine whether the reimbursement rules should be changed. A final report on the issue is expected in September from the Justice Department.

All together, 788 banks across the country responded to the ABA survey. The larger the bank, the more likely it was to be asked for data, the survey showed.

On average, each 1992 request cost banks $8,091 to comply with, but the costs varied greatly by region.

The corporate records rule "is just another example of [compliance] costs that are involved that people are not aware of," Mr. Byrne said. □

COMPLIANCE

Bank Boards Have Veered from Their Role as Guardian

By ROBERTA J. WAGNER
President
Director Resource Group

How many of you have seen successful companies run by three or four CEOs? Or watched pharmacists, doctors, hospital administrators, and local business owners make day-to-day decisions about running a financial institution?

It's pretty pathetic, and it doesn't work. It's like trying to get the tentacles of an octopus to move synchronously.

Yet – with pressure from regulators, lawyers, and consultants – boards increasingly have become involved in the day-to-day operations of their financial institutions. It's led me to believe that the only thing worse than a board cowed by a CEO is a CEO dominated by the board.

Or how many of you have watched with surprise when strong leaders in their own right take a back seat during board meetings or are not part of the active management team? Rather than criticize them for that behavior, it's time to recognize that 20 strong leaders all exercising their leadership abilities would be dysfunctional.

Not Up to Snuff

The failure of so many financial institutions must raise questions about the way boards operate within our system of corporate governance. But I believe the current solution, getting boards more involved in daily operations, is the wrong one. Why?

They lack industry-specific expertise. They are part time and don't have time to devote to operating the company. They do not have as much information as management about the company (even with the best board package around). And a company doesn't run well with a group making operating decisions.

Tough in a Crisis

I have seldom seen boards perform well when a financial institution is humming along. But, without exception, boards have done a superb job of moving decisively and with good judgment after acknowledging they are in a crisis. Acknowledging the crisis is the tough part.

It's too easy to make excuses like "Maybe it's the regulators being to harsh; maybe it's the economy; maybe it's just a slight down cycle." And on it goes until the crisis no longer can be ignored.

As a board member was quoted in "Pawns or Potentates," by Jay Lorsch: "Directors are like firemen. They sit around doing very little until there's a crisis, and then they spring into action."

Early Warning Signal

That's not a bad approach if boards develop the process to recognize the crisis earlier, when there is a better chance that the emerging problems can be rectified without harming shareholders or, as is the case with insured financial institutions, the insurance funds or the taxpayers. It's time to redefine the board's role in this light.

What can boards do to improve their ability to recognize an oncoming crisis and take appropriate action?

First, break some boardroom taboos and talk openly about what the role of the board really is. Define objectives and the methods for meeting them.

Second, focus on the areas of greatest concern and risk. Too often, board meetings are dominated by operating minutiae, and the major strategic issues don't have sufficient air time.

Adjust Audit Function

Third, oversee the audit and review functions so that they report to the board more than in name only. They can be a major signal that a crisis is brewing.



Roberta J. Wagner

If audit (both internal and external) had functioned more independently of management and had a strong relationship with the board (or audit committee), many of the failures I have worked with could have been averted.

Fourth, insist on board information packages that are designed with a board perspective. Information that the board receives and does not review can come back to haunt it later.

Call In Experts

Fifth, periodically meet without management to discuss company performance and/or concerns.

Sixth, use outside experts to help the board assess its own processes or institution trends.

Seventh, when danger signals appear, stop business as usual and acknowledge that a new role for the board is needed until the problems are rectified.

It is time that we more clearly differentiate the role of management and the role of the board before we perpetuate the monster of having our financial institutions run by groups of well-meaning but ill-prepared directors.

Instead, let's use these talented individuals for the function for which they are best suited – acting as the stopgap when the company is headed for crisis. □

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Nordstrom's Visa Deal Marks End of Era



H. Robert Heller
"We are pricing to the market"

Continued from *page 1*

standpoint, we have developed a broad pricing matrix that does justice to the differences among merchants.

"This makes big retail stores happier," Mr. Heller said. "We are pricing to the market."

Such an approach would certainly appeal to a store like Nordstrom, renowned for its single-minded commitment to customer satisfaction.

But Mr. Heller suggests there is much more to this development than just one merchant's decision to issue a bank card. Years of fence-mending by bankers and their card associations – both Visa and MasterCard International – seem to be paying off.

NEWS ANALYSIS

Virtually all major department and specialty stores accept the bank cards, often alongside the proprietary store cards that once had the business to themselves.

There are strong indications that Sears, Roebuck and Co., the last great holdout, is getting ready to accept MasterCard and Visa in addition to its own card and Discover, which it invented.

Talk of More Deals

Sources within MasterCard and Visa hint that more Nordstrom-like card-issuing or co-branding deals are on the horizon.

"We expect quite a few retailers to look at this option," said Mr. Heller. "They will certainly ask if it is better to [issue through] an existing institution or on a stand-alone basis."

Nordstrom is also the latter, using the facilities of the bank it formed in 1991 for the in-house credit card of its 72 stores in 11 states. They had total sales in 1992 of $3.4 billion.

Annual credit volume is running at about $1.6 billion, and the bank's assets range between $600 million and $700 million, Mr. Walgamott said in an interview.

Very Different Programs

With 24% of receivables turning over each month, the characteristics of a store credit program like Nordstrom's are very different from a bank card business with sizable and stable outstanding balances, Mr. Walgamott pointed out.

Bankers' and retailers' differing outlooks on the credit business were at the root of their historical enmity. Perhaps they are finding common ground.

"Customer buying trends indicate that bank card usage is increasing," Mr. Walgamott said. "They also tell us that our customers would prefer, if given more options, to use a Nordstrom credit card.

"Once Nordstrom issues its own Visa card, we will be able to satisfy both of those specific customer needs."

Visa was the chosen brand because it is "a good franchise, well thought out, well planned," the executive said.

More than Just Cards

Mr. Walgamott said MasterCard was "not far behind."

"As I learned in the lawsuit," he added, "Visa and MasterCard are not just card products. They are payment systems, and they will dominate."

Nordstrom figured out a way not just to be resigned to the "necessary evil" of accepting outsiders' cards, but to become an active player in the bank card game, on its own terms.

The company has not set its pricing, which presumably would be calculated to win some balances away from banks. "All the decisions will be financial," Mr. Walgamott said. "We hope to be profitable and create additional volume."

Pricing Still an Issue

Other retailers will not necessarily follow Nordstrom's lead, nor share in the interindustry good feelings.

The question of accepting bank cards "is largely behind us," said Ralph Spurgin, credit division president of the Limited Inc. "But pricing is still very much an issue." He called debit card pricing "unfair and wrong" and said that "with the ongoing debate about interchange rates, pricing will never be a dead issue."

"We have no plan to issue a Visa or MasterCard," said Mr. Spurgin, whose company opened a credit card bank in 1989. □

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FHA Worried About Plunge in Volume

By SNIGDHA PRAKASH

WASHINGTON — A decline in the Federal Housing Administration's home-loan business may pose a threat to the financial strength of its insurance fund, Assistant Secretary of Housing Nick Retsinas told Congress.

The volume and market share of FHA mortgages are shrinking as higher-equity borrowers and those who are refinancing choose private insurance over FHA insurance, Mr. Retsinas told the housing subcommittee of the House Banking Committee on Tuesday.

If the trend continues, the fund may not meet its capital requirements by the year 2000, he said.

20-Year Trend Reversed

The volume of outstanding single-family loans insured by the FHA has fallen for the first time in 20 years, from $301 billion at yearend to $289 billion on June 30, Mr. Retsinas said.

The FHA insured 13% of all new home loans in 1990 but only 5.6% last year.

By linking the shrinking business volume to the fund's stability, Mr. Retsinas may be "setting the stage for expansion of the program and possible proposals coming in the fall," said Ron J. McCord, president of American Mortgage and Investment Co. of Oklahoma City.

An expansion of the program would be good news for mortgage banking companies, long the dominant originators of FHA loans.

Mr. Retsinas said the FHA is working on initiatives, but he declined to elaborate. Industry sources have indicated in recent days that the FHA is looking at raising loan limits, offering new mortgage products, and entering risk-sharing partnerships with state housing finance agencies.

One short paragraph in Mr. Retsinas' testimony especially caught the eye of Republican members and their staff.

In 1990, Congress set target capital ratios for the single-family insurance fund to make sure it would not need a government bailout.

The ratio is defined as the

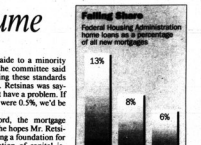
morning that we revisit the ratio," he replied. But "the higher that [capital] number is, the more difficult it will be to achieve that public policy mission."

Price Waterhouse & Co. said in a report this month that the ratio was 0.43% at the end of fiscal 1992 but would exceed the 2% goal for fiscal 2000.

But neither friends nor foes of a more activist FHA were buying Mr. Retsinas' disclaimer completely.

One staff aide to a minority member of the committee said that in labeling these standards arbitrary Mr. Retsinas was saying: We don't have a problem. If the standard were 0.5%, we'd be home free.

Mr. McCord, the mortgage banker, said he hopes Mr. Retsinas was "laying a foundation for further visitation of capital issues and the balance between public purpose and financial stability." □



Arbor National of N.Y. To Repurchase Stock

Saying its stock is undervalued, Arbor National Holdings Inc. of Westbury, N.Y., has announced a two-year stock buyback plan.

Ivan Kaufman, the mortgage company's chief executive, said the plan allows it to repurchase up to 250,000 shares of its common stock, to be used for employee-benefit programs.

"Given our consistently strong operating results, our solid foundation, and prospects for future growth, management believes that Arbor's stock is currently undervalued," he said. — Christopher Noble



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Mortgage Fund for Credit Unions

The Trust for Credit Unions has launched its fourth mutual fund, designed to meet credit unions' intermediate-term investment needs.

The Target Maturity Portfolio-1996 will invest in government-agency and private-issue mortgages as well as collateralized mortgage obligations. The fund's investment advisor is Goldman Sachs Asset Management.

Officials of the Washington-based Trust for Credit Unions said the fund will be managed with an eye toward outperforming three-year Treasury instruments.

"With total credit union investments nearing 20-year lows, new options are needed," said Chip Filson, president of Callahan Financial Services, co-distributor with Goldman Sachs of the Trust funds.

In addition to the Target Maturity Portfolio, the Trust family includes a money-market, a government securities, and a mortgage-securities portfolio. — **Karen Talley**

Citicorp Promoting Mutual Funds In Mailings to Its Card Customers

Continued from *page 1*

low yields on certificates of deposit.

"With today's high taxes and low interest rates, how should you be investing?" the brochure states. "Couldn't you be doing better?"

Handpicked Fund

The flier highlights two funds – an insured tax-free income fund from Franklin Resources and the Massachusetts Financial Services Total Return Fund – and has a mail-in coupon for information requests.

The brochure also invites prospective investors to come into a Citibank branch and meet with an investment counselor, or call a toll-free information line.

A Citicorp spokeswoman declined to say how long the program has been going on or what effect it is having on mutual fund sales.

Elsewhere, credit card powerhouse MBNA Bank, Newark, Del., has introduced a cross-selling pilot. The bank is offering eight choices from mutual fund companies, including John Nuveen & Co., Kemper, and Franklin.

MBNA, with more than nine million cardholders, ranks in the industry's top five. Executive vice president David W. Spartin declined to say exactly how many customers are being targeted as mutual fund sales prospects.

Cross-selling of mutual funds makes sense in light of card issuers' shrinking profitability, said Robert McKinley, president of RAM Research Corp., a credit card tracking firm in Frederick, Md.

Over the past few years, he said, issuers' returns on assets have shrunk from upwards of 5% to 2% or less. "They are feeling the pressure from the price wars and bad consumer debt, and they are looking for ways to increase profitability," he said.

Casting a Wider Net

But some banks with ambitious plans for mutual funds favor a broader approach.

Instead of focusing just on its 1.4 million cardholders, First Union Corp. cross-sells a range of investment products to customers who have a strong relationship with the bank and who come into branches regularly.

"A bank customer usually wants to sit down and talk to someone, so we reach out to checking account, IRA, and brokerage account customers," said Susan Koch, marketing director for the Charlotte, N.C. bank's capital management group.

First Union also sends out reply cards for investment products with its annual reports and other financial materials.

Ms. Koch said the response from the annual report was good and that the bank would continue this strategy. "It makes sense because the people who get the reports are likely to be investors," she said.

Ms. Koch said First Union has not ruled out targeting the cardholder base.

Ms. Sullivan is a freelance writer based in New York.

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TO: Louis Kozhen
Otto Hohl
Elfriede Sauerwald
Evelyn Ann Kronsky, personal representative of the estate of Jerome Kronsky Clinton Lee Bembry, personal representative of the estate of Jerome Kronsky West Side Emergency Medical Services, P.C.
National Health Laboratories
John J. Connolly, Esq.
The Attorney General of the State of New York and to the Distributees of Fred Hohl
whose names and post-office addresses are unknown and cannot, after diligent inquiry, be ascertained by the petitioner herein,

being the persons interested as creditors, legatees, devisees, beneficiaries, distributees, or otherwise in the estate of Fred Hohl, deceased, who at the time of his death was a resident of 641 West 169th Street, New York, New York.

Upon the petition of ETHEL J. GRIFFIN, Public Administrator of the County of New York, with offices at 31 Chambers Street, Room 311, New York, New York 10007.

You and each of you are hereby cited to show cause before the Surrogate's Court of New York County, held at the Courthouse in the County of New York, on the 16th day of September 1993, at nine-thirty o'clock in the forenoon of that day, why the account of proceedings of the Public Administrator of the County of New York, as Administratrix should not be judicially settled and why an order should not be made distributive of the decedent should not establish proof of your kinship and why the possible claims of West Side Emergency Medical Services, P.C. & National Health Laboratories should not be rejected & why the claim of Evelyn and Jerome Kronsky & Lee Bembry, personal representative of the estate of Jerome Kronsky in the amount of $1,000,000.00 should not be rejected and why the balance remaining of this estate should not be deposited with the Commissioner of Finance of the City of New York for the benefit of Decedent's unknown distributees and why the Surrogate should not fix and allow a reasonable amount of compensation as reported in Schedule C and C-1 of the account of proceedings to the attorney for the petitioner for legal services rendered as petitioner herein and if additional legal services are required as may be adjusted by the Surrogate upon further application by the attorney for the petitioner and why the alleged legal fees, if any, and disbursements, if any, of John J. Connolly, Esq. should not be fixed and determined by the Court and why the Surrogate should not fix and allow as an administration expense as listed in Schedule C-1 of the account an amount equal to one percent of the items reported in Schedules A,A-1,A-2 of the account of proceedings as a just and reasonable amount payable to the Office of the Public Administrator for the expenses of office pursuant to SCPA §1106(4).

Dated, Attested and Sealed, June 22, 1993.
(L.S.) HON. EVE PREMINGER
Surrogate, New York County
ROBERT M. REAVES
Chief Clerk

ROBERT M. HAFT
Attorney for Petitioner
233 Broadway, Suite 3110
New York, New York 10279
(212) 406-4600

This Citation is served upon you as required by law. You are not obliged to appear in person. If you fail to appear it will be assumed that you consent to the proceedings, unless you file written objections thereto. You have a right to have an attorney-at-law appear for you.

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Garagetown's Lien Sale L. Stoll DCA LIC # 848519 and/or S. Sperber DCA LIC # 769437 Sells 8/9/93 10:00AM 2112 3RD ST HUNTS SCHRITZER Lost Bag Red #1511 Re: Peter Dagostino Enter Inc; 1981 SE7255 or 2FTJW25F2BCB05099 Re: Peter Dagostino Ent Inc; 1985 MACK R686ST #1M2P140C3FA012901 Re: Peter Dagostino Ent Inc; 1981 MACK R686ST #1M2N178YBPA073370 Re: Peter Dagostino Ent Inc 9:00AM 101 UNION ST BKLYN 1991 DODGE Stealth #JB3JC25D4BM101472 Re: United Auto Credit Corp Assnbl Assoc; 9:30AM 617 UNION ST BKLYN 1985 ACURI 50000 #WAUDA03A4FN026704 Re: Olsen, Mary, C; 1983 BUICK Riviera #1G4GA2574DH428000 Re: Two Dans Enterprises Ltd; 10:00AM 270 4TH AVE BKLYN 1987 HYUNDAI Excel #KMHLF31J7HU106434 Re: Rogers, Michael; 1983 CHEVROLET Impala #1GBCT18H1D0212622 Re: Williams, James; 10:05AM 115 GLEN COVE RD Glen Cove 1985 Honda Regal #4M47AAG-1995) Re: Bahr, Holly; 10:30AM 401 WYTHE AVE BKLYN 1987 FORD MUSTANG #1FAPP41EXHSF151240 Re: Avis Inc; Johnny or Edna; 11:00AM 1721 BEADEL ST BKLYN 1983 CHEVROLET Camaro #1G1AP8728DH183333 Re: Ramirez, Myrtelina, Hector; 1983 CADILLAC CPE 1D6AG4360DH916336 Re: Cruz,Ana Marie; 11:30AM 980 ATLANTIC AVE BKLYN 1991 FORD Explorer #1FMCU24X0MUE50033 Re: Toure, Mamadou; 11:45AM 1402 ATLANTIC AVE BKLYN 1983 AGAUAR XJ6 #SAJAJ4845DC 5 Re: Smith, Lisa; 12:45AM Church; 12:00PM 1426 BEDFORD AVE BKLYN 1977 CHEVROLET Impala #1L49U71J1G1 Re: Hoskon, Barbara; 1986 HONDA Accord #1HGAD7430GE068100 Re: Arnett, Paul; 12:05PM 2103 BERGEN ST BKLYN 1986 CHEVROLET Spectrum #1B1BF0907 Re: Williams, Alvin; 1985 Chrysler; 1:15PM 3008 ATLANTIC AVE BKLYN 1990 CHEVROLET Astro #1GNDM15Z3GB100972 Re: Marder, Avery; 1:45PM 2211 HITMAS AVE BKLYN 1988 FORD Tempo #1FAPP36XXJK115107 Re: Cole,Rosalind; 2:15PM 1035 ATLANTIC CA AVE BKLYN 1988 HYUNDAI Excel #KMJH01JH2J4046 Re: Sweet, Jr Harold; 2:30PM Foxfire Apt29; 2:45PM 2411 CHURCH AVE BKLYN 1984 FORD Escort #1FABP-9042EB178 Re: Hanlon, Carol; 3:00PM 2275 BEDFORD AVE BKLYN 1979 DATSUN 280Z #HGS130116330 Re: Dushabiki, George; 3:15PM 2333 BEDFORD AVE BKLYN 1991 TOYOTA COROLLA #JT2AE72SED2006726 Re: Brown,Rose; 4:00PM 1962 BEDFORD AVE BKLYN 1985 TOYOTA Pickup #JT4RN50R2F0 Re: Brown,Sharon; 4:00PM 1985 CHEVROLET Detroiters, Herine; Sells 8/18/93 9:00AM 2162 HONEYSUCKLE AVE 1985 1987 1989 NISSAN Stanza #JN1HJ21S1JT014640 Re: Mencias, Yvaun; 9:30AM 41-11 41ST ST QNS 1988 CHEVROLET Corsica #1G1LT51T5JY109147 Re: Bodon,Elaine; 10:45AM 36-22 147H ST QNS 1985 PEUGEOT Paris Iiff #F9S2C-19037 Re: Prosper,Michael; 11:15AM 28-01 T HOOP AVENUE APT 1 QNS 1983 TOYOTA Celica #JT2RA44C5D6180009 Re: Suarez,Luz,Marlene; 11:45AM 47-11 11TH ST QNS 1964 CHEVROLET P/U #4C14F113T108 Re: Quiros, Gilberto; 12:45PM 6401 6TH AVE BKLYN 1983 TOYOTA Tercel #JT4TL31V6D0144102 Re: McNiff,Bridget; 1:15PM 115 KINGS HWY BKLYN 1980 CHRYSLER Lebaron #1C3BU2532AG558626 Re: Cervino, Antoniette; 1:30PM 2373McDonald.Ave BKLYN 1988 NISSAN Stanza #JN1HJ01P3JU-M05YXGX000043 Re: Finnegan, Michael; 1987 CHEVROLET Camaro #1G1FL0391H0 Re: Fajardo, Mauricio; 2:30PM 2939 EMMONS AVE BKLYN 1987 BAYLINER 3F IN/OUT FBGS3A1H587G Re: Cameron, Cathy; 1971 LUHRS 32 INBD FBGLS1 NY HEGH 1838 Re: Bolding, Benjamin; 3:00PM 2887 CONEY ISLAND AVE BKLYN 1989 NISSAN Maxima #JN1CA21D3KT220023 Re: Mclean, Ingrid; 1987 NISSAN Maxima #JN1HJ11D5-HT211726 Re: Sloan, James; 3:45PM 39 RECTOR ST 10 1986 TOYOTA Cressida #JT5AE66B5G0017705 Re: Cerbelli, Joel; Rep; 1987 CHEVROLET CAMARO #1G-1FP23S1H1301303 Re: Garcia, Angel; 1987 HONDA Civic #1HJSbC13140E0053-6344 Re: Prager, Debra-Mahoney; 1988 HONDA ACCORD #1HJGCA564JA120-712 Re: Allen, Michelle; 4:15PM 2561 HYLAND BLVD SI 1987 CHEVROLET Camaro #1G1FP21E2HL100-569 Re: Fredward; 5:00PM 132 MORNINGSTAR RD SI 1956 MERCURY CUSTOM #56ME1-10659M Re: Lee, Sylvester.

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STOCKS

MBNA Takes Off on Strength Of Earnings and Card Franchise

By RICHARD LAYNE

While most bank stocks are marking time, MBNA Corp.'s shares are heating up.

The reason: a strong earnings report and continued growth in its giant credit-card operation.

On Tuesday, when the Newark, Del., bank announced a 20% increase in second-quarter earnings, its shares jumped $1, or 3.6%. The stock picked up another $2.50 on Wednesday, to close at $31.

That amounted to a two-day rise of 12.7%, far exceeding those of other banks.

A Focus on Cards

But MBNA is not like most other banks. Its business is dominated by card lending, and thanks to the success of its affinity marketing programs, analysts are bullish about the bank's ability to sustain earnings growth.

"I think MBNA's earnings will grow at more than the 15% annually that I originally projected," said Thomas Facciola, an analyst with S.G. Warburg & Co. "The rate of growth will be more like 17% to 20%."

If he's right, MBNA's shares should trade higher than their current price-earnings multiple of 13.3, based on projected 1994 earnings.

Mr. Facciola thinks a multiple of 15 is reasonable, so MBNA stock should be selling around $36 before yearend. That's based on his forecast of $2.30-per-share earnings in 1994.

Quarterly earnings of 46 cents a share (or $46 million) were only a few pennies higher than consensus estimates. But the real indication of growth came from MBNA's burgeoning list of cardholders and receivables.

The bank added 920,000 cardholders in the second quarter, bringing the total of new accounts to 1.6 million for the first six months of the year. And the company has told analysts that it will add one million more accounts by yearend.

Moving Up

MBNA's stock price for the past 10 trading days



Price was $31 at 4 p.m. Wednesday
Source: DB Technology Inc. Reuters

On top of that, the bank's receivables grew 19% in the second quarter, to $10.6 billion, an increase over the first quarter's 16% growth. And MBNA is predicting 20% growth in 1994.

"MBNA has created a product that's not as much a commodity as other credit-card issuers," said David Hochstim, an analyst with Bear, Stearns & Co. He initiated coverage of the bank with a "buy" on Wednesday.

Affinity Programs

MBNA's strength comes from its affinity-card programs for groups such as teachers and dentists. Its knowledge of the spending habits of those and other groups allows it to give higher credit limits.

The bank's cardholders tend to have balances around $4,000, twice the industry norm. Chargeoffs, which are below average to begin with, fell slightly last quarter, to 3% on an annual basis.

Now MBNA, which has $6.5 billion in assets, is moving into another phase of marketing to affinity groups, issuing cards that feature the name of a state or a classic car.

Analysts believe that MBNA's marketing expenses for those cards will fall, too. □

Mullins Plays Dutch Uncle In Talk to Swaps Dealers

By CLAUDIA CUMMINS

WASHINGTON — Federal Reserve Vice Chairman David W. Mullins urged the derivatives industry Wednesday to implement programs that keep the industry sound, in order to stave off stiff regulatory action.

Speaking in New York before the International Swaps and Derivatives Association, Mr. Mullins said without this self-regulation, the derivatives industry could face the same regulatory morass as the banking and government securities markets.

"If the industry does not assume the responsibility for addressing public policy concerns and do this job well, others are quite willing to take discretion out of the industry's hands and do the job perhaps much less well," he said.

On Congress' Agenda

In his speech, which was released here, Mr. Mullins said he anticipates that Congress will take up the issue of derivatives regulation soon after several government and industry studies are released later this year.

And he warned that policymakers are increasingly focusing on investor protection issues, and this interest could spill over into the derivatives industry.

"Although users of derivatives products mostly are institutions, they are not necessarily sophisticated institutions," he said.



David W. Mullins
Advises self-policing

The Fed governor also laid out a public-policy agenda to foster the industry while minimizing systemic risks.

Recommended Steps

He urged central banks to: strengthen the legal framework for derivatives; coordinate tax regulations; modernize accounting and disclosure standards; and build supervisory expertise.

Mr. Mullins also called for speedy implementation of a recent Basle proposal to recognize, in capital standards, the risk-reducing benefits of netting arrangements.

"We must be concerned about efficiency and flexibility in the regulatory process," Mr. Mullins said. "Regulatory micromanagement would be particularly counterproductive in this innovative marketplace." □

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Barclays Bank Ltd., London	5.3
Midland Bank Ltd., London	4.9
Chemical Bank New York Trust Co.	4.7
Morgan Guaranty Trust Co., New York	4.4
Royal Bank of Canada, Montreal	4.3
Canadian Imperial Bank of Commerce, Toronto	4.1

AMERICAN BANKER July 29, 1993

Top World Banks of 1972 in Assets IN BILLIONS

Bank of America NT&SA, San Francisco	$40.8
First National City Bank, New York	33.5
Chase Manhattan Bank, New York	30.4
Dai-Ichi Kangyo Bank Ltd, Tokyo	26.1
Sumitomo Bank Ltd., Osaka	22.6
Fuji Bank, Ltd., Tokyo	22.6
Barclays Bank Ltd., London	21.6
Banque Nationale de Paris	21.6
Mitsubishi Bank Ltd., Tokyo	21.4
National Westminster Bank Ltd., London	20.6

Top World Banks of 1982 in Assets IN BILLIONS

Bank of America NT&SA, San Francisco	$111.9
Banque Nationale de Paris	107.9
Citibank NA, New York	101.3
Credit Agricole Mutuel, Paris	96.7
Barclays Bank Ltd., London	95.1
Credit Lyonnais, Paris	95.0
National Westminster Bank Ltd., London	87.7
Dai-Ichi Kangyo Bank Ltd, Tokyo	87.2
Societe Generale, Paris	84.2
Fuji Bank, Ltd., Tokyo	84.0

Top World Banks of 1992 in Assets IN BILLIONS

Dai-Ichi Kangyo Bank Ltd, Tokyo	$460.4
Fuji Bank, Ltd., Tokyo	458.7
Sumitomo Bank Ltd., Osaka	452.8
Sanwa Bank Ltd., Osaka	449.8
Sakura Bank, Ltd., Tokyo	441.7
Mitsubishi Bank Ltd., Tokyo	428.0
Norinchukin Bank, Tokyo	371.7
Credit Lyonnais, Paris	350.8
Industrial Bank of Japan, Ltd., Tokyo	339.1
Deutsche Bank, AG, Frankfurt	305.9

The World's Best-Capitalized Banks

Equity capital as a percentage of assets, by region, among the world's 200 largest banks in assets

TOP FIVE	Asia/Australia		World rank	US$BN
¥ $ A B S$	Hong Kong Bank, Hong Kong (unit of HSBC)		136	11.58%
HK$ ¥ $ A	Development Bank of Singapore		198	10.41
B $S HK$	National Australia Bank, Melbourne		82	8.79
¥ $ A B S$	Commonwealth Bank of Australia, Sydney		96	7.18
$	Bangkok Bank		180	6.85
TOP FIVE	Europe			
£ SwF Lit	Banco Santander, Santander, Madrid		73	6.99%
Fr £ SwF	Cassa di Risparmio delle Provincie Lombarde, Milan (Cariplo)		55	6.82
£ SwF Lit	Union Bank of Switzerland, Zurich		27	6.76
SwF Lit Fr	Banco di Roma, Rome		54	6.73
	Caja de Madrid		147	6.71
TOP FIVE	Latin America			
$a Mex$ Q	Banco do Brasil, Brasilia		77	9.40%
Cr$ £* $a	Bancomer, Mexico City		138	7.80
Mex$ Q Cr$	Banco Nacional de Mexico, Mexico City		119	6.90
£* $a Mex$				
TOP FIVE	United States/Canada			
$ ¢ $ ¢ $ ¢	Bank of America, San Francisco		38	8.13%
$ ¢ $ ¢ $ ¢	First Union National Bank of Florida, Jacksonville		174	7.08
$ ¢ $ ¢ $ ¢	Mellon Bank, Pittsburgh		161	7.40
$ ¢ $ ¢ $ ¢	Bank of New York		127	7.26
	Toronto Dominion Bank		98	7.15

Source: American Banker

The Whole World Is Watching Asset Quality, Rate of Return

By JAMES R. KRAUS

There was a time when bankers in the United States went home at midafternoon every day. That ended when deregulation wiped out fixed margins and forced U.S. banks to look more closely at profitability.

Now, bankers around the world are following suit.

From Tokyo to Madrid to Mexico City, they are coming in early, going home late, and cutting out long lunches. The new catch phrase: return on quality.

'Emphasis on Asset Quality'

"Banks are going to have to improve asset quality, productivity, and the allocation of capital," says Marc Vienot, chairman of France's Societe Generale.

His own bank's target, he notes, is to raise return on equity to between 12% and 15%. Last year, the bank posted 9%.

"Bankers have replaced aggressive marketing and expansion efforts with a new emphasis on asset quality and rates of return," Serge Bellanger, executive vice president and general manager in New York for Paris-based Union Europeenne de CIC, wrote in a recent essay.

Others sound a similar note. In a recent report, "Banking in the 1990s," First Boston analyst Thomas Hanley wrote: "Bank managements have dramatically bolstered their balance sheets over the past few years, and the deployment of this capital will be a major factor determining the 'winners' in the investment sweepstakes."

Competition Growing

The worldwide push for higher profitability comes as margins are narrowing, competition from other financial institutions and mutual funds is growing, and protectionist barriers in the financial sector are falling.

In Luxembourg, for example, the number of mutual funds increased nearly 50% last year to some 1,100. Their assets grew by nearly 20%, to $203 billion, while bank assets grew a mere 7%, to $410 billion.

Similar trends are under way in the United States and other countries, where banks face growing competition in everything from mortgages to credit cards to corporate loans.

Margins 'Under Pressure'

"Competition is increasing across the entire range of products, and margins are under pressure," says Josef Ackermann, president of Credit Suisse and a member of the executive board of its parent company, CS Holding.

"Everybody's trying to concentrate on what they can do best," adds Mr. Ackermann.

That means a movement toward "niche markets that will be attractive to different players depending on their strengths and abilities," observed Hector Rangel, deputy chief executive of Mexico's Bancomer SA, in a recently published interview.

On the Cutting Edge

To boost performance, banks are cutting staff, merging operations to reduce costs, and boosting productivity through increased use of technology. Emilio Ybarra, chairman of Spain's Banco Bilbao Vizcaya, notes that last year alone, some 7,000 banking jobs, or 4.4% of the total, were cut in Spain – 635 of them at his bank.

In Switzerland, bankers predict that the number of banks and banklike finance companies will decline from 569 to less than 500 within the next two or three years.

"Growing competition in the 1990s will be one of the major themes – in international banking certainly – but also in our own backyard, among Swiss banks," notes Georges Blum, chief executive officer of Swiss Bank Corp.

In the United States, the number of banks is shrinking quickly. In Japan, consolidation is moving at a slower pace, with banks taking over troubled regional institutions and finance companies.

Mergers and acquisitions have picked up as banks seek to diversify and to spread marketing and computer costs over a broader base.

Holland's ABN Amro Holding, for example, recently agreed to acquire Cragin Federal Bank for Savings, a $2.8 billion-asset Chicago thrift, as part of a drive to build up an efficient banking base in the United States.

British banks with retail operations in the United States are pursuing a similar strategy, while at the same closing unprofitable operations back home.

Cross-Border Acquisitions

Meanwhile, France's Credit Lyonnais acquired Bank fur Gemeinwirtschaft as part of its own cross-border strategy.



"Everybody's trying to concentrate on what they can do best."

Josef Ackermann
Credit Suisse

Commerzbank, another German bank, recently agreed to buy Paris-based Caisse Central de Reescompte, a full-service bank owned by the Paribas Group, in order to broaden its international asset management.

Banks' concern over return on equity is not coming out of the blue.

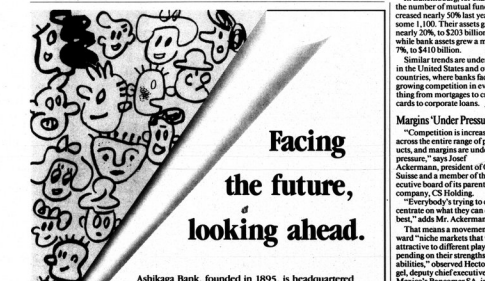
A worldwide economic recession and problem loans to big international corporate borrowers and local real estate developers have forced many to sharply increase provisions against bad loans in the industrialized world.

Requirements Tighter

Capital requirements, too, have tightened since 1988 under international agreements.

Banks may have to set aside even more capital under guidelines now being drafted for so-called market risk, such as interest and currency exchange

Continued on *next page*



Facing the future, looking ahead.

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fluctuations.

And in the United States, banks are getting pushed one step further by being required to mark their securities holdings and loans to market value – something that could further erode their capital bases in an environment of rising interest rates.

Capital Scarcer, Costlier

Meanwhile, capital, once cheap and abundant, has become increasingly scarce and more expensive.

German banks, which could once rely on local markets for their funding needs, are finding that the government's growing budget deficit from infrastructure investments in eastern Germany is raising costs and forcing them to look further afield for funding, to the United States and the Euromarkets.

Latin American banks, no longer able to borrow from other banks, are also increasingly turning to international capital markets.

An Eye on Credit Ratings

And Japanese banks, which only a few years ago paid little or no interest on deposits and seemed to have access to an inexhaustible supply of cheap equity, are paying market rates.

Banks "are turning away from their traditional business of lending money in favor of the more rewarding activities of fee-based services and trading."

Serge Bellanger
Union Europeenne de CIC

As a result, banks worldwide are nervously watching their credit ratings, since a fall in ratings makes funding even more expensive.

They are also making information about their balance sheets more readily available in an effort to attract international investors.

Still, generalizing is difficult, and some banks clearly have further to go than others when it comes to reaching acceptable returns on equity.

Profitability Higher in U.S.

According to rankings compiled by IBCA Ltd., the London-based bank rating agency, four of the 10 most profitable banks in the world – and 19 of the top 50 – are from the United States.

The seven biggest U.S. commercial banks, for example, had an average return on equity of 22.37% last year.

That compared with 13.62% for the five largest private commercial banks and two largest savings banks in Spain, 4.77% for the 13 major Japanese banks, and only 4.58 % for the eight top British banks.

Norwegian and Finnish banks, heavily burdened by bad property loans and an economic slump, posted negative returns of minus-78.9% and minus-21.5% last year.

But all is not gloom and doom.

As interest rates fall and lending margins improve, U.S. banks are posting record profits.

Falling interest rates in other countries could similarly help improve banks' profits.

Outside the major industrialized countries, banking is expanding rapidly, fueled by rapid economic growth and still-low levels of retail and wholesale borrowings.

Commercial Banking Boom

Bankers and analysts note that Asia and Latin America are experiencing a major boom in old-fashioned commercial banking.

Cross-border lending by U.S. banks to Latin America, for example, is on the rise again after dropping for eight years in a row, while Japanese banks are stepping up their lending to China despite problems at home.

Analysts say foreign and local banks can also find ample opportunities for lending to

Margins are narrowing, competition from the outside is growing, and protectionist barriers are falling.

corporate and retail customers in other regions, such as Eastern Europe.

Fee-Based Income Eyed

"In terms of growth in the 1990s, Eastern Europe will be one of the more attractive areas, provided the politics don't intervene," says Matthew Czeplikewicz, a London-based bank analyst with CS First Boston.

But in Europe, the United States, and Japan, bankers can no longer afford the luxury of continuing to do what they have done in the past.

The result is that they are steadily trimming capital-intensive lending.

"We're seeing pretty low loan growth overall, and most of what you see is on the consumer side," says Mark Gross, a banking analyst with IBCA in New York.

Instead, bankers say they are developing transactions that are fee-based rather than capital-intensive – such as derivatives, underwriting, trading, and securities processing – and adopting complex risk-management strategies.

"Banks . . . are turning away from their traditional business of lending money in favor of the more rewarding activities of fee-based services and trading," notes CIC's Mr. Bellanger.

Recommended Strategies

"Balance sheet and capital of a bank are important," says Mr. Ackermann of Credit Suisse.

"It's obvious that the lending business is not profitable and does not generate return on equity."

Adds Raymond Kirsch, president and general manager of the State Savings Bank of Luxembourg:

"Big banks need to find out what's going on within their institutions and cut costs. Medium-sized banks need to realize they can't do everything. And small banks must be aware they cannot take on significant risks because it could wipe out their capital." □

EURO RISCO

THE FIGURES SAY IT ALL.

	1991/92 - % CHANGE
Customer deposits	+20.8
Loans to customers	+21.0
Net profit	+31.1
Total assets	+21.9
Shareholders' equity	+ 3.9

The 1992 figures speak for themselves. However, it is worth reflecting on the major developments which occurred in 1992 and contributed to such positive results. The merger with Citibank Italia allowed us to incorporate 47 branches, mainly located in Southern Italy. Furthermore, we opened 34 new branches in areas of particular economic interest.

Parent Bank's figures as at 31st December 1992	US$ m
Customer deposits	14,537
Loans to customers	12,806
Net profit	117
Total assets	26,302
Shareholders' equity	1,285

(Exchange Rate Lire/US$ as at 31st December 1992 : 1470.96)

As a result, we now benefit from the resources of a network of 500 branches. To this, we can add a further 500 sales points provided by Ambro Italia, which, together with the other Ambroveneto Group companies, offer a comprehensive range of financial services including leasing, factoring, merchant banking, insurance and investment funds. Finally, 1992 saw the inauguration of our London branch, situated in the heart of the City.

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ITALY'S LEADING PRIVATE BANK

On the Home Front, Banking Has Bounced Back

By JAMES R. KRAUS

Boosted by falling interest rates that improve their lending margins, gains on securities trading, and lower provisions for loan losses, U.S. banks are riding record profits.

"For banking in general, the best news is the industry renewed financial strength," says John F. McGillicuddy, chairman and chief executive of Chemical Banking Corp.

First-quarter net income totaled $10.9 billion for U.S. commercial banks, up $3.3 billion over the same quarter a year earlier and well above the previous record of $8.3 billion in the third quarter of 1992.

Endangered Species?

Second-quarter earnings continue to improve at almost all banks.

Yet, even as banks post some of the best results in years, banking in the United States increasingly appears to be an endangered species.

For one thing, the number of banks is steadily shrinking, mainly through consolidation.

As of March 31, there were 11,328 commercial banks in the United States, down from 13,139 five years earlier.

For another, bond and stock mutual funds, offering higher rates of return, are sapping deposits at banks.

United States



Mutual fund assets, growing at around 17% a year, currently total $1.7 trillion and will probably hit $2 trillion before the end of this year.

That compares with a slight increase in bank deposits – between 2% and 3% a year.

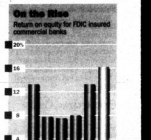
Creditworthy companies are also increasingly turning directly to capital markets for their borrowings, bypassing banks.

"Commercial banking has migrated from a world of borrowers and savers to a world of issuers and investors," Mr. McGillicuddy observes.

Investors Skeptical

Bank stock prices, too, are languishing as investors see little growth in bank lending and believe that once the current slump in interest rates stalls, rising bank profits will level out.

"It's difficult to see where future earnings will come from," says Mark Gross, a U.S. banking analyst in New York with the credit rating agency IBCA Inc.



The Nonbank Factor

Banks also face increasing competition from nonbank institutions in everything from lending to credit cards and an ever-increasing mass of costly regulation.

At the same time, Congress has balked at broadening commercial banks' powers to engage in other activities, such as insurance and corporate debt underwriting.

This, in turn, has prevented banks from developing new lines of business and constrained them to an ever-shrinking role as a source of finance within the U.S. economy.

'A Costly Abomination'

"Whoever actually fulfills these functions isn't nearly as important as making some rational sense out of the way financial services are delivered in this country," says Robert Douglass, vice chairman of Chase Manhattan Corp.

"That rational sense isn't going to come until Congress wakes up and recognizes the current system is a costly abomination that impedes economic growth."

According to recent estimates, banks' share of total U.S. financial assets has shrunk from around 40% two decades ago to less than 25%.

Long Downward Trend

The shrinkage is likely to continue as demand for loans remains slack and creditworthy borrowers in increasing numbers are turning directly to capital markets for funding.

"The banking industry has been losing market share with respect to share of credit granted since the end of World War II," says Lawrence Cohn, a banking analyst at PaineWebber Inc.

"I don't think that's going to change as capital markets get more efficient and the regulatory burden gets greater."

Still, no one is prepared to predict that U.S. banks will soon disappear.

But observers add that banks are likely in the future to focus on a more restricted range of operations where they have an inherent advantage.

"The capacity to know how to make a loan is still a skill, and banks offer the only real payments mechanism in the U.S. economy," Mr. Cohn says.

"That still offers them real opportunities." □



1992 Highlights

The AGM of Banca Popolare di Milano was held on April 24, 1993. The meeting, chaired by Piero Schlesinger, approved the financial statements for 1992 which closed with net income of US$ 69.2 million. A cash dividend of US$ 0.14 per share was declared, together with a stock dividend of one share for every 100 held. The total value of the payout was about US$ 35 million.

The principal parameters of the banking business are summarized below:

Customer deposits	US$ 10,000 million	+ 5.2%
Total deposits	US$ 19,507 million	+ 10.9%
Loans to customers	US$ 10,423 million	+ 14.0%
Total loans	US$ 17,578 million	+ 25.0%

EXCHANGE RATE AT DECEMBER 31, 1992: US$ 1 LIRE 1,470.96

The rise in lending was directly reflected in profitability: the interest margin rose 18.5% to US$ 685 million while income from services was unchanged at US$ 235 million. Overall, the gross operating margin was 32.1% ahead at US$ 364 million, although net income fell 27.8% after writing down securities by US$ 40 million to reflect depressed market conditions at year-end and absorbing a tax charge of US$ 70 million, up 88.8%.

Twenty new branches were opened during 1992, expanding the network to 240 in 12 regions throughout Italy. Capital stock increased by about US$ 31 million during the year following the exercise of warrants and, after the allocation of net income for 1992, capital and reserves rose to US$ 1,710 million.

During 1993 the stockholders authorized the issue of subordinated convertible bonds totaling a maximum of US$ 153 million.

BPM

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Little Relief in Sight as Recession Hurts Profits

JAMES R. KRAUS

A deepening recession across Europe is wreaking havoc with banks' profits.

Bankers and analysts say they see little hope for improvement until interest rates fall further and bank lending margins improve.

"It's well understood that banks have been under pressure," says Marc Vienot, chairman of France's Societe Generale.

"Europe is still in a very pessimistic mood, and it's very hard for one country or the other to do something on its own."

'Trying to Limit Losses'

"It's kind of a grin-and-bear-it year, and banks are trying to limit losses, control costs, and look forward to some recovery next year," says Matthew Czepliewicz, a banking analyst with CS First Boston in London.

"There's not a lot positive in general terms, and you're looking at very modest lending, revenue, and asset growth and some improvement in spreads as interest rates decline."

The economic downturn comes as cash-short governments in several European countries are seeking to sell off the stakes they hold in big banks.

The fall in profits as a result of bad real estate and corporate lending is affecting some of Europe's biggest banks.

Europe

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But with profits falling and provisions for bad corporate and real estate loans rising, it could take a lot longer than planned to privatize the remaining government-owned banks.

Credit Lyonnais, one of the world's biggest banks, with $350 billion of assets, lost $316 million last year after earning $562 million a year earlier.

Barclays First Loss

Banque Nationale de Paris, with $284 billion in assets, earned $380 million last year, down from $515 million a year earlier.

Barclays Bank PLC, Britain's largest commercial bank, with $225 billion of assets, announced a $515 million loss last year, the first in its 97-year history.

Trouble in Sweden

The bank's chairman, Andrew Buxton, said there is little reason to believe that Britain's economy will improve soon.

And banks in Sweden and Finland are facing an unending series of disasters.

Ferruzzi Failure Costly

At the end of June, the Swedish government laid out over $50 million to cover an interest payment missed by Swedbanka, one of the largest banks in Scandinavia. Earlier, it had bailed out and taken over two other banks, Gotabanken and Nordbanken.

The bad news is still coming in.

In June, Italy's Ferruzzi group disclosed it would be unable to meet its obligations to lenders, leaving more than 100 banks, including some of the biggest U.S. and European banks, unable to recover hundreds of millions in loans.

Still, analysts caution against sweeping generalizations.

Big Gain at Natwest

They note that some banks are posting stable or even improved earnings and are holding up rather well, despite the economic slowdown.

For example, National Westminster Bank PLC, Britain's second-biggest, boosted earnings nearly fivefold – from $73.5 million in 1991 to $325.5 million last year.

France's Societe Generale earned nearly $580 million, down only slightly from $591 million a year earlier, and the bank predicts profits will be at or around the same level in 1993.

No Relief in Sight

Meanwhile, German and Spanish banks also performed strongly.

Still, the outlook remains grim, and bankers say any near-term improvement in profits is unlikely.

Substantially diminished economic activity, low demand for credit, and increased provisions remain the main problems, they add.

"We have very little margin for maneuver," says Mr. Vienot of Societe Generale.

He and others add that, given the current scenario, no improvement in earnings is likely until the middle of next year. □



"Europe is still in a very pessimistic mood."

Marc Vienot
Societe Generale

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BANCO di SICILIA

MORE EXPERIENCE IN ITALIAN BANKING.

Growth Stirs Region's Banks, Lures Outsiders

By JAMES R. KRAUS

Banking markets in Asia are roaring to life as economic growth in the region accelerates.

"Capital needs throughout Asia are increasing dramatically, especially for infrastructure development," says John Gray, chairman of Hong-kong Bank, the main commercial banking unit in Asia for HSBC Holdings PLC.

Throughout southeast Asia and China, banks are striving to meet increased demand for credit by modernizing antiquated bureaucracies, expanding their networks, adding technology, and supplying a bigger array of banking services.

Foreigners Intrigued

Big French, British, and U.S. banks also see countries like China, Vietnam, Thailand, Indonesia, and India as among the most promising markets for trade finance, private banking, institutional asset management, securities trading, and even consumer services such as credit cards and mortgage lending.

New bank lending to lesser-developed countries in Asia that are not members of OPEC was $10.9 billion for the second half of last year -- a greater expansion than in any other region, according to the Bank for International Settlements.

Asia

The boom in economic activity is reshaping the region, creating new offshore financial centers like Bangkok and turning a manufacturing center like Hong Kong into a financial springboard for doing business in China.

Hong Kong, which has offices of more than 500 banks, including 19 of the top 20 in the world, is expected to be among the banking centers that will benefit most from economic growth, especially in China.

According to surveys by Credit Lyonnais Securities, companies listed in Hong Kong are involved in 801 projects in China worth at least $67.3 billion.

Hong Kong Seen as Hub

China, in turn, is estimated to have invested at least $12 billion in Hong Kong.



"Capital needs throughout Asia are increasing dramatically."

John Gray
Hongkong Bank

"Banks will flock to Hong Kong to help to finance the rapid expansion of retail and other consumer businesses into China," Mr. Gray predicts.

The vast volume of trade pouring through Hong Kong and other South China ports, he adds, will mean huge growth in trade finance, foreign exchange activity, and asset management for institutional investors.

Still, the massive global lending binge of the 1980s has left its scars.

Japanese banks have been hit hardest and will probably spend the rest of the decade sorting out and restructuring billions of dollars of bad assets, both at home and abroad.

'Unlikely to Improve'

According to estimates by Japan's Ministry of Finance, gross nonperforming loans as of March 31 for Japan's 21 major banks totaled nearly $120 billion.

"Asset quality problems are unlikely to improve in the near term as it will take the banks several years to complete the work-out process, and a significant number of restructurings that have been put together will undoubtedly be unsuccessful," Standard & Poor's ratings group warned in a recent report.

Japanese Banks in Position

Nonetheless, analysts believe Japanese banks and regional powerhouses like HSBC Holdings are best positioned to profit from Asia's booming economy.

"Within Asia, Japanese banks are still the strongest and most competitive players despite capital constraints, poor earnings, loan problems, and a real estate crisis at home," says Ricardo Kleinbaum, an international banking analyst with Fitch Investors Service.

'Own Financial Culture'

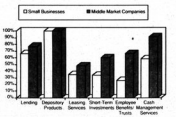
The analyst adds that Japanese banks and other local players in Asia may also have an edge over Western banks because of cultural factors.

"The ways of doing business in Asia are different from U.S. and Europe," Mr. Kleinbaum says.

"They [Asian banks] have their own financial culture, and contacts are more important than simply offering the best price on a specific transaction." ☐

How Much More Corporate Business Will You Lose to Non-Banks?

Financial Services Used

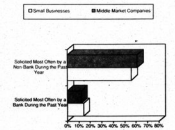


Small businesses use many services in addition to credit, particularly depository and investment products. The business potential is significant and taking these companies' business for granted would be a mistake.

Non-banks now market aggressively to small businesses and middle market companies. And their products and services often are rated as superior to or better priced than those offered by banks.

In fact, 80% of middle market companies that chose a new provider last year selected a non-bank.

Selling Efforts



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For more information, contact Linda English at: 1-800-676-2774

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Tampa, FL 33607

Financial Market Reform Spurs Lending Boom

By JAMES R. KRAUS

Latin America's economies may be just getting off the ground, but its banks are already well ahead of the game.

Starved by more than a decade of credit shortages, banks are catering to a surge in loan demand from corporations, consumers, and investors as financial market reform gathers steam.

"You have the economies opening, you have deficits being controlled, and you have inflation coming down," notes Stefano Natella, a Latin America analyst with CS First Boston in New York.

"With inflation coming down, this has triggered a boom in lending, especially consumer lending."

Dramatic Change Predicted

Bankers and analysts say market reform in Latin America and the privatization of formerly state-controlled economies and corporations are radically altering the kind of business banks do and vastly increasing the scope of the services they provide.

"The banking sector in Mexico will change dramatically," predicts Manuel Somoza Alonso, chief executive officer at Banco Mexicano SA.

"What you have is a total change in lending patterns in banks, away from big corporate and state-run sectors in favor of the retail sector," says Mr. Natella.

That, he says, means that although banks stand to profit from higher margins, they also risk running into more nonperforming loans.

This trend is most pronounced in Mexico, where bank lending has skyrocketed in recent years as problem loans have increased.

"Loans have grown dramatically since 1989, reflecting the improving economic environment and improved availability of credit," Duff & Phelps Rating Co. notes in a recent assessment of Mexico.

"As the economy has slowed, the industry has experienced a sizable increase in problem loans."

Still, compared with many other areas of the world, the level of nonperforming loans remains low in Latin America and bankers and analysts remain sanguine.

'Not a Widespread Problem'

"Nonperforming loans are not a widespread problem through the industry," adds Mr. Natella.

According to calculations by First Boston, provisions for possible loan losses among banks in Mexico ate up 5.28% of gross interest income during the first quarter this year.

In the United States, where banks are benefiting from steadily improving earnings, Mr. Natella points out that provisions against bad loans accounted for nearly 10% of gross interest income.

Not 'Over Their Heads'

"Growth appears strong, but when you relate it to individual people, they're not indebted way over their heads," says Constantin Boden, executive vice president at Bank of Boston Corp. and head of the bank's international operations.

Per-capita retail debt in countries like Argentina where lending is growing by leaps and bounds is still well below levels acceptable elsewhere, Mr. Boden adds.

The Boston-based bank, which has a large network of offices in Argentina, Brazil, and Chile, sharply increased its local lending in Latin America last year and plans to increase it even more in 1993.

Some Lag Behind

Profits also remain strong.

Mexico's 18 commercial banks, for example, had a combined return on assets of 1.56% for the first quarter and a 25.7% return on equity -- both figures well above international norms.

Still, not all countries are moving at equal speed.

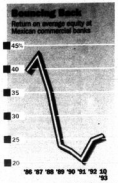
Mexico, Argentina, and Chile are among the countries where the biggest market reforms have been implemented and banking has grown fastest.

Colombia and Peru are slowly but steadily deregulating banking, while countries like Brazil and Ecuador are still mired in regulatory constraints.

Nonetheless, bankers believe it's only a matter of time before the laggards start catching up.

Both Peru and Colombia, they point out, are following in the wake of Mexico, Argentina, and Chile by privatizing state-owned banks and setting up genuine local capital markets.

"Colombia will be the next," Mr. Natella predicts. ☐



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The Top 500 Banks in the World

Banks ranked by assets on Dec. 31, 1992, or nearest fiscal yearend. Holding companies are excluded. (Dollar amounts in thousands)

Asset Rank 1992		Assets in US Dollars 12/31/92	Assets in US Dollars 12/31/91	Asset Rank 12/31/91	Change in Rank	Deposits in US Dollars 12/31/92	Deposit Rank 12/31/92	Deposit Rank 12/31/91
1	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	Japan	492,436,792x	446,311,393x	1	300,295,555	1	1
2	**Fuji Bank, Ltd., Tokyo**	Japan	458,674,996x	419,429,831x	4	+2	344,400,983	3	4
3	**Sumitomo Bank Ltd., Osaka**	Japan	452,811,639x	427,584,706x	3	0	324,276,843	4	3
4	**Sanwa Bank Ltd., Osaka**	Japan	449,710,095x	412,169,699x	5	+1	329,570,301	6	6
5	**Sakura Bank, Ltd., Tokyo**	Japan	441,735,163x	420,823,193x	2	-3	345,751,301	2	2
6	**Mitsubishi Bank Ltd., Tokyo**	Japan	429,013,635x	391,563,790x	6	0	327,177,475	5	5
7	**Norinchukin Bank, Tokyo**	Japan	371,727,700x	307,280,589	7		334,040,704	8	8
8	**Credit Lyonnais, Paris (e)**	France	360,811,485x	306,265,356x	10	+1	207,336,767	17	208
9	**Industrial Bank of Japan, Ltd., Tokyo**	Japan	339,137,296x	302,760,741x	10	+1	279,687,149	8	9
10	**Deutsche Bank, AG, Frankfurt**	Germany	306,922,898x	295,623,736x	9	0	211,201,402	9	7
11	**Credit Agricole Mutuel, Paris**	France	298,306,899x	307,123,563x	8	-3	194,318,297	17	17
12	**Mitsubishi Trust & Banking Corp., Tokyo**	Japan	292,545,744x	247,538,978x	15	+3	251,101,102	11	15
13	**Banque Nationale de Paris**	France	283,822,410x	275,804,527x	12	+1	206,930,615	15	13
14	**Long-Term Credit Bank of Japan Ltd., Tokyo**	Japan	274,035,005x	221,285,352x	22	+7	218,857,415	13	18
15	**Tokai Bank Ltd., Nagoya**	Japan	272,929,933x	252,498,547x	14	-1	204,124,087	16	19
16	**Sumitomo Trust & Banking Co., Ltd., Osaka**	Japan	268,997,744x	235,379,496x	17	+1	248,346,634	11	12
17	**Mitsui Trust & Banking Co., Ltd., Tokyo**	Japan	267,223,751x	226,101,851x	20	+3	235,356,996	12	15
18	**Societe Generale, Paris**	France	256,981,266x	223,756,094x	20	+2	171,679,767	24	25
19	**ABN-AMRO Bank, N.V., Amsterdam (b)**	Netherlands	252,708,543x	242,827,896x	16	-3	152,438,844	27	27t
20	**Asahi Bank, Ltd., Tokyo (c)**	Japan	249,166,903x	212,621,980x	23	+3	182,172,230	22	21
21	**Barclays Bank Plc, London**	United Kingdom	225,764,652x	258,123,852x	13	-8	175,866,870	23	14
22	**Bank of Tokyo, Ltd.**	Japan	222,864,221x	218,777,296x	22		165,037,527	25	22
23	**National Westminster Bank Plc, London**	United Kingdom	216,629,024x	229,081,461x	18	-5	191,103,136	18	16
24	**Daiwa Bank, Ltd., Osaka**	Japan	212,228,884x	186,635,335x	25	+1	180,994,040	19	24
25	**Yasuda Trust & Banking Co. Ltd., Tokyo**	Japan	201,328,709x	181,171,121x	27	+2	185,059,458	21	23
26	**Dresdner Bank, Frankfurt**	Germany	200,338,051x	191,526,778x	26	0	187,491,841	20	20
27	**Union Bank of Switzerland, Zurich**	Switzerland	181,925,546x	183,727,467x	26	-1	150,507,852	28	26
28	**Toyo Trust & Banking Co. Ltd., Tokyo**	Japan	179,488,428x	152,937,106x	30	+2	160,517,016	26	32
29	**Westdeutsche Landesbank Girozentrale, Duesseldorf**	Germany	165,386,727x	149,060,340x	34	+5	134,886,002	30	29
30	**Citibank NA, New York**	United States	162,044,000	161,114,000	29	-1	118,360,000	36	35
31	**Istituto Bancario San Paolo di Torino, Turin**	Italy	161,018,790x	178,561,822x	28	-3	122,480,002	35	31
32	**Deutsche Verkehrsbank, Frankfurt**	Germany	155,484,000x	149,578,000x	33	+1	144,376,000	29	30
33	**Nippon Credit Bank, Ltd., Tokyo**	Japan	148,769,160x	133,897,360x	36	+3	123,636,261	37	37
34	**Commerzbank, Frankfurt**	Germany	143,211,096x	149,234,952x	33	-1	133,486,047	31	28
35	**Shoko Chukin Bank, Tokyo**	Japan	138,983,454x	115,835,343x	41	+6	127,341,178	33	38
36	**Swiss Bank Corp., Basel**	Switzerland	137,014,482x	152,411,754x	31	-5	114,672,162	37	33
37	**Bayerische Hypotheken-und Wechsel-Bank, Munich**	Germany	136,634,042x	126,823,953x	38	+1	127,912,232	32	34
38	**Bank of America, NT&SA, San Francisco**	United States	132,166,000	98,265,000	53	+15	106,921,000	41	58
39	**Bayerische Vereinsbank, Munich**	Germany	130,249,953x	119,679,686x	39	+1	70,036,711	63	57
40	**Rabobank Nederland, Utrecht**	Netherlands	127,751,751x	126,974,836x	38	-2	83,586,348	50	47
41	**Dresdner Bank (Schweiz), Zurich**	Switzerland	127,586,962x	135,748,804x	35	-6	88,776,142	47	36
42	**Hongkong and Shanghai Banking Corp., Hong Kong (e)**	Hong Kong	125,486,040x	120,624,878x	40	-2	108,776,412	40	36
43	**Landesbank Rheinland-Pfalz Girozentrale, Munich**	Germany	121,705,976x	105,163,639x	50	+7	113,183,230	38	41
44	**Creditbank Bank, Tokyo**	Japan	120,915,429	97,479,451	54	+10	112,343,399	39	55
45	**Credit Suisse, Zurich**	Switzerland	118,011,234x	114,683,833x	43	-2	102,912,436	42	40
46	**Banca Nazionale del Lavoro, Rome**	Italy	113,395,496x	130,791,276x	32	-14	90,331,176	49	39
47	**ING Bank, Amsterdam**	Netherlands	109,186,218x	107,163,810x	48	+1	71,757,045	62	62
48	**Chemical Bank, New York**	United States	107,615,000	49,581,000	108	+60	75,227,000	57	116
49	**Royal Bank of Canada, Montreal**	Canada	106,840,136x	111,376,407x	44	-5	90,450,932	45	44
50	**Canadian Imperial Bank of Commerce, Toronto**	Canada	106,582,972x	100,653,846x	49	+2	86,754,000	48	50
51	**Bank of Yokohama, Ltd.**	Japan	105,256,224x	94,483,719x	57	+6	78,730,012	52	61
52	**Abbey National, Plc, London**	United Kingdom	104,459,944x	107,289,944x	45	-7	80,576,100	44	46
53	**Chez Trust & Banking Co., Ltd., Tokyo**	Japan	102,252,806x	85,312,417x	60	+7	96,554,524	43	56
54	**Banca di Roma, Rome**	Italy	102,187,540x	69,466,630x	76	+22	78,155,740	53	70
55	**Cassa di Risparmio delle Provincie Lombardi, Milan**	Italy	101,102,560x	92,234,094x	61	+6	76,423,152	55	49
56	**Generale Bank, Brussels (f)**	Belgium	99,888,900x	81,408,003x	64	+8	65,457,000	64	59
57	**Monte dei Paschi di Siena**	Italy	97,316,145x	106,698,811x	46	-11	77,076,553	55	53
58	**Midland Bank Plc, London (e)**	United Kingdom	92,889,955x	111,033,552x	45	-13	78,514,222	51	42
59	**Westdeutsche Landesbank Girozentrale, Hannover**	Germany	92,748,891x	85,934,976x	59	+2	86,559,624	46	52
60	**Hokkaido Takushoku Bank, Ltd., Sapporo**	Japan	90,526,270x	79,862,618x	66	+6	75,064,402	58	66
61	**Banca Commerciale Italiana, Milan**	Italy	88,023,836x	101,835,782x	51	-10	72,984,000	61	52
62	**Banco Bilbao Vizcaya, Bilbao**	Spain	87,781,103x	92,377,456x	58	-4	77,909,927	54	54
63	**Bank of Montreal**	Canada	86,502,542x	84,561,583x	61	-2	73,142,062	60	60
64	**Lloyds Bank Plc, London**	United Kingdom	86,132,226x	95,890,914x	52	-12	74,263,214	59	48
65	**Bank of Nova Scotia, Toronto**	Canada	75,738,023x	74,168,259x	70	+5	61,379,407	69	67
66	**Morgan Guaranty Trust Co., New York**	United States	75,708,524	77,918,742	67	+1	32,306,000	118	111
67	**Banca di Napoli, Naples**	Italy	75,453,768	84,084,380	62	-5	61,982,440	67	64
68	**Odin Bank, Ltd.**	Japan	73,813,395	66,368,139	82	+14	61,982,440	68	75
69	**Chase Manhattan Bank NA, New York**	United States	73,795,768	74,126,019	71	+2	56,178,010	76	68
70	**Grupo dos Bancos Populares, Porto**	France	73,763,473x	74,864,000x	68	-2	58,267,862	72	65
71	**Societe Generale Alsacienne de Banque (g)**	Belgium	73,589,835x	66,095,451x	74	+3	53,338,208	74	72
72	**Credito Italiano, Milan**	Italy	72,322,942x	83,967,815x	63	-9	61,173,298	70	63
73	**Banco Central Hispanoamericano, SA, Madrid**	Spain	71,165,526x	59,697,896x	77	+4	62,730,167	66	51
74	**Westpac Banking Corp., Sydney**	Australia	71,144,566x	74,555,111x	69	-5	56,300,263	74	69
75	**Kansallispankki Sverige, AB, Stockholm**	Sweden	68,477,397x	68,479,386x	73	+2	32,006,972	120	149
76	**Sallvesbolagets Landesbank, Stuttgart**	Germany	69,343,705	68,996,273x	77	+1	37,938,808	107	65
77	**Banco do Brasil, Brasilia**	Brazil	69,187,867x	70,038,010x	75	-2	15,234,176	234	177
78	**Kredietbank N.V., Brussels (g)**	Belgium	68,897,990x	61,805,328x	84	+6	61,039,839x	71	77
79	**Skandinaviska Enskilda Banken, Stockholm**	Sweden	68,431,953x	81,140,230x	65	-14	44,290,638	91	72
80	**Banque Indosuez, Paris**	France	66,019,026x	70,863,006x	74	-6	47,791,421	89	87
81	**Skandia Bank Ltd.**	Japan	65,836,363x	58,289,363	94	+13	58,177,971	73	81
82	**National Australia Bank, Ltd., Melbourne**	Australia	64,971,236x	61,758,936x	83	-1	52,532,485	78	78
83	**Credit Communal de Belgique, SA, Brussels**	Belgium	64,028,943x	61,535,896	86	+3	56,297,084	75	85
84	**Hokuriku Bank Ltd., Toyama**	Japan	63,827,030x	58,477,355x	93	+9	52,730,167	77	83
85	**Joyo Bank, Ltd., Mito**	Japan	62,730,744x	56,645,589x	95	+10	50,042,396	77	83
86	**Banco Espanol de Credito, Madrid**	Spain	61,875,380x	70,864,654x	78	-8	40,368,000	99	94
87	**Australia & New Zealand Banking Group, Ltd., Melbourne**	Australia	61,548,941x	65,884,870x	82	+5	43,621,839	92	74
88	**Banco Santander**	Spain	61,354,088x	65,301,096x	80	+7	51,537,521	84	91
89	**Royal Bank of Scotland Plc, Edinburgh**	United Kingdom	61,302,413x	55,993,300x	100	+11	52,367,173	82	86
90	**Credit Commercial de France**	France	61,254,941x	56,440,008x	96	+6	43,513,526	117	115
91	**Landesbank Hessen Thuringen-Girozentrale, Frankfurt (h)**	Germany	58,397,923x	54,768,274x	97	+6	54,500,000	78	79
92	**ASLK-CGER Bank, Brussels**	Belgium	58,059,182x	56,327,544x	98	+6	50,949,096	85	82
93	**Nordbanken, Stockholm**	Sweden	57,887,542	50,613,807x	104	+11	50,267,413	86	89
94	**Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt**	Germany	57,350,159x	66,398,409x	79	-15	38,072,362	105	89
95	**Bank of Fukuoka, Ltd.**	Japan	57,307,439	51,287,096x	105	+10	51,785,174	83	96
96	**Commonwealth Bank of Australia, Sydney**	Australia	56,972,392x	59,186,216x	91	-5	40,116,287	100	92
97	**Bayerische Landesbodenkredit und Hypothekenbank, Wiesbaden**	Germany	56,834,171x	44,348,507	112	+15	53,260,780	80	97
98	**Tenaito-Dondobu Bank**	Japan	56,599,438	56,265,321	99	+1	48,110,946	88	84
99	**Caja de Ahorros y Pensiones de Barcelona**	Spain	56,272,061x	61,977,253x	85	-14	43,614,040	93	110
100	**Creditanstalt-Bankverein, Vienna**	Austria	56,236,457x	56,398,905x	97	-3	38,030,500	106	108

Data Source: Compiled by American Banker from its survey of the world's largest banks. Rankings are determined against amount reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of the equity of banks. Data for most banks are for Dec. 31, 1992 and Dec. 31, 1991, ship exceeds 50%. Data of figures: Data for most banks are for Dec. 31, 1992 and Dec. 31, 1991. Exceptions: Data for Australian and New Zealand banks are for June 30, 1992, Sept. 30, 1992, and March 31, 1993; Canadian bank data are for fiscal yearend Oct. 31, 1992; and all Japanese and Indian bank data are for fiscal yearend March 31, 1993. Exchange rates: Whenever possible, the New York rates are used, and this rate is for same date as bank's figures. (a)— Revised. (b)— Rank bank would have had, if revised deposit data were used. (c)— Asahi Bank, Ltd. merged with Taiyo Kobe Bank, Ltd. on April 1, 1990, to form Asahi Bank, Ltd. Exchange rate is 140.5 billion yen = $1 billion. (d)— Bayerische Landesbank Girozentrale, Munich, merged with Bayerische Kommunale Landesbank Girozentrale, Munich, on Jan. 1, 1994. (e)— Changed title. Compiled title on Sept. 21, 1992. (f)— Changed title. Formerly known as Banque Bruxelles Lambert. (g)— Changed title. Formerly known as Bruxelles Lambert Groupe. (h)— Changed title. Formerly known as Hessische Landesbank Girozentrale. (i)— Changed title on Sept. 21, 1992. (j)— Changed title. Formerly known as Westdeutsche Landesbank Girozentrale. (k)— Changed title on Sept. 21, 1992. (l)— Changed title. Formerly known as Bayerische Hypotheken-und Wechsel-Bank. (m)— Changed title. Formerly known as Creditanstalt-Bankverein. (n)— Changed title. Formerly known as Kredietbank N.V. (o)— Changed title. Formerly known as Nordbanken Sverige, AB. (p)— Changed title. Formerly known as Bayerische Vereinsbank. (q)— Changed title. Formerly known as Banque Indosuez. (r)— Changed title. Formerly known as Skandia Bank Ltd. (s)— Changed title. Formerly known as Bayerische Landesbodenkredit und Hypothekenbank. (t)— Changed title. Formerly known as Westdeutsche Landesbank Girozentrale.

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The Top 500 Banks in the World

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Asset Rank 1992		Assets in US Dollars 12/31/92	Assets in US Dollars 12/31/91	Asset Rank 12/31/91	Change in Rank	Deposits in U.S. Dollars 12/31/92	Deposit Rank 12/31/92	Deposit Rank 12/31/91
101	**Bankers Trust Co., New York**	United States	55,527,000	52,406,000	103	+2	25,340,000	151	154
102	**Svenska Handelsbanken, Stockholm**	Sweden	55,442,610x	73,740,788x	72	-30	39,041,631	102	73
103	**Hiroshima Bank, Ltd.**	Japan	53,935,332x	49,302,359x	107	+4	49,149,138	87	98
104	**Unidanmark, Copenhagen**	Denmark	53,542,725x	61,412,126x	87	-17	43,005,624	96	76
105	**Wells Fargo Bank, NA, San Francisco**	United States	50,735,868	51,567,786	104	-1	43,071,157	95	93
106	**Landesbank Berlin-Girozentrale, Berlin**	Germany	50,036,750	26,467,668	178	+72	46,102,877	90	148
107	**Midland Bank Plc, London**	United Kingdom	49,882,100x	43,488,740x	115	+8	35,274,050	109	107
108	**Nordbanken, Stockholm**	Sweden	47,841,300x	60,942,060x	89	-19	32,262,210	119	90
109	**Z-Landesbank Bank Austria, AG, Vienna**	Austria	47,649,690x	47,990,058	109	-1	38,690,600	103	100
110	**Home Savings of America, FA, Irwindale, Calif.**	United States	47,629,391	46,938,936	110		39,732,096	101	103
111	**Tokai Bank International, Tokyo**	Taiwan	47,264,453	43,188,823	114	+6	43,132,647	94	104
112	**Hachijuni Bank, Ltd., Nagano**	Japan	45,355,913	42,683,146	118	+6	40,832,178	97	102
113	**Sanyo Bank, Ltd., Hiroshima**	Japan	45,033,450x	40,963,954x	121	+8	40,663,412	98	117
114	**Bank of Scotland, Edinburgh**	United Kingdom	43,214,100x	43,296,925x	116	+2	38,915,750	103	105
115	**Bank of Taiwan, Taipei**	Taiwan	42,557,390	34,017,464	134	+19	37,164,972	108	126
116	**Standard Chartered Bank, London**	United Kingdom	41,372,018x	43,865,430	114	-2	34,351,449	113	102
117	**Chugoku Bank, Ltd., Okayama**	Japan	38,989,504x	34,827,182	132	+15	35,584,346	111	122
118	**Berliner Bank, Berlin**	Germany	38,287,870x	38,586,187x	123	+5	35,993,944	110	113
119	**Banco Nacional de Mexico, Mexico City**	Mexico	37,707,229x	30,539,837x	154	+35	23,992,316	156	168
120	**Hamburgische Landesbank-Girozentrale, Hamburg**	Germany	36,934,107	35,637,536	129	+9	35,069,982	112	110
121	**Banco Exterior de Espana, Madrid**	Spain	36,814,328x	32,657,893x	138	+17	32,632,865	116	134
122	**Great Western Bank FSB, Beverly Hills**	United States	36,636,103	37,180,463	125	+3	30,974,500	125	123
123	**Banco di Sicilia, Palermo**	Italy	36,514,807x	44,191,556x	113	-10	29,149,417	130	118
124	**Landesbank Schleswig-Holstein Girozentrale, Kiel**	Germany	36,341,863x	33,406,068x	136	+12	31,943,500	121	128
125	**Banco Comercial Portugues**	Portugal	36,022,833x	41,371,412x	120	-5	32,870,450	115	109
126	**Yamaguchi Bank, Ltd., Shimonoseki**	Japan	36,012,378	32,175,580	143	+17	33,250,844	114	133
127	**Bank of Boston, NA**	United States	35,910,413	35,128,000	128	+1	28,630,300	135	129
128	**Banque Cantonale de Zurich**	Switzerland	35,319,696	35,425,127	130	+2	31,375,919	123	121
129	**Sydbank, Copenhagen**	Denmark	35,188,125x	44,424,826x	119	-18	29,903,559	128	114
130	**Nishi-Nippon Bank, Ltd., Fukuoka**	Japan	35,127,447	30,815,254x	152	+22	30,690,583	126	144
131	**Toronto-Dominion Bank, Toronto, NA, Dallas**	United States	35,100,000	32,377,000	136	+5	25,661,700	147	138
132	**77 Bank, Ltd., Sendai**	Japan	35,065,212	32,552,675	139	+7	31,596,797	122	136
133	**Bank Hapoalim, Tel-Aviv**	Israel	34,923,894x	37,830,744x	125	-8	26,256,390	141	135
134	**Nova Kreditna Banka Maribor**	Slovenia	34,315,587	28,067,261	164	+30	7,344,147	403	369
135	**Nippon Trust Bank, Ltd., Tokyo**	Japan	33,569,936	30,849,114	151	+16	30,997,873	124	142
136	**Hang Seng Bank, Ltd., Hong Kong (e)**	Hong Kong	33,485,038x	31,607,171x	145	+9	29,232,480	131	129
137	**Banca Popolare di Novara**	Italy	33,093,372x	38,251,769x	124	-13	25,943,896	145	127
138	**Bancomer, Mexico City**	Mexico	33,054,389x	29,824,000x	175	+37	23,675,000	161	161
139	**Caixa Geral de Depositos, Lisbon**	Portugal	33,050,414x	24,826,157x	184	+45	27,631,276	135	180
140	**Kansallis-Osake-Pankki, Helsinki**	Finland	33,029,745x	36,860,399x	126	-14	20,675,444	176	164
141	**Deutsche Genossenschaftsbank, Frankfurt**	Germany	32,774,209	32,427,548	140	-1	8,014,215	378	130
142	**Landesbank Rheinland-Pfalz Girozentrale, Mainz**	Germany	32,467,432x	33,779,418x	135	-7	30,421,741	127	126
143	**National Bank of Canada, Montreal**	Canada	31,518,785x	31,258,803x	147	+4	26,945,868	138	139
144	**Swiss Volksbank, Berne**	Switzerland	31,427,616x	34,263,680x	133	-11	28,777,572	131	125
145	**Nanto Bank, Ltd., Toyama**	Japan	31,421,328	28,040,051	161	+16	28,033,011	134	145
146	**First National Bank, Chicago**	United States	31,318,950	31,798,035	144	-2	21,850,063	168	156
147	**Cathay Bank, Taipei**	Taiwan	31,234,070x	30,896,402x	148	-1	23,644,477	158	152
148	**Land Bank of Taiwan, Taipei**	Taiwan	30,867,010	24,139,239	180	+38	25,649,268	148	181
149	**Commercial Bank of Korea Ltd., Seoul**	Korea	30,682,160x	29,448,339x	166	+11	28,838,247	133	188
150	**Bank of Ireland, Dublin**	Ireland	30,594,756	27,178,232x	173	+23	27,595,560	136	158
151	**Bank of Kyoto, Ltd.**	Japan	30,503,676x	27,535,702x	170	+19	26,032,034	151	153
152	**Hyogo Bank, Ltd., Kobe**	Japan	30,177,318	28,753,286x	163	+11	26,894,022	142	150
153	**Korea First Bank, Seoul**	Korea	30,176,912x	27,353,234x	172	+19	18,840,618	183	209
154	**Korea Exchange Bank, Seoul (i)**	Korea	30,157,736x	29,171,900x	167	+13	14,716,257	208	208
155	**National Bank of Greece, Athens**	Greece	30,098,265x	31,158,072x	148	-7	24,885,325	152	137
156	**Ye Banq, Ltd.**	Japan	30,088,634	25,178,744	196	+26	26,480,024	144	169
157	**Hyakugoni Bank, Ltd., Takamatsu**	Japan	29,701,900x	27,940,745x	166	+9	25,556,515	149	165
158	**First Commercial Bank, Taipei**	Taiwan	29,610,553	30,917,335	147	-11	27,195,000	137	131
159	**Allied Irish Banks, Plc, Dublin**	Ireland	29,568,888x	29,561,598x	159	+9	24,135,000	154	160
160	**Hanil Bank Ltd., Seoul**	Korea	29,526,155x	26,545,296x	176	+16	25,450,000	150	167
161	**Mellon Bank NA, Pittsburgh**	United States	29,477,431	27,933,371	167	+6	24,550,272	155	167
162	**Hua Nan Commercial Bank, Ltd., Taipei**	Taiwan	29,472,782	30,489,100	155	-7	24,687,167	154	143
163	**Nokkalan Osuuspankki, Espoo**	Finland	29,384,553x	27,830,788x	169	-6	20,008,000	177	155
164	**Bank Leumi le-Israel, Tel-Aviv**	Israel	29,108,007x	30,115,543x	157	+7	24,801,488	153	147
165	**Saitama Bank, Ltd., Urawa**	Japan	28,812,930	25,060,042x	197	+32	25,536,190	148	176
166	**Hua Nan Commercial Bank, Ltd., Taipei**	Taiwan	28,651,835x	27,766,095x	169	+3	26,209,731	142	146
167	**Nokkalan Osuuspankki, Espoo**	Finland	28,484,537x	25,100,987x	205	+38	15,054,987	239	124
168	**Unitas Group, Helsinki**	Finland	28,405,405x	26,512,956x	177	+9	18,218,214	200	205
169	**The Hong Kong Bank, Seoul**	Korea	28,254,520	22,978,261x	197	+28	17,778,226	191	197
170	**Republic National Bank of New York**	United States	28,254,520	22,978,261x	197	+28	17,778,226	191	197
171	**Shiga Bank, Ltd., Otsu**	Japan	28,143,318	24,500,078	185	+15	24,500,078	157	174
172	**Banca Popolare di Milano, Milan**	Italy	28,165,489x	31,513,321x	146	-25	21,712,831	169	153
173	**Creditanstalt-Bankverein, Vienna**	Austria	28,133,913x	29,033,145x	162	-11	16,600,000	212	210
174	**Chang Hwa Commercial Bank, Ltd., Taichung**	Taiwan	27,750,913x	26,915,833	174	+1	20,818,479	173	163
175	**First Union National Bank of Florida, Jacksonville**	United States	27,745,417	26,587,939	175	+1	22,923,874	172	172
176	**Banca Nazionale dell'Agricoltura, Rome**	Italy	27,456,750x	30,432,673x	156	-19	21,694,092	170	159
177	**Norske Bank, Oslo**	Norway	27,023,328x	32,702,107x	137	-39	19,078,432	182	173
178	**Banca Commerciale Veneta, Milan**	Italy	26,933,141x	30,943,715x	149	-28	26,162,333	178	160
179	**Kiyo Bank, Ltd., Hokkaido**	Japan	26,478,845	23,586,009x	206	+18	23,586,009	159	179
180	**Banca Popolare di Verona, Verona**	Italy	26,203,228	27,963,573	165	-14	20,746,972	175	170
181	**Bangkok Bank, Ltd.**	Thailand	25,960,137	23,632,296	192	+12	19,546,458	184	193
182	**Bank of Ryukyu**	Japan	25,877,096	23,335,896x	195	+13	17,946,361	202	203
183	**World Savings, FSB/A, Oakland, Calif.**	United States	25,796,393	24,004,612	188	+6	16,665,046	215	208
184	**Caisse Centrale des Banques Populaires, Paris**	France	25,787,660	N.A.			14,378,617	247	
185	**Dexia Banque Internationale, Luxembourg**	Luxembourg	25,774,736x	21,815,049x	202	+18	22,988,815	160	182
186	**Tokyo Sowa Bank, Ltd.**	Japan	25,525,350	21,870,833	201	+15	21,638,610	159	184
187	**San-in Godo Bank, Ltd., Matsue**	Japan	25,394,709	22,224,519	199	+13	22,755,570	162	185
188	**First National Bank, Boston**	United States	25,326,101	25,994,017	179	-9	19,078,432	182	173
189	**Credito Emiliano, Reggio Emilia**	Italy	25,178,778x	27,412,753x	171	-17	19,217,095	187	183
190	**CERA, Leuven**	Belgium	25,095,360x	24,132,592	187	-2	22,568,861	163	174
191	**Amalgamated Banks of South Africa, Ltd., Johannesburg**	South Africa	24,879,393x	18,715,795x	225	+34	22,470,177	165	210
192	**Banco Popular Espanol, Madrid**	Spain	24,412,244x	25,864,598x	181	-10	20,341,052	177	175
193	**Banque Paribas, Paris**	France	24,296,892x	21,584,028x	203	+10	22,380,783	167	187
194	**Sunga Bank, Ltd., Numazu**	Japan	24,206,483	21,077,014	204	+11	22,042,441	167	192
195	**Hyakuju Bank, Ltd., Akita**	Japan	24,055,096	22,747,816	194	+1	21,570,000	210	212
196	**NBD Bank, NA, Detroit**	United States	23,911,422x	23,594,864x	194	+1	22,558,270	164	162
197	**Bank of Ireland, Dublin**	Ireland	23,625,460x	23,970,330x	189	-8	18,672,733	188	178
198	**Bank of Ireland, Dublin**	Ireland	23,579,203	20,592,818	206	+9	21,142,860	171	195
199	**Development Bank of Singapore Ltd.**	Singapore	23,247,104	21,006,804	205	+7	15,109,612	189	211
200	**Ogaki Kyoritsu Bank, Ltd., Ogaki**	Japan	23,113,643	20,311,870x	209	+10	20,811,512	174	196
201	**Credit de Nord, Paris (d)**	France	22,944,332x	23,617,794x	193	-8	18,483,787	195	191

Data Source: Compiled by American Banker from its survey of the world's largest banks. Rankings are determined against amount reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of the equity of banks. Data for most banks are for Dec. 31, 1992 and Dec. 31, 1991, ship exceeds 50%. Data of figures: Data for most banks are for Dec. 31, 1992 and Dec. 31, 1991. Exceptions: Data for Australian and New Zealand banks are for June 30, 1992, Sept. 30, 1992, and March 31, 1993; Canadian bank data are for fiscal yearend Oct. 31, 1992; and all Japanese and Indian banks are for fiscal yearend March 31, 1993. Exchange rates: Whenever possible, the New York rates are used, and this rate is for same date as bank's figures. (a)— Revised. (b)— Rank bank would have had, if revised deposit data were used. (c)— Asahi Bank, Ltd.

The Top 500 Banks in the World

Banks ranked by assets on Dec. 31, 1992, or nearest fiscal yeared. Holding companies are excluded. (Dollar amounts in thousands)

Asset Rank 1992		Assets in US Dollars 12/31/92	Assets in Millions 12/31/91	Asset Change	Rank 12/31/91	Deposit Rank 12/31/92	Deposit Rank 12/31/91
201	Comerica Bank, Detroit	22,340,468	12,230,867	330	+ 129	16,668,378	214	331
202	Fukoku City Bank, Ltd.	Japan	22,218,647a	20,188,397a	211	+ 9	19,945,269	179	204
203	Continental Bank, NA, Chicago	United States	22,025,000	23,709,000	190	-13	14,670,000	244	216
204	Hokkaku Bank, Ltd., Kasuzawa	Japan	21,982,035	19,612,070	217	+13	19,906,980	180	206
205	Nationsbank of Florida, Tampa	United States	21,957,608	12,084,227	334	+ 129	16,038,390	223	336
206	Bank of Kiski, Ltd., Osaka	Japan	21,886,954	19,452,062	219	+13	19,187,401	188	214
207	PNC Bank, NA, Pittsburgh	United States	21,736,006	19,618,173	220	+10	13,865,307	277	271
208	Nationsbank of North Carolina, Charlotte	United States	21,717,876	18,622,693	227	+19	9,287,214	332	304
209	Bacob Savings Bank S.C., Brussels	Belgium	21,197,859b	19,715,816b	214	+ 5	19,293,585	185	200
210	Bank of Nagoya, Ltd.	Japan	21,030,656	18,218,243	230	+20	19,028,186	192	218
211	Banco do Estado de Sao Paulo	Brazil	21,022,467b	13,476,966	306	+95	13,298,561	265	301
212	Medium Business Bank of Taiwan, Taipei	Taiwan	20,906,696	15,751,036	267	+55	16,347,601	220	254
213	Toyo Trust Bank, Ltd.	Japan	20,817,988	18,309,641a	229	+16	18,325,937	196	219
214	First Interstate Bank of California, Los Angeles	United States	20,590,026	19,522,626	218	+ 4	17,499,311	206	217
215	Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	Germany	20,450,465a	23,651,743a	191	-24	19,037,535	191	166
216	Frankfurter Hypothekenbank, AG	Germany	20,188,984				16,314,642	197	
217	Banque Generale du Luxembourg	Luxembourg	20,140,791a	19,296,895a	220	+ 3	17,819,311	203	207
218	Kelyn Bank, Ltd., Chiba	Japan	20,135,538	17,176,405	241	+23	17,972,770	201	230
219	Taiho Bank, Ltd., Fukushima	Japan	20,007,280	17,748,711	233	+14	18,252,415	199	229
220	Hamburger Sparkasse, Hamburg	Germany	19,938,602	20,212,194	210	-10	18,383,538	198	190
221	Mees Pierson Holding, NV, Amsterdam	Netherlands	19,888,978bf				16,079,858	222	
222	Postipankki, Helsinki	Finland	19,870,017a	25,991,163a	180	-42	9,064,440	343	284
223	Kagoshima Bank, Ltd.	Japan	19,799,597	16,601,198	252	+29	17,573,205	205	237
224	Bundesmobiliare Genossenschafts-Zentralbank, Frankfurt	Germany	19,626,715	19,963,030	213	-11	18,547,694	194	186
225	Arab Banking Corp., Manama	Bahrain	19,490,000c	20,451,000c	208	-17	15,300,000	235	202
226	First Nationwide Bank, FSB, San Francisco	United States	19,031,027	19,231,934	222	+ 4	14,067,940	251	239
227	Korea Housing Bank	Korea	18,985,322	16,673,411	251	+24	15,800,826	229	240
228	Citizens National Bank, Seoul	Korea	18,926,043	16,733,752	248	+20	16,081,483	221	235
229	First Fidelity Bank NA, Newark, N.J.	United States	18,873,024	14,163,005	302	+63	14,588,020	216	276
230	Bank One, Texas NA, Dallas	United States	18,764,212	13,997,064	302	+72	16,376,439	219	270
231	Banco Serfin, Mexico City	Mexico	18,714,556	22,011,591e	193	-31	11,343,521	297	199
232	Musashino Bank, Ltd., Omiya	Japan	18,653,850	16,011,034	260	+28	17,030,710	211	244
233	Oesterreichische Postsparkasse, Vienna	Austria	18,582,051b	19,884,455a	224	-8	17,194,637	208	198
234	Credit Industriel et Commercial, Paris (j)	France	18,531,121d	17,353,231	236	+ 6	10,323,852	314	315
235	Society National Bank, Cleveland	United States	18,506,380	8,143,965	460	+225	13,763,103	258	507
236	Shiheku Bank, Ltd., Aichi	Japan	18,446,895	15,953,935	263	+27	16,529,897	217	248
237	Banque Internationale a Luxembourg	Luxembourg	18,382,691a	17,136,776a	243	+ 6	15,960,380	225	222
238	Societe Generale Alsacienne de Banque, Strasbourg	France	18,368,482d	N.A.			17,437,864	207	
239	Bank fuer Arbeit und Wirtschaft, Vienna	Austria	17,963,546b	18,709,940a	226	-13	16,887,259	213	197
240	Credit Lyonnais Bank Nederland, NV, Rotterdam	Netherlands	17,939,497a	19,059,303a	223	-17	13,050,184	259	315
241	First Union National Bank, Charlotte, N.C.	United States	17,840,015	15,867,890	265	+24	13,945,666	256	255
242	Overseas-Chinese Banking Corp., Ltd., Singapore	Singapore	17,804,909b	15,999,596	261	+19	14,391,445	246	257
243	Kohiku Bank, Ltd., Osaka	Japan	17,795,304	15,881,887	264	+19	16,147,586	233	253
244	Fukui Bank, Ltd.	Japan	17,764,289	17,267,664	238	-6	15,860,698	227	231
245	Chiba Kogyo Bank, Ltd.	Japan	17,742,704	15,373,245	270	+25	15,818,350	230	256
246	Bayerische Handelsbank, AG, Munich	Germany	17,679,467i				17,182,743	209	
247	Industrial Bank of Korea, Seoul	Korea	17,656,758	13,980,699	262	+15	8,999,342	337	355
248	Bank of Osaka, Ltd.	Japan	17,586,029	16,276,597	257	+ 9	15,567,976	231	246
249	Standard Bank of South Africa Ltd., Johannesburg	South Africa	17,560,848	15,800,803	266	+17	16,473,992	218	249
250	Wachovia Bank of North Carolina, NA, Winston-Salem	United States	17,480,812	16,722,416	250	+11	11,720,991	285	285
251	Fukutoku Bank, Ltd., Osaka	Japan	17,456,080	16,126,232	258	+ 7	15,036,180	240	245
252	Aichi Bank, Ltd., Nagoya	Japan	17,381,570	15,062,177	273	+21	15,833,902	228	253
253	Banque Paribas Belgique-Credito Versalo, Bergamo	Italy	17,380,009	14,184,184a	291	+38	12,050,756	278	341
254	Banque et Caisse d'Epargne de l'Etat, Luxembourg	Luxembourg	17,379,911	16,461,887	254		15,022,221	241	224
255	American Savings Bank, FA, Irvine, Calif.	United States	17,283,416	16,922,165	244	-11	14,006,571	253	243
256	California Federal Bank, FSB, Los Angeles	United States	17,235,800	17,711,000	241	-24	11,818,000	282	260
257	Cassa di Risparmio di Verona, Vicenza, Belluno e Ancona SPA, Verona	Italy	17,079,255a	17,800,485a	231	-26	10,451,770	311	306
258	Societe Nationale de Credit a l'Industrie, Brussels	Belgium	17,057,240	17,251,300a	235	-22	13,838,900	262	287
259	Israel Discount Bank, Ltd., Tel-Aviv	Israel	17,041,723a	17,587,675a	235	-24	15,092,706	237	225
260	United Overseas Bank Ltd., Singapore	Singapore	16,980,363a	15,561,534a	269	+ 9	14,345,000	252	267
261	Glendale Federal Bank, FSB, Calif.	United States	16,912,132	20,583,239	207	-54	11,581,250	290	238
262	Yachiyo Bank, Tokyo	Japan	16,911,633	14,532,607	284	+22	14,130,236	249	272
263	Oita Bank, Ltd.	Japan	16,870,263	14,791,330	279	+16	15,056,257	239	250
264	Banca Toscana, Florence	Italy	16,790,047i	19,279,324	221	-43	13,951,674	255	220
265	Hiroshima-Sogo Bank, Ltd.	Japan	16,778,613	14,640,034	278	+13	15,356,032	232	261
266	Landesgirobanque, Stuttgart	Germany	16,765,818	16,737,930	247	-19	15,274,761	233	226
267	Union Bank, San Francisco	United States	16,668,124	17,243,839a	239	-28	12,854,144	269	256
268	Republic National Bank, Panama City	Panama	16,663,770	N.A.			11,390,370	294	
269	Yamanashi Chuo Bank, Ltd., Kofu	Japan	16,570,750	15,516,354	272	+ 3	14,753,241	261	260
270	State Street Bank & Trust Co., Boston	United States	16,507,869	14,988,410	274	+11	11,633,183	285	261
271	Akita Bank, Ltd.	Japan	16,458,426	13,711,694	301	+30	15,108,472	236	281
272	Christiania Bank, Oslo	Norway	16,310,446a	15,865,416a	228	-44	12,534,326	269	242
273	National Westminster Bank USA, New York	United States	16,209,749i	14,844,942i	277	+ 4	11,285,720	299	274
274	Hamburg Bank, AG, Hagenn	Japan	16,175,218	14,761,484	280	+ 6	14,075,343	247	265
275	Marine Midland Bank NA, Buffalo, N.Y. (e)	United States	16,137,307i	16,477,776i	253	-22	13,446,276	264	244
276	HK. Samuel Bank, Ltd., London	United Kingdom	16,134,415d	16,730,830d	249	-27	4,387,700	399	606
277	Awa Bank, Ltd., Tokushima	Japan	16,124,418	14,567,489	283	+ 6	14,276,525	248	267
278	Eighteenth Bank, Ltd., Nagasaki	Japan	16,091,892	13,915,934	297	+18	13,964,215	254	282
279	Raiffeisen Zentralbank Oesterreich AG, Vienna	Austria	16,091,547a	16,914,865a	245	-34	11,656,470	286	221
280	Kreditbank SA Luxembourgeoise, Luxembourg	Luxembourg	16,072,106d	13,847,281d	297	+17	10,200,740	317	273
281	Bank of Iwate, Ltd., Morioka	Japan	16,073,878	14,045,983	294	+13	14,110,712	250	280
282	Kleinwort, Benson, Lonsdale Plc, London	United Kingdom	15,603,136	17,665,040a	234	-48	7,475,829	399	330
283	Societe de Banque et de Tresorerie, Paris	France	15,585,638	12,971,337	315	+42	6,378,464	400	400
284	Seattle-First National Bank	United States	15,484,580	11,880,675	338	+54	12,363,836	273	336
285	Nedcor Bank Ltd., Johannesburg	South Africa	15,326,415a	16,340,398a	251	-34	14,430,814	245	229
286	Banco Portugues de Atlantico, Porto	Portugal	15,286,400	13,494,302	305	+19	8,676,800	356	379
287	Cantonal Bank of Berne	Switzerland	15,256,046a	16,771,695a	255	-41	13,499,560	262	227
288	Sparkassen Bkbaden, Copenhagen	Denmark	15,224,568a	16,341,577a	255	-33	8,393,292	365	250
289	Aamsul Bank, Ltd.	Japan	15,209,253	13,022,059	314	+25	13,519,155	261	292
290	CoreStates Bank, NA, Philadelphia	United States	15,201,541	13,482,393	281	+ 9	11,378,000	292	289
291	Banque Paribas Belgique, SA Brussels (d)	Belgium	15,039,002a	15,364,172a	271	-20	12,070,103	277	264
292	Norwest Bank Minnesota NA, Minneapolis	United States	14,978,296	14,185,513	288	+16	8,321,000	367	354
293	Tera Bank, Ltd., Mankeshi	Japan	14,830,440	12,873,758	317	+24	13,637,889	260	288
294	Banque Worms, Paris	France	14,675,551a	14,293,443a	297	+ 3	6,130,147	404	419
295	Thai Farmers Bank, Bangkok	Thailand	14,253,356	12,294,005	327	+32	11,625,258	288	318
296	Genossenschaftliche Zentralbank, AG, Stuttgart	Germany	14,109,933	13,889,604	275	+ 21	13,210,139	269	291
297	Krung Thai Bank Ltd., Bangkok	Thailand	14,017,134	13,435,698	308	+11	12,456,365	272	277
298	Nationsbank of Georgia, NA, Atlanta	United States	14,007,903	12,077,231	335	+37	9,477,306	328	347
299	Vereins-und Westbank, Hamburg	Germany	13,982,134d	14,177,300d	293	- 6	12,868,477	267	259
300	Cassa di Risparmio di Bologna	Italy	13,980,216	9,704,742	397	+97	7,048,106	418	490

Data Source: Compiled by American Banker from its survey of the world's largest banks. Data were checked against annual reports wherever possible. Consolidated data, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. Date of figures: Data for most banks are for Dec. 31, 1992 and Dec. 31, 1991. Exceptions: Data for Australian and New Zealand banks are for June 30, 1992, Sept. 30, 1992, and March 31, 1993; Canadian banks data are for fiscal yearend March 31, 1993; and all Japanese and Indian banks data are for fiscal yearend March 31, 1993. Exchange rates: Wherever possible, the New York cable rate is used, and this rate is for same date as bank's figures. Compiled by American Banker, Copyright 1993. a-Includes assets of $1.5 billion acquired from Banque Worms in this survey of the world's largest banks. b-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. c-Includes assets of $1.5 billion acquired from Banque Worms in this survey of the world's largest banks. d-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. e-Includes assets of $1.5 billion acquired from Banque Worms in this survey of the world's largest banks. f-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. g-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. h-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. i-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. j-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. k-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. l-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. m-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. n-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. o-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. p-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. q-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. r-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. s-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. t-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. u-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. v-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. w-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. x-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. y-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. z-Includes assets of $2.5 billion acquired from Banque Worms in this survey of the world's largest banks. Compiled by American Banker, Copyright 1993.

The Top 500 Banks in the World

Banks ranked by assets on Dec. 31, 1992, or nearest fiscal yeared. Holding companies are excluded. (Dollar amounts in thousands)

Asset Rank 1992		Assets in US Dollars 12/31/92	Assets in Millions 12/31/91	Change in Rank	Rank 12/31/91	Deposit Rank 12/31/92	Deposit Rank 12/31/91
301	Morgan Grenfell & Co. Ltd., London	United Kingdom	13,950,440d	14,492,142d	285	-16	11,284,033	300	298
302	Bank of Kochi, Ltd.	Japan	13,943,072	11,791,564	339	+37	11,611,409	289	321
303	Chokyo Bank, Ltd., Nagoya	Japan	13,884,028	12,199,227	332	+29	12,465,710	270	301
304	North Pacific Bank, Ltd., Sapporo	Japan	13,877,514	11,363,580	347	+43	12,463,369	271	320
305	Talpei Bank	Taiwan	13,681,859	13,212,876	310	+ 5	11,547,796	293	300
306	Shawmut Bank NA, Boston	United States	13,597,261	11,293,243	351	+45	8,122,780	376	414
307	Mitsubishi Trust & Banking Corp., Tokyo	Japan	13,557,800b	11,495,361	340	+37	11,497,000	279	317
308	Sanwa Bank, Ltd., Kishiwada	Japan	13,541,472	11,542,802	342	+34	12,333,201	274	312
309	Bayerische Landesanstalt fuer Aufbaufinanzierung, Munich	Germany	13,486,000a	13,976,274	303	- 6	9,377,773	330	473
310	Banco Bradesco, SA, Deasco	Brazil	13,448,340c	9,734,333	395	+85	6,661,123	431	588
311	Hgaadi-Nippon Bank, Ltd., Tokyo	Japan	13,448,332	11,324,688	350	+39	12,013,752	283	313
312	Shinwa Bank, Ltd., Sendai	Japan	13,384,364	11,903,999	337	+25	12,097,356	282	310
313	Riyad Bank Ltd., Riyadh	Saudi Arabia	13,335,834a	12,966,536b	316	+ 3	11,098,095	302	308
314	National Bank of Egypt, Cairo	Egypt	13,304,556a	10,411,040a	369	+61	11,126,001	301	362
315	First National Bank of South Africa Ltd., Johannesburg	South Africa	13,160,702a	13,026,461a	312	- 3	11,628,025	287	287
316	Daiwa Bank, Ltd., Matsuyama	Japan	13,111,560	11,406,823	346	+30	11,885,104	281	316
317	American Express Bank Ltd., New York	United States	13,036,000c	14,614,000c	282	-35	10,046,000	321	295
318	Union Bank of Norway, Oslo	Norway	12,984,480c	12,767,985c	319	+ 1	9,822,816	323	294
319	Key Bank of New York, Albany	United States	12,977,474	12,869,723	318	- 1	10,775,612	306	302
320	Sumi of Saga, Ltd.	Japan	12,937,530	11,222,365	353	+33	11,812,466	284	325
321	Berliner Hypothekenbank und Pfandbriefbank AG, Berlin	Germany	12,929,990	12,386,095	325	+ 4	12,152,369	275	278
322	Banco de la Nacion Argentina, Buenos Aires	Argentina	12,811,447	10,302,149	380	+58	6,810,522	427	521
323	Bank of the Philippine Islands, Ltd., Manila	Philippines	12,809,158	11,102,192	355	+32	11,573,115	288	309
324	State Bank of New South Wales, Sydney	Australia	12,797,423	13,118,637	311	-13	6,982,338	423	+ 373
325	Credit Industriel d'Alsace et de Lorraine, Strasbourg	France	12,731,947d	12,393,249a	324	- 1	8,161,652	374	390
326	Banco Latorre, Como	Italy	12,712,160i	14,264,352i	286	-38	9,077,873	342	333
327	Getz Pankki, Helsinki	Sweden	12,663,915a	12,603,915a	325	+ 2	10,175,200	319	234
328	Miyazaki Bank, Ltd.	Japan	12,600,244	11,239,291	352	+24	11,295,204	298	342
329	Credit Lyonnais Belgium, SA, Brussels	Belgium	12,563,010d	12,746,347f	320	- 9	10,753,221	309	286
330	Frankfurter Sparkasse, Frankfurt	Germany	12,495,340	12,627,119	321	- 9	11,812,529	283	375
331	Tochigi Bank, Ltd., Utsunomiya	Japan	12,486,672	10,540,183	371	+40	11,356,979	296	343
332	Ebino Bank, Ltd., Kagoshima	Japan	12,426,491	10,797,516	364	+32	11,089,203	303	348
333	Munchener Hypothekenbank, Munich	Germany	12,357,777	12,498,664	323	-10	11,567,020	292	291
334	Caisse d'Epargne de l'Etat, Geneva	Switzerland	12,267,206	13,811,954	300	-34	8,757,504	346	326
335	Union Bank of Switzerland (Luxembourg)	Luxembourg	12,124,861	12,253,684i	329	- 6	11,052,212	304	290
336	Staatssparkasse, Cologne	Germany	12,093,871	12,164,079	326	- 9	10,000,000	315	309
337	Yamagata Bank, Ltd.	Japan	12,081,968	10,818,313	362	+25	10,991,659	306	345
338	Shawmut Bank Connecticut NA, Hartford	United States	12,067,330	10,726,444	366	+28	8,901,918	345	359
339	Bank Bumiputera, Jakarta	Indonesia	12,046,200	10,541,778	370	+31	7,039,501	420	480
340	Banco Espirito Santo e Comercial, Lisbon	Portugal	12,045,395	11,044,453	356	+16	9,967,484	322	370
341	Commercial Bank of Luxembourg	Luxembourg	11,999,448	13,817,320k	299	-42	9,398,046	329	353
342	Cassa di Risparmio V.E. per la Provincie Siciliane, Palermo	Italy	11,891,508	13,967,136	295	-47	9,089,683	341	299
343	Nationsbank of Maryland, NA, Richmond	United States	11,880,801	13,034,372	313	-30	10,329,710	313	296
344	Maryland National Bank, Baltimore	United States	11,879,014	11,661,515	341	- 3	8,603,206	360	338
345	Shinkan Bank, Seoul	Korea	11,781,136	9,987,533	390	+45	5,755,305	435	546
346	Banco Provincials Lombardo, Bergamo	Italy	11,760,503f	14,189,644i	290	-56	8,761,428	353	319
347	Tankyo Cumulativi Ginzei Bankasi, Ankara	Turkey	11,715,539	10,496,600b	373	+26	7,464,359	400	421
348	Northern Trust Co., Chicago	United States	11,703,317	10,238,371	384	+36	8,390,467	362	406
349	Skopbank, Helsinki	Finland	11,695,981a	20,058,896a	212	-137	4,797,538	567	360
350	State Bank of South Australia, Adelaide	Australia	11,691,347	11,731,508a	350	-82	9,603,000	326	269
351	Bank Negara Indonesia, Jakarta	Indonesia	11,653,863	10,390,857	377	+26	10,185,932	318	447
352	Bank of Ireland, Dublin	United Kingdom	11,586,261	10,299,586	381	+29	7,091,687	414	386
353	Banco Totta & Acores, Lisbon	Portugal	11,570,607	10,756,532	365	+12	10,136,763	330	346
354	Sudoo-Wuerttembergische Bank, Stuttgart	Germany	11,501,078b	11,326,294a	349	+ 5	10,737,700	310	303
355	Caja de Ahorros y Pensiones, Barcelona	Spain	11,433,627a	10,941,482	357	- 2	10,345,385	312	332
356	Osuuspankien Keskuspankki Oy, Helsinki	Finland	11,407,418a	13,413,600a	309	-47	4,311,825	614	584
357	Bank Danamon, Jakarta	Indonesia	11,393,429	10,272,392	382	+25	6,772,191	424	514
358	Chiao Tung Bank, Taipei	Taiwan	11,297,723a	10,846,471a	361	+ 3	4,838,774	558	557
359	Banco di Napoli, Naples	Italy	11,266,310	12,539,189a	332	-27	9,338,000	337	307
360	Farmers Bank of China, Taipei	Taiwan	11,264,182	11,662,857	340	-20	8,939,170	346	323
361	Kumamoto Family Bank, Ltd.	Japan	11,129,886				10,240,619	316	
362	Siam Commercial Bank Public Ltd., Bangkok	Thailand	10,783,291a	8,723,419	433	+71	6,470,329	364	412
363	Bhesko Bank, Ltd., Otaz	Japan	10,758,975	9,071,218	418	+55	9,563,043	327	376
364	Huntington National Bank, Columbus, Ohio	United States	10,747,329	9,369,861	411	+47	8,240,619	371	411
365	Citibank, FSB, San Francisco	United States	10,734,751	12,254,126	328	-37	8,621,035	359	335
366	Bilbao Vizcaya Bank	Spain	10,654,854	11,419,440	345	-21	8,860,646	347	327
367	First Bank, NA, Minneapolis	United States	10,602,543	10,471,272	374	+ 7	8,192,363	372	362
368	United Bank of Switzerland, Portland, Ore.	United States	10,586,094	10,810,474	363	- 5	7,905,297	395	404
369	Meridian Bank, Reading, Pa.	United States	10,562,175	9,719,006	396	+27	8,825,121	349	374
370	Crestar Bank, Richmond	United States	10,552,201	10,306,493	376	- 6	7,835,000	393	384
371	Banco de Sabadell, SA	Spain	10,534,560a	11,357,428b	348	-23	9,230,831	335	324
372	Cassa di Risparmio di Predero e Ilvrigo, Padova	Italy	10,509,651	12,213,911	331	-41	7,263,393	417	367
373	Rosenheim Bank, Rosenheim	Germany	10,480,175	10,289,568	382	+ 9	9,713,429	325	337
374	Bank One, Arizona, NA, Phoenix	United States	10,448,159	9,622,763	400	+26	9,278,073	333	357
375	Bank One, Akron, NA	United States	10,384,175	10,117,089a	391	+ 1	8,739,000	340	340
376	Banco Comercial Portugues, Lisbon	Portugal	10,347,002a	8,964,744a	422	+46	8,351,121	367	406
377	Bank of New Zealand Ltd., Wellington	New Zealand	10,314,976a	10,698,330a	368	-9	9,161,224	334	334
378	Bank of Okinawa, Ltd., Naha	Japan	10,271,846	8,790,082	427	+49	9,350,331	330	395
379	Midlantic National Bank, Newark, N.J.	United States	10,263,000	10,982,836	359	-20	9,183,495	337	322
380	Clydesdale Bank Plc, Glasgow	United Kingdom	10,223,017d	8,914,325f	423	+43	8,591,042	361	394
381	Bayerische Vereinsbank International, Luxembourg	Luxembourg	10,212,345d	8,196,051f	454	+73	9,237,602	334	399
382	Bangue Misr, Cairo	Egypt	10,190,005a	9,095,142a	419	+37	8,811,645	350	415
383	American Express Centurion Bank, Newark, Del.	United States	10,168,996	9,552,583	403	+20	1,180,533		
384	Bankinter, SA	Spain	10,144,174	9,443,777	407	+23	5,871,447	481	497
385	Wachovia Bank of Georgia, NA, Atlanta	United States	10,112,761	8,660,082	436	+51	6,630,219	435	449
386	Saudi American Bank, Riyadh	Saudi Arabia	10,100,248	9,683,198	398	+12	8,798,527	352	364
387	Banque Nationale de Bl, SA, Basel	Switzerland	10,066,722	10,191,985	385	- 2	9,043,089	344	349
388	Texas Commerce Bank, NA, Houston	United States	10,026,942	9,797,083	393	+ 5	7,581,358	363	413
389	Mid Bank, Ltd., Nagoya	Japan	10,013,770	8,749,195	428	+43	9,219,508	336	389
390	National Bank of Kuwait	Kuwait	10,010,826c	10,288,551c	383	- 7	8,638,253	357	352
391	First State of N.A., Albany	United States	9,980,194	8,432,764	534	+143	7,736,977	382	506
392	International Commercial Bank of China, Taipei	Taiwan	9,952,114	9,026,358	419	+27	7,135,403	411	459
393	Chinatrust Commercial Bank, Taipei	Taiwan	9,931,400				8,504,661		
394	Bank of Yokohama, Ltd.	Japan	9,883,050	8,659,687	437	+43	9,089,906	340	391
395	Bank of Kansai, Ltd., Osaka	Japan	9,871,905	8,972,759	420	+25	9,116,877	339	361
396	Multibanco Comermex, Mexico City	Mexico	9,827,228	7,908,136	467	+71	5,855,931	425	496
397	West LB International, Luxembourg	Luxembourg	9,776,159	8,492,075f	446	+49	7,948,816	380	425
398	United World Chinese Commercial Bank, Taipei	Taiwan	9,762,801b	9,897,200a	389	- 9	8,254,185	371	380
399	Hanshin Bank, Ltd., Kobe	Japan	9,723,627	8,753,171	431	+32	8,709,320	355	345
400	Banco Popular de Puerto Rico, San Juan	United States	9,638,145	8,051,320	468	+68	6,051,320	423	407

Data Source: Compiled by American Banker from its survey of the world's largest banks. Data were checked against annual reports wherever possible. Consolidated data, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. Date of figures: Data for most banks are for Dec. 31, 1992 and Dec. 31, 1991. Exceptions: Data for Australian and New Zealand banks are for June 30, 1992, Sept. 30, 1992, and March 31, 1993; Canadian banks data are for fiscal yearend March 31, 1993; and all Japanese and Indian banks data are for fiscal yearend March 31, 1993. Exchange rates: Wherever possible, the New York cable rate is used, and this rate is for same date as bank's figures.

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The Top 500 Banks in the World

Banks ranked by assets on Dec. 31, 1992, or nearest fiscal yearend. Holding companies are excluded. (Dollar amounts in thousands)

Asset Rank 1992	Name	Country	Assets in US Dollars 12/31/92	Assets in US Dollars 12/31/91	Asset Rank 12/31/91	Change in Rank	Deposits in US Dollars 12/31/92	Deposit Rank 12/31/92	Deposit Rank 12/31/91
401	Luzerner Kantonalbank, Lucerne	Switzerland	9,609,448	9,822,746	392	-9	8,626,116	358	359
402	Trust Company Bank, Atlanta	United States	9,003,793	8,618,880	440	+38	5,299,186	517	519
403	Harris Trust & Savings Bank, Chicago	United States	9,002,154	11,526,979	343	-60	6,070,590	468	424
404	Bank Negara Negara, Jakarta	Indonesia	9,599,840u	9,120,052u	416	+12	5,562,366	498	509
405	Household Bank, FSB, Newport Beach, Calif.	United States	9,581,660	8,550,972	444	+39	6,550,829	438	444
406	Banca Popolare di Verona	Italy	9,552,866	11,007,871	357	-49	6,509,785	442	356
407	Standard Federal Bank, Troy, Mich.	United States	9,544,731	9,513,922	405	-2	6,522,796	439	458
408	Banque Cantonale Vaudoise, Lausanne	Switzerland	9,510,059u	9,848,202u	390	-18	8,379,743u	369	363
409	Stadtsparkasse Munchen, Munich	Germany	9,507,932	9,591,567	402	-7	8,804,025	351	353
410	First Federal of Michigan, Detroit	United States	9,382,895	9,325,390	412	+2	3,455,915	706	674
411	Royal Bank of Canada, Vancouver (e)	Canada	9,367,669	8,716,502	434	+23	8,529,219	362	383
412	Provident National Bank, Philadelphia	United States	9,334,930	7,561,218	481	+69	5,956,637	476	491
413	Caja de Ahorros del Mediterraneo, Alicante	Spain	9,324,860	7,666,421	473	+60	7,803,774	391	451
414	Michigan National Bank, Farmington Hills	United States	9,297,153	9,135,083	415	+1	7,850,178	383	403
415	Sustmo's Bankhaus Ed. St. Louis, Hn.	United States	9,272,344	9,338,972	411	-4	4,634,524	597	613
416	Bank of America Arizona, Phoenix	United States	9,259,973	5,542,833	591	+175	7,728,288	390	556
417	Sovac, Paris	France	9,227,018u	10,514,061u	372	-45	2,232,997		
418	Caja de Ahorros de Valencia	Spain	9,119,688	9,447,594	408	-10	7,557,612	396	371
419	Chase Manhattan Bank (USA), Wilmington, Del.	United States	9,097,938	10,073,336	387	-32	3,934,886	648	578
420	Caja de Ahorros de Galicia, La Coruna	Spain	9,037,490	9,144,463	414	-6	7,241,660	448	397
421	Signet Bank/Virginia, Richmond	United States	9,036,518	7,877,948	468	+47	4,966,953	547	513
422	Bank Leu, Ltd., Zurich	Switzerland	9,032,688	9,536,780	404	-18	7,926,953	381	368
423	Taiheiyo Bank, Ltd., Tokyo	Japan	9,032,656	6,386,713	537	+114	5,763,715	487	498
424	Kagawa Bank, Ltd., Takamatsu	Japan	9,021,872	7,633,114	476	+52	8,171,174	373	436
425	Bayerische Landesbank International, Luxembourg	Luxembourg	9,012,447u	7,200,758	496	+71	7,051,997	417	468
426	Washington Mutual Savings Bank, Seattle	United States	8,980,193	7,117,751	501	+75	5,362,753	508	507
427	Banca Catiga, S.p.A., Genova	Italy	8,948,478u	10,354,346u	378	-49	6,153,272	457	410
428	Nigata Chuo Bank, Ltd.	Japan	8,943,140	8,165,473	457	+29	8,128,028	375	409
429	Sanwa Midlenes, Burlington, Mass.	United States	8,904,992	8,663,139	435	+6	8,278,600	370	375
430	S.G. Warburg & Co., Ltd., London	United Kingdom	8,867,626u	9,845,084u	391	-39	7,770,762	387	354
431	National Savings & Commercial Bank, Ltd., Budapest	Hungary	8,863,371	8,630,803	438	+7	7,276,553	444	437
432	Allgemeine Hypothoken Bank, Frankfurt	Germany	8,833,228	N.A.			7,798,781	385	
433	Banco Itau, Sao Paulo	Brazil	8,831,569	8,041,958	465	+32	4,626,802	598	757
434	First Gibraltar Bank, FSB, Dallas	United States	8,809,598	7,811,466	470	+36	7,781,832	386	422
435	United Mizrahi Bank Ltd., Tel-Aviv	Israel	8,789,888u	8,844,711u	424	-11	7,878,248	382	388
436	Dime Savings Bank of New York, FSB	United States	8,773,219	9,610,540	401	-35	7,276,410	445	387
437	Nationalbank Bank of South Carolina, NA, Columbia	United States	8,641,900	3,738,506	791	+354	4,832,969	561	792
438	Kreissparkasse Koln, Cologne	Germany	8,643,201	8,754,602	430	-8	8,002,795	379	372
439	Central Fidelity Bank, Richmond	United States	8,630,348	6,723,889	519	+80	6,672,992	430	531
440	Caja de Ahorros y Monte de Piedad de Zaragoza	Spain	8,624,789	9,762,627	394	-46	7,116,356	418	392
441	Coutts & Co., London	United Kingdom	8,615,098	9,461,502u	407	-34	8,355,147	366	350
442	Kyushu Bank, Ltd., Sasebo	Japan	8,601,043	7,620,593	477	+35	7,731,370	389	417
443	Overseas Union Bank, Ltd., Singapore	Singapore	8,561,546u	9,642,281u	399	-44	7,043,062	419	399
444	Banco Pinto & Sotto Mayor, Lisbon	Portugal	8,561,203u	8,333,620u	448	+4	7,483,362	398	434
445	Jyske Bank, Silkeborg	Denmark	8,475,363u	10,699,212u	369	-76	5,387,545	511	544
446	AmSouth Bank, NA, Birmingham, Ala.	United States	8,457,539	8,303,306	449	+3	6,424,460	449	450
447	Banco Pastor, La Coruna	Spain	8,426,543	9,469,619	406	-41	5,892,527	482	365
448	ANZ Grindlays Bank, Plc, London	United Kingdom	8,428,136	7,021,897t	505	+57	7,072,815	416	457
449	Banca Popolare dell'Emilia, Modena	Italy	8,357,338	8,231,070	453	+4	5,805,955	496	524
450	Banco Atlantico e Filiale, Milan	Spain	8,354,199t	N.A.t			6,336,919	452	
451	Kita-Nippon Bank, Ltd., Sapporo	Japan	8,349,721	7,285,898	495	+44	7,591,088	392	452
452	Suntec Safe Deposit & Trust Co.	United States	8,336,652	8,621,304	439	-13	4,456,536	587	478
453	Ulster Bank Ltd., Belfast	United Kingdom	8,333,515at	8,115,867a	462	+9	7,533,797	397	408
454	Commercial Bank of Greece, Athens	Greece	8,314,139u	8,843,896u	429	-29	7,313,364u	404	398
455	Credito Bergamasco, Bergamo	Italy	8,311,899at	7,365,159at	493	+38	6,206,450	460	543
456	Coast Federal Bank, Los Angeles	United States	8,303,136	8,600,108	442	-14	6,168,408	461	413
457	First Bank of Massachusetts, NA, Boston	United States	8,286,364	7,666,231	502	+45	6,871,298	424	453
458	Bank of Tokyo Trust Co., New York	United States	8,250,713t	8,795,573t	429	-29	5,112,958	534	492
459	National City Bank, Cleveland	United States	8,234,045	8,181,857	452	-3	5,216,544	522	551
460	Kanto Bank, Ltd., Tsuchiura	Japan	8,171,269	7,494,827	485	+25	5,570,239	394	427
461	N.M. Rothschild & Sons Ltd., London	United Kingdom	8,159,612t	6,974,913t	506	+45	7,387,689t	402	443
462	AH-IFP N.V., Antwerp	Belgium	8,149,674u	8,495,736	445	-17	7,002,632	422	402
463	Pusan Bank	Korea	8,136,371	6,864,667	512	+49	4,434,510	599	619
464	Manufacturers & Traders Trust Co., Buffalo, N.Y.	United States	8,081,942	7,039,099	504	+40	6,658,114	432	503
465	Sparkasse in Bremen	Germany	7,990,374	8,003,506	466	+1	4,838,487	559	418
466	First National Bank, Providence, R.I.	United States	7,944,945	7,388,599	489	-57	5,663,872	494	491
467	Anchor Savings Bank, FSB, Northport, N.Y.	United States	7,941,499	8,277,899	451	-16	6,307,338	454	439
468	First Tennessee Bank NA, Memphis	United States	7,915,109	7,769,075	471	+3	5,079,829	542	472
469	Bank of East Asia, Ltd., Hong Kong	Hong Kong	7,898,914s	7,064,882	503	+34	7,234,431	409	429
470	Ippa Bank, N.V., Brussels	Belgium	7,865,369u	7,386,593u	491	+21	7,087,857	415	442
471	BJ International Ltd., London	United Kingdom	7,813,952st	3,963,089t	757	+286	3,185,264	742	
472	Bank of Baroda	India	7,772,430u	7,511,004u	484	+12	6,776,954	428	431
473	DG Bank Luxembourg	Luxembourg	7,760,256	6,215,438	549	+76	6,430,145	468	554
474	Bank of Kochi, Ltd.	Japan	7,759,032	6,583,009	528	+54	7,126,403	412	462
475	First Bank, NA, Hartford, Conn.	United States	7,743,235	8,101,029	453	-12	4,479,984	444	425
476	Fidelity Bank NA, Philadelphia	United States	7,735,495	8,418,535	447	-29	6,149,249	463	433
477	Daegu Bank, Ltd., Taegu	Korea	7,721,966	6,042,334	558	-181	4,779,274	568	689
478	Bank of California, NA, San Francisco	United States	7,686,074t	8,119,860t	461	-17	5,519,959	500	483
479	Guaranty Federal Savings Bank, Dallas	United States	7,672,693	3,877,006	766	+287	5,755,375	490	710
480	Arab National Bank, Riyadh	Saudi Arabia	7,637,872	5,023,377	564	+104	6,736,604	433	562
481	Caja de Ahorros Provincial de Guipuzcoa, San Sebastian	Spain	7,619,469	7,596,750	480	-1	4,633,229	584	483
482	Yorkshire Bank Plc, Leeds	United Kingdom	7,533,396	7,835,305t	476	-7	6,516,478	440	432
483	Homefed Bank, FSB, San Diego, Calif.	United States	7,518,849	13,842,314	298	-185	7,029,719	421	314
484	Banco Atlantico, Barcelona	Spain	7,491,257st	8,966,366st	421	-63	5,362,896	512	377
485	Credit Foncier Vaudois, Lausanne	Switzerland	7,473,910	7,645,477	474	-11	6,617,050	436	426
486	Greenwood Trust Co., New Castle, Del.	United States	7,439,489	7,567,138	479	-7	4,941,378	556	544
487	Landesbank Saar-Girozentrale, Saarbrucken	Germany	7,399,951u	7,207,157u	494	-4	3,353,443	719	718
488	Union Bancaire Privee, Geneva	Switzerland	7,333,812	6,644,597	524	+36	6,505,541	443	470
489	Habib Bank Ltd., Karachi	Pakistan	7,330,235u	8,623,638u	527	+38	6,435,738	447	511
490	Taiko Bank, Ltd., Nigata	Japan	7,295,302	6,501,385	531	+41	6,638,894	433	485
491	Tokuyo City Bank, Ltd., Senshi	Japan	7,287,040	6,825,250	510	+22	6,562,355	437	475
492	Banco San Paolo di Brescia	Italy	7,278,775s	8,283,379s	450	-42	5,336,137	513	471
493	Sanwa Bank California, San Francisco	United States	7,261,486t	7,444,506t	487	-6	5,577,475	497	512
494	State Savings Bank, Warsaw	Poland	7,257,314				5,134,733	530	
495	Beogradska Banka, Belgrade	Yugoslavia	7,194,400s	14,264,318s	289	-206	6,851,975	426	305
496	Thurgauer Kantonalbank, Weinfelden	Switzerland	7,140,587u	7,487,654u	486	-10	6,346,361	451	430
497	Uniao de Bancos Brasileiros, Sao Paulo	Brazil	7,120,085	N.A.			2,681,458	806	
498	LaSalle National Bank, Chicago	United States	7,115,488	5,808,611	572	+74	4,940,265	549	549
499	Banca Catalana, Barcelona	Spain	7,067,497u	8,765,001st	428	-71	6,253,760	457	379
500	Union Bancaire Privee, Luxembourg	Luxembourg	7,055,275	7,211,211	482	-18	6,472,264	446	420

Data Source: Compiled by American Banker from its survey of the world's largest banks. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which owner ship exceeds 50%. Date of figures: Data for most banks are for Dec. 31, 1992 and Dec. 31, 1991. Exceptions are: Japanese and Thai banks, fiscal year ended March 31, 1993; Canadian banks, Oct. 31, 1992; Sept. 30, 1992; and March 31, 1993; Canadian bank data are for fiscal yearend Oct. 31, 1992; and all Japanese and Indian bank data are for fiscal yearend March 31, 1993. Exchange rates: Whenever possible, the New York rate is used, and this rate is for most of the banks in the bank's figures. (e)— A subsidiary of $258 billion-asset HSBC Holdings Plc, the world's 17th largest banking company.

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The Top 500 Banks in the World by Country

Banks in the top 500 listed geographically in asset-size order within nations
Data are for yearend 1992, or nearest fiscal yearend (dollar amounts in millions)

Asset Rank	Name	Total Assets	Total Deposits	Equity Capital	Key Capital Ratios Equity/ Assets	Risk-Based Tier 1	Risk-Based Total	Branches	Employees
	Argentina								
322	Banco de la Nacion Argentina, Buenos Aires	12,811	6,811	1,831	14.29	N.A.	N.A.	547	14,325
	Australia								
74	Westpac Banking Corp., Sydney	71,145	56,300	4,742	6.66	5.70	8.70	1,946	39,253
82	National Australia Bank, Ltd., Melbourne	64,871	52,532	5,701	8.79	8.00	11.60	1,759	38,377
87	Australia & New Zealand Banking Group, Ltd. (ANZ), Melbourne	61,549	43,622	3,239	5.26	4.80	9.00	2,302	43,977
156	Commonwealth Bank of Australia, Sydney	36,972	40,116	4,092	7.86	8.43	9.90	1,760	41,571
324	State Bank of New South Wales, Sydney	12,797	6,982	556	4.34	5.88	9.71	500	5,000
350	State Bank of South Australia, Adelaide	11,891	9,603	600	5.13	N.A.	N.A.	170	3,513
	Austria								
100	Creditanstalt-Bankverein, Vienna	56,239	38,031	2,380	4.23	5.40	8.70	401	11,471
109	Z-Landerbank Bank Austria, AG, Vienna	47,850	38,691	2,501	5.25	4.90	9.30	376	9,587
172	GiroCredit Bank A.G. der Sparkassen, Vienna	28,143	16,920	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
233	Oesterreichische Postsparkasse, Vienna	18,582	17,195	876	3.64	N.A.	N.A.	N.A.	2,214
239	Bank fuer Arbeit und Wirtschaft (BAWAG), Vienna	17,964	16,887	835	4.65	6.66	10.21	146	2,364
279	Raiffeisen Zentralbank Oesterreich AG, Vienna	16,092	11,656	811	5.04	8.92	11.23	2	867
	Bahrain								
225	Arab Banking Corp., Manama	19,490	15,200	1,419	7.28	N.A.	N.A.	16	4,873
	Belgium								
56	Generale Bank, Brussels	99,880	65,457	2,523	2.53	N.A.	9.02	1,122	12,429
71	Banque Bruxelles Lambert (BBL), Brussels	73,590	63,338	1,943	2.64	N.A.	8.27	967t	11,132
78	Kredietbank N.V., Brussels	68,898	61,037	2,113	3.07	N.A.	11.37	840	11,466
84	Societe Nationale d'Investissement, SA, Brussels	64,029	56,297	1,105	1.73	11.10	14.71	2,010	14,675
92	ASLK-CGER Bank, Brussels	58,059	50,949	1,426	2.46	7.92	11.68	1,200	8,135
189	CERA Cooperatieve Bankvennootschap van Belgische Boerenbond, Leuven	25,005	22,569	1,273	5.07	N.A.	10.90	N.A.	4,450
190	Bacob Savings Bank S.C. (C.G.B.-Caisse d'Epargne Privee), Brussels	21,198	19,294	799	3.77	10.05	12.64	633	3,382
258	Societe Nationale de Credit a l'Industrie, Brussels	17,058	13,838	393	2.31	N.A.	N.A.	N.A.	N.A.
291	Banque Paribas Belgique, SA, Brussels	15,039	12,070	415	2.76	N.A.	N.A.	56	1,218
329	Credit Lyonnais Belgium, SA, Brussels	12,563	10,753	312	2.48	N.A.	N.A.	38	900
442	AH-IFP N.V., Antwerp	8,150	7,003	424	5.21	N.A.	N.A.	69	1,275
470	Ippa Bank, N.V., Brussels	7,865	7,088	161	2.05	N.A.	(*)	37	1,061
	Brazil								
77	Banco do Brasil, Brasilia	69,168	15,234	6,505	9.40	N.A.	N.A.	4,695	120,229
81	Banco Bradesco, Sao Paulo	21,022	13,299	1,276	6.07	N.A.	N.A.	1,664	36,481
210	Banco Bradesco, SA, Osasco	13,448	6,661	2,640	19.63	N.A.	N.A.	1,702	68,031
433	Banco Itau, Sao Paulo	8,832	4,626	1,614	21.67	N.A.	N.A.	598	42,679
497	Uniao de Bancos Brasileiros, Sao Paulo	7,120	2,681	635	8.92	N.A.	N.A.	442	20,166
	Canada								
49	Royal Bank of Canada, Montreal	106,840	90,451	6,050	5.66	5.90	9.20	1,744	42,156
50	Canadian Imperial Bank of Commerce, Toronto	106,563	84,257	5,350	5.02	5.90	8.70	1,555	34,426
63	Bank of Montreal	85,563	73,142	4,162	4.86	6.75	8.91	1,267	32,126
68	Bank of Nova Scotia (Scotiabank), Toronto	75,736	61,379	4,094	5.41	5.70	8.57	1,339	29,888
98	Toronto-Dominion Bank, The	56,055	46,111	4,042	7.15	7.40	9.90	1,100	25,000
143	National Bank of Canada, Montreal	31,519	26,947	1,429	4.53	5.10	8.70	652	13,301
411	Royal Bank of Canada, Vancouver (e)	9,368	8,529	356	3.80	N.A.	N.A.	106	2,812
	Denmark								
104	Danske Bank, Copenhagen	53,543	43,006	2,915	5.44	8.00	11.00	537	13,115
129	Unibank, Copenhagen	35,188	29,304	1,537	4.37	N.A.	11.60	485	11,877
288	Sparekassernes Bank, Copenhagen	15,235	8,363	705	4.63	N.A.	N.A.	1	5,379
445	Jyske Bank, Silkeborg	8,475	5,368	414	4.88	N.A.	N.A.	140	2,966
	Egypt								
314	National Bank of Egypt, Cairo	13,305	11,126	466	3.50	6.85	8.10	297	9,279
382	Bangue Misr, Cairo	10,190	8,812	340	3.34	N.A.	N.A.	392	12,990
	Finland								
140	Kansallis-Osake-Pankki (KOP), Helsinki (e)	33,030	20,675	1,337	4.05	5.39	9.13	403	8,534
187	Postipankki (Post Bank of Finland), Helsinki	26,485	15,055	1,788	6.75	7.21	9.28	239	6,474
222	Postipankki, Helsinki	19,870	9,064	1,562	7.86	7.40	12.10	85	5,761
349	Skopbank, Helsinki	11,696	4,798	331	2.83	4.10	8.20	2	932
356	Osuuspankien keskuspankki Oy (OKOBANK), Helsinki	11,407	4,312	501	4.39	9.68	15.24	1	1,565
	France								
6	Credit Lyonnais (CL), Paris	350,811	207,337	12,053	3.44	4.29	8.19	4,350	77,166
11	Credit Agricole (CA), Paris	298,210	194,316	14,540	4.88	6.60	9.60	4,500	77,000
13	Banque Nationale de Paris (BNP)	283,822	206,921	9,282	3.27	5.00	8.70	2,562	56,354
18	Societe Generale, Paris	256,961	171,690	7,261	2.83	5.00	9.12	1,956	45,158
39	Banque Indosuez	130,756	70,030	3,262	2.50	4.90	9.90	N.A.	8,905
70	Groupe des Banques Populaires, Paris	73,763	58,268	1,878	2.55	7.60	10.10	1,788	27,000
89	Banque Indosuez	60,019	47,791	3,109	4.71	5.00	8.67	41	16,321
90	Credit Commercial de France (CCF), Paris	61,295	32,514	2,064	3.37	6.30	12.20	N.A.	10,500
183	Caisse Centrale des Banques Populaires, Paris	25,788	14,379	565	2.19	N.A.	N.A.	0	1,477
200	Credit du Nord, Paris	20,044	15,460	694	3.46	N.A.	N.A.	536	12,939
234	Credit Industriel et Commercial, Paris	18,531	10,324	542	2.93	N.A.	N.A.	120	3,765
238	Societe Alsacienne de Banque, Strasbourg	18,398	17,418	474	2.58	N.A.	N.A.	178	4,000
283	Societe de Banque et de Transactions, Paris	15,566	6,378	1,856	11.92	N.A.	N.A.	N.A.	N.A.
294	Banque Worms, Paris	14,676	6,130	839	5.72	N.A.	N.A.	N.A.	N.A.
328	Credit Industriel d'Alsace et de Lorraine, Strasbourg	12,722	8,162	443	3.48	N.A.	N.A.	144	3,056
417	Sovac, Paris	9,227	799	933	10.11	N.A.	N.A.	100	2,080
	Germany								
10	Deutsche Bank, AG, Frankfurt	305,923	271,201	12,922	4.22	5.40	10.50	2,146	74,256
16	Dresdner Bank, AG, Frankfurt	260,338	187,492	6,229	3.11	N.A.	N.A.	1,555	45,834
29	Westdeutsche Landesbank Girozentrale (WestLB), Dusseldorf	165,387	134,886	7,220	4.37	N.A.	N.A.	N.A.	9,054
31	Bayerische Vereinsbank (BV), Munich	155,484	144,378	4,011	2.58	4.70	9.30	770	21,533
34	Commerzbank, Frankfurt	143,211	133,486	4,297	3.00	4.80	8.50	998	30,156
37	Bayerische Hypotheken und Wechsel-Bank (BYPO Bank), Munich	136,634	127,912	3,117	2.28	4.70	8.10	1,000	30,000
41	Deutsche Genossenschaftsbank (DG Bank), Frankfurt	127,587	89,580	3,656	2.87	5.30	8.00	36	10,418
43	Bayerische Landesbank Girozentrale, Munich	121,706	113,863	3,137	2.58	4.40	8.70	1,000	4,736
45	Westdeutsche Landesbank Girozentrale (WGZ-Bank), Muenster	92,749	86,560	2,840	3.06	N.A.	N.A.	200	6,402

For footnotes see page 18A.

The Top 500 Banks in the World by Country

Banks in the top 500 listed geographically in asset-size order within nations
Data are for yearend 1992, or nearest fiscal yearend (dollar amounts in millions)

Asset Rank	Name	Total Assets	Total Deposits	Equity Capital	Equity/ Assets	Key Capital Ratios — Risk-Based Tier 1	Risk-Based Total	Branches	Employees
	Germany (Continued)								
76	**Sudwestdeutsche Landesbank, Stuttgart**	69,344	37,939	1,851	2.67	4.30	8.40	4	2,303
91	**Landesbank Hessen Thuringen-Girozentrale (Helaba), Frankfurt**	58,288	54,501	1,291	2.21	5.20	9.40	5	2,713
92	**Bayerische Gemeindebank-Girozentrale Kommunalbank, Frankfurt**	57,360	38,072	928	1.62	N.A.	N.A.	1	443
97	**Deutsche Pfandbriefanstalt -und Hypothekenbank, Wiesbaden**	56,634	53,293	1,033	1.82	5.40	9.30	32	1,505
106	**Landesbank Berlin-Girozentrale (LBB), Berlin**	50,037	46,103	2,047	4.09	N.A.	N.A.	170	7,714
118	**Berliner Bank, Berlin**	38,288	35,994	1,504	3.93	N.A.	8.30	122	6,313
120	**Hamburgische Landesbank-Girozentrale, Hamburg**	36,934	35,070	425	1.15	N.A.	N.A.	78	1,524
124	**Landesbank Schleswig-Holstein Girozentrale, Kiel**	36,342	31,943	1,438	3.96	N.A.	N.A.	73	1,849
125	**BfG Bank AG (formerly Bank fur Gemeinwirtschaft), Frankfurt**	36,023	32,870	1,507	4.18	N.A.	N.A.	212	6,731
141	**Deutsche Siedlungs und Landesrentenbank (DSL-Bank), Bonn**	32,774	8,014	628	1.92	4.60	N.A.	15	781
142	**Landesbank Rheinland-Pfalz Girozentrale, Mainz**	32,467	30,422	805	2.48	4.60	9.10	4	1,815
146	**Berliner Handels und-Frankfurter Bank (BHF Bank), Frankfurt**	28,652	26,210	1,362	4.82	6.60	11.20	16	2,835
151	**Bremer Landesbank, Bremen**	23,911	22,556	617	2.58	N.A.	N.A.	2	1,060
215	**Westdeutsche Genossenschafts-Zentralbank (WGZ-Bank), Duesseldorf**	20,450	19,038	790	3.86	4.66	11.00	4	1,160
218	**Frankfurter Hypothekenbank, AG**	20,189	18,315	572	2.83	N.A.	N.A.	17	443
220	**Hamburger Sparkasse (Haspa), Hamburg**	19,928	18,284	979	4.91	N.A.	211	5,913	
224	**Sudwestdeutsche Genossenschafts-Zentralbank (SGZ Bank), Frankfurt**	19,627	18,548	866	4.41	N.A.	N.A.	N.A.	
246	**Bayerische Handelsbank, AG, Munich**	17,679	17,183	354	2.00	N.A.	N.A.	7	253
266	**Landesgirokasse (LG), Stuttgart**	16,766	15,275	778	4.64	N.A.	N.A.	240	5,230
296	**Genossenschaftliche Zentralbank, AG, (GENO) Stuttgart**	14,110	13,210	470	3.33	N.A.	N.A.	0	519
299	**Vereins-und Westbank, Hamburg**	13,982	12,868	532	3.81	N.A.	N.A.	253	5,421
309	**Bayerische Landesanstalt fuer Aufbaufinanzierung, Munich**	13,487	5,378	633	4.69	N.A.	N.A.	0	283
321	**Berliner Hypotheken-und Pfandbriefbank AG (Berlin Hyp), Berlin (b)**	12,930	12,152	327	2.53	N.A.	N.A.	N.A.	145
330	**Frankfurter Sparkasse, Frankfurt**	12,499	11,813	467	3.74	6.10	8.60	131	2,732
333	**Muenchener Hypothekenbank, Munich**	12,362	11,567	179	1.45	N.A.	N.A.	16	228
336	**Stadtsparkasse Koeln, Cologne**	12,094	10,305	381	3.15	N.A.	N.A.	113	3,694
356	**Bank-Verein Westdeutsche Bank (BW Bank), Stuttgart**	11,501	10,737	550	4.78	N.A.	N.A.	107	2,251
373	**Nassauische Sparkasse, Wiesbaden**	10,469	9,713	400	3.82	N.A.	N.A.	117	2,531
409	**Stadtsparkasse Munchen, Munich**	9,508	8,804	403	4.24	N.A.	N.A.	117	2,481
432	**Allgemeine Hypotheken Bank, Frankfurt**	8,833	7,799	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
438	**Kreissparkasse Koeln, Cologne**	8,643	8,003	N.A.	N.A.	N.A.	134	2,789	
465	**Nassauische Heimst**	7,990	4,838	369	4.61	N.A.	N.A.	85	1,810
487	**Landesbank Saar-Girozentrale (SaarLB), Saarbrucken**	7,400	3,353	156	2.11	N.A.	N.A.	0	561
	Greece								
155	**National Bank of Greece, Athens**	30,098	24,855	823	2.74	2.48	2.74	551	14,297
454	**Commercial Bank of Greece, Athens**	8,314	7,313	556	6.68	N.A.	N.A.	337	7,057
	Hong Kong								
42	**Hongkong and Shanghai Banking Corp. (HongkongBank), Hong Kong**	125,486	108,776	5,523	4.40	N.A.	13.85	361	23,348
136	**Hang Seng Bank Ltd., Hong Kong**	33,465	29,232	3,869	11.56	N.A.	N.A.	126	6,800
460	**Bank of East Asia, Ltd., Hong Kong**	7,899	7,234	632	8.01	N.A.	N.A.	76	2,114
431	**National Savings & Commercial Bank, Ltd., Budapest**	8,863	7,277	214	2.41	N.A.	N.A.	407	14,113
	India (c)								
472	**Bank of Baroda**	7,772	6,777	191	2.46	N.A.	N.A.	2,402	44,722
	Indonesia								
339	**Bank Rakyat Indonesia, Jakarta**	12,046	7,040	451	3.74	N.A.	N.A.	329	41,795
351	**Bank Negara Indonesia (BNI), Jakarta**	11,654	10,186	426	3.65	N.A.	N.A.	304	10,176
357	**Bank Bumi Daya, Jakarta**	11,301	5,873	306	2.69	N.A.	N.A.	139	7,596
404	**Bank Dagang Negara, Jakarta**	9,600	5,552	265	2.77	N.A.	N.A.	145	8,795
	Ireland								
159	**Allied Irish Banks Plc. (AIB Group), Dublin**	29,569	26,696	1,613	5.46	7.20	12.00	N.A.	N.A.
196	**Bank of Ireland, Dublin**	23,625	19,673	1,124	4.76	6.60	12.60	437	12,130
	Israel								
133	**Bank Hapoalim, Tel-Aviv**	34,924	26,256	1,413	4.05	9.33	10.16	320	11,007
144	**Bank Leumi le-Israel, Tel-Aviv**	29,108	24,801	1,460	5.02	9.43	10.12	329	12,000
310	**Israel Discount Bank, Ltd., Tel-Aviv**	17,042	15,093	854	5.01	N.A.	241	7,532	
435	**United Mizrahi Bank Ltd., Tel-Aviv**	8,790	7,878	319	3.63	N.A.	N.A.	N.A.	3,104
	Italy								
31	**Istituto Bancario San Paolo di Torino (Gruppo Bancario Sanpaolo S.p.A.), Turin**	161,019	122,485	5,053	3.14	6.81	8.17	1,107	23,726
45	**Banca Nazionale del Lavoro, Rome**	115,300	90,331	5,299	4.59	6.24	8.45	520	25,407
54	**Banca di Roma, Rome (d)**	102,788	78,156	6,878	6.73	6.70	9.40	1,061	23,500
55	**Cassa di Risparmio delle Provincie Lombarde (Cariplo), Milan**	101,103	76,423	6,882	6.82	N.A.	10.81	724	17,229
57	**Monte dei Paschi di Siena**	97,216	77,071	3,876	3.99	5.03	9.01	1,108	22,996
61	**Banca Commerciale Italiana (BCI), Milan**	88,624	72,980	3,688	4.39	5.90	8.60	979	22,202
66	**Banca di Napoli, Naples**	79,454	61,982	2,999	3.77	7.02	8.87	758	17,025
72	**Credito Italiano (C), Milan**	72,323	61,173	3,108	4.30	N.A.	N.A.	808	16,385
128	**Banco di Sicilia, Palermo**	36,515	29,149	1,411	3.86	N.A.	N.A.	393	N.A.
137	**Banca Popolare di Novara**	33,093	25,944	1,529	4.62	N.A.	7.43	588	9,596
171	**Banca Popolare di Milano, Milan**	28,165	21,713	1,619	5.75	N.A.	N.A.	325	7,100
175	**Banca Nazionale dell'Agricoltura (BNA), Rome**	27,457	21,694	1,154	4.20	N.A.	N.A.	285	6,901
177	**Banco Ambrosiano Veneto, Milan**	26,933	20,162	1,358	5.04	6.03	7.64	481	8,005
178	**Cassa di Risparmio di Torino, Turin**	26,303	20,747	984	3.76	N.A.	N.A.	306	5,471
218	**Credito Romagnolo, Bologna**	25,179	19,217	1,621	6.44	N.A.	N.A.	406	6,850
253	**Cassa Popolare di Bergamo Credito Varesino, Bergamo (e)**	17,380	12,050	980	5.64	N.A.	N.A.	249	4,655
257	**Cassa di Risparmio di Verona, Vicenza, Belluno E Ancona SPA, Verona**	17,079	10,452	1,785	10.45	N.A.	N.A.	294	4,124
264	**Banca Toscana, Florence**	16,790	13,952	984	5.86	N.A.	N.A.	259	4,553
265	**Cassa di Risparmio di Bologna**	13,980	7,048	1,081	7.73	N.A.	N.A.	107	2,063
326	**Banca Lariana, Como**	12,712	9,078	745	5.86	N.A.	N.A.	177	2,801
336	**Cassa di Risparmio di Firenze, Florence**	12,267	8,758	660	5.75	N.A.	N.A.	210	3,706
342	**Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo**	11,892	9,090	553	4.65	N.A.	N.A.	240	3,937
346	**Banca Provinciale Lombarda, Bergamo**	11,761	8,761	512	4.35	N.A.	N.A.	N.A.	N.A.
366	**Banca di Sardegna, Sassari**	11,266	9,339	890	7.90	N.A.	N.A.	374	2,871
372	**Cassa di Risparmio di Padova e Rovigo, Padova**	10,510	7,263	982	9.34	N.A.	N.A.	145	2,748
406	**Banco Popolare di Verona**	9,553	6,510	1,022	10.70	N.A.	N.A.	N.A.	N.A.
427	**Banca Carige, S.p.A., Genova**	8,946	6,163	815	9.10	N.A.	N.A.	185	3,027
434	**Cassa Risparmio dell'Emilia, Modena**	8,357	5,606	511	7.43	N.A.	N.A.	133	2,387
466	**Banca d'America e d'Italia, Milan**	8,354	6,337	723	8.66	N.A.	N.A.	N.A.	N.A.
468	**Credito Bergamasco, Bergamo**	8,312	6,206	203	2.44	N.A.	N.A.	145	2,035
482	**Banca Sao Paolo di Brescia**	7,279	5,339	369	5.07	N.A.	N.A.	106	1,539

For footnotes see page 18A.

The Top 500 Banks in the World by Country

Banks in the top 500 listed geographically in asset-size order within nations
Data are for yearend 1992, or nearest fiscal yearend (dollar amounts in millions)

Asset Rank	Name	Total Assets	Total Deposits	Equity Capital	Equity/ Assets	Key Capital Ratios — Risk-Based Tier 1	Risk-Based Total	Branches	Employees
	Japan								
1	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	460,427	350,206	17,361	3.77	4.92	9.36	415	18,849
2	**Fuji Bank, Ltd., Tokyo**	458,675	344,401	17,225	3.76	4.97	9.26	366	15,963
3	**Sumitomo Bank Ltd., Osaka**	452,812	334,277	19,436	4.29	5.39	9.37	346	17,710
4	**Sanwa Bank Ltd., Osaka**	449,710	329,570	17,398	3.87	4.96	9.43	373	14,517
5	**Sakura Bank, Ltd., Tokyo**	441,735	345,751	14,992	3.39	4.48	8.66	609	22,274
6	**Mitsubishi Bank Ltd., Tokyo**	428,014	327,177	15,618	3.65	4.62	9.12	359	15,536
7	**Norinchukin Bank, Tokyo**	371,726	334,041	2,783	.75	N.A.	N.A.	42	2,972
8	**Industrial Bank of Japan, Ltd., Tokyo**	339,137	279,687	12,116	3.57	4.43	8.87	46	6,357
12	**Mitsubishi Trust & Banking Corp., Tokyo**	292,546	258,012	7,572	2.59	1.00	1.00	78	6,882
14	**Long-Term Credit Bank of Japan Ltd., Tokyo**	274,035	218,987	9,558	3.49	4.54	9.09	33	3,771
15	**Tokai Bank Ltd., Nagoya**	272,800	204,125	9,514	3.49	4.49	8.97	308	12,319
16	**Sumitomo Trust & Banking Co., Ltd., Osaka**	268,998	216,776	7,432	2.76	6.32	10.01	64	7,108
17	**Mitsui Trust & Banking Co., Ltd., Tokyo**	257,224	235,560	5,607	2.18	N.A.	N.A.	71[f]	5,564[f]
20	**Asahi Bank, Ltd., Tokyo (formerly Kyowa Saitama Bank Ltd.)**	249,167	182,172	9,251	3.71	4.83	9.22	443	13,562
22	**Bank of Tokyo, Ltd.**	222,864	165,038	8,731	3.92	5.01	9.61	95[f]	8,323[f]
24	**Daiwa Bank, Ltd., Osaka**	212,229	189,905	5,016	2.36	4.68	9.37	211	9,851
26	**Yasuda Trust & Banking Co. Ltd., Tokyo**	201,329	185,059	4,462	2.22	6.37	10.25	66	5,722
28	**Toyo Trust & Banking Co. Ltd., Tokyo**	178,489	160,517	3,821	2.13	6.38	9.79	68	5,584
33	**Nippon Credit Bank, Ltd., Tokyo**	148,769	123,636	4,863	3.27	4.50	9.00	26	3,223
35	**Shoko Chukin Bank, Tokyo**	138,983	127,341	3,771	2.71	N.A.	10.04	5,131	
40	**Zenshinren Bank, Tokyo**	130,915	112,344	2,180	1.76	7.15	8.84	18	1,232
51	**Bank of Yokohama, Ltd.**	105,256	78,730	4,350	4.13	5.40	9.37	204	6,196
53	**Chuo Trust & Banking Co., Ltd., Tokyo**	102,253	90,555	1,794	1.75	5.70	10.04	55	4,175
60	**Hokkaido Takushoku Bank, Ltd., Sapporo**	90,526	75,064	3,257	3.60	4.54	9.09	214	6,329
62	**Chiba Bank, Ltd., Tokyo**	73,813	61,562	3,363	4.45	6.02	9.40	177	4,915
81	**Shizuoka Bank Ltd.**	65,836	58,178	3,494	5.31	8.38	10.41	202	5,069
84	**Hokuriku Bank Ltd., Toyama**	63,827	54,147	2,852	4.47	5.41	8.53	202	5,157
85	**Joyo Bank, Ltd., Mito**	62,721	56,042	2,736	4.36	6.06	9.81	182	4,814
93	**Ashikaga Bank, Ltd., Utsunomiya**	57,888	50,267	2,314	4.00	5.58	9.15	180	4,550
95	**Bank of Fukuoka, Ltd.**	57,307	51,795	2,139	3.73	5.59	9.19	204	4,516
103	**Hiroshima Bank, Ltd.**	53,925	49,149	1,906	3.53	4.96	8.68	222	3,858
112	**Hachijuni Bank, Ltd., Nagano**	45,366	40,822	2,037	4.49	6.63	10.15	153	4,039
113	**Gunma Bank, Ltd., Maebashi**	45,033	40,663	1,909	4.24	5.88	9.22	165	3,885
117	**Chugoku Bank, Ltd., Okayama**	38,990	33,584	1,803	4.63	7.40	9.97	182	3,351
126	**Yamaguchi Bank, Ltd., Shimonoseki**	36,012	33,259	1,600	4.44	6.97	9.28	161	3,395
132	**Wakl-Nippon Bank, Ltd., Fukuoka**	35,127	30,691	1,405	4.00	5.23	8.72	202	3,598
133	**77 Bank, Ltd., Sendai**	35,065	31,397	1,341	3.82	6.14	9.73	146	3,315
135	**Nippon Trust Bank, Ltd., Tokyo**	33,970	30,998	808	2.38	6.44	10.34	35	2,147
145	**Nanto Bank, Ltd., Nara**	31,421	28,033	1,441	4.58	6.71	10.32	126	3,056
150	**Juroku Bank, Ltd., Gifu**	30,595	27,596	1,016	3.32	N.A.	8.90	136	3,111
151	**Bank of Kyoto, Ltd.**	30,504	28,032	1,054	3.45	4.89	9.34	119	2,759
152	**Hyaga Bank, Ltd., Kobe**	30,177	20,895	1,209	4.01	4.60	7.32	162	2,912
156	**Iyo Bank, Ltd., Matsuyama**	30,089	26,480	1,186	3.94	N.A.	N.A.	177	3,450
157	**Hyakujushi Bank, Ltd., Takamatsu**	29,702	25,557	1,265	4.26	5.70	9.94	134	2,522
158	**Hokuetsu Bank, Ltd., Kanazawa**	29,352	26,069	1,346	4.58	5.68	8.65	145	3,269
165	**Daishi Bank, Ltd., Niigata**	26,813	25,526	1,041	3.88	N.A.	N.A.	142	3,138
170	**Shiga Bank, Ltd., Otsu**	28,244	25,766	993	3.52	N.A.	N.A.	134[f]	2,834[f]
178	**Kyo Bank, Ltd., Wakayama**	26,479	23,951	1,085	4.10	N.A.	N.A.	112	2,631
181	**Tokyo Sowa Bank, Ltd.**	25,525	23,608	849	3.33	4.18	4.97	102	3,253
189	**San-In Godo Bank, Ltd., Matsue**	25,395	22,756	1,068	4.21	N.A.	N.A.	182	3,186
192	**Suruga Bank, Ltd., Numazu**	24,297	22,381	1,029	4.24	6.99	9.50	141	2,828
193	**Hyakugo Bank, Ltd., Tsu**	24,206	22,042	938	3.87	5.91	8.99	144	2,857
197	**Higo Bank, Ltd., Kumamoto**	23,579	21,143	1,085	4.60	N.A.	N.A.	125	2,566
199	**Ogaki-Kyoritsu Bank, Ltd., Ogaki**	23,114	20,812	837	3.62	N.A.	N.A.	128[f]	2,850[f]
202	**Fukuoka City Bank, Ltd.**	22,319	19,965	1,012	4.56	5.55	8.67	147	2,492
204	**Hokkoku Bank, Ltd., Kanazawa**	21,982	19,907	1,148	5.22	N.A.	N.A.	143[f]	2,681[f]
206	**Bank of Kobe, Ltd., Kobe**	21,887	19,187	1,019	4.66	6.05	9.94	119	2,754
210	**Bank of Nagoya, Ltd.**	21,031	19,028	794	3.78	N.A.	N.A.	128[f]	2,977[f]
213	**Tokyo Tomin Bank, Ltd.**	20,618	18,326	997	4.79	6.25	9.41	82	1,705
218	**Keiyo Bank, Ltd., Chiba**	20,136	17,973	1,394	6.92	8.92	9.78	113	2,313
219	**Tobu Bank, Ltd., Fukushima**	20,007	18,252	849	4.25	N.A.	N.A.	122[f]	2,600[f]
223	**Kagoshima Bank, Ltd.**	19,800	17,573	896	4.52	N.A.	N.A.	142[f]	2,667[f]
232	**Musashino Bank, Ltd., Oniya**	18,054	17,031	686	3.68	N.A.	N.A.	88	2,156
240	**Shikoku Bank, Ltd., Tokushima**	18,447	16,530	643	3.48	N.A.	N.A.	131[f]	2,271[f]
243	**Kohoku Bank, Ltd., Osaka**	17,795	15,948	565	3.18	N.A.	N.A.	115	2,768
244	**Fukui Bank, Ltd.**	17,764	15,861	784	4.52	N.A.	N.A.	141	2,464
245	**Chiba Kogyo Bank, Ltd.**	17,743	15,818	701	3.95	5.28	8.67	93	2,108[f]
248	**Bank of Osaka, Ltd.**	17,586	15,568	760	4.33	5.64	9.12	82	2,062
251	**Fukutoku Bank, Ltd., Osaka**	17,456	15,036	844	4.84	N.A.	N.A.	139	2,386
252	**Aichi Bank, Ltd., Nagoya**	17,367	15,834	675	3.88	N.A.	N.A.	116[f]	2,780[f]
262	**Tochigi Bank, Ltd., Utsunomiya**	16,912	14,130	632	3.74	N.A.	N.A.	129[f]	2,720[f]
263	**Oita Bank, Ltd.**	16,870	15,056	542	3.21	5.03	9.20	104	2,084
264	**Hiroshima-Sogo Bank, Ltd.**	16,779	15,353	526	3.13	N.A.	N.A.	116	2,528
269	**Yamanashi Chuo Bank, Ltd., Kofu**	16,571	14,753	828	5.00	N.A.	N.A.	89	2,122
271	**Akita Bank, Ltd.**	16,458	15,106	641	3.90	N.A.	N.A.	107	1,851
274	**Hokuriku Bank, Ltd., Nagaoka**	16,175	14,676	618	3.82	5.68	8.77	99	2,008
277	**Ami Bank, Ltd., Yokkaichi**	16,124	14,277	696	4.07	5.62	N.A.	97	1,940
278	**Eighteenth Bank, Ltd., Hagnashi**	16,092	13,984	822	5.11	N.A.	N.A.	125	2,063
281	**Bank of Iwate, Ltd., Morioka**	15,774	14,111	567	3.60	N.A.	N.A.	117	1,836
289	**Aomori Bank, Ltd.**	15,205	13,519	561	3.69	N.A.	N.A.	110	1,802
293	**Towa Bank, Ltd., Mlnobeshi**	14,830	13,638	481	3.24	N.A.	N.A.	89	2,297
302	**Bank of Saga, Ltd.**	13,943	11,611	521	3.74	5.19	8.51	70[f]	1,615
303	**Chukyo Bank, Ltd., Nagoya**	13,884	12,466	513	3.70	5.33	8.53	108	2,209
304	**Nishi Pacific Bank, Ltd.**	13,709	12,463	485	3.54	N.A.	N.A.	139[f]	2,015[f]
307	**Michinoku Bank, Ltd., Aomori**	13,558	12,037	619	4.57	7.72	9.85	106	1,854
308	**Senshu Bank, Ltd., Wakayama**	13,541	12,353	578	4.53	N.A.	N.A.	71	1,542
311	**Higashi-Nippon Bank, Ltd., Sendai**	13,448	12,014	497	3.70	4.62	6.02	75	1,862
312	**Shinwa Bank, Ltd., Sendai**	13,384	12,097	482	3.60	N.A.	N.A.	129	2,006
316	**Daiwa Kosho Lease, Ltd., Nagasaki**	13,112	11,885	517	3.94	7.75	11.49	1[f]	2,139
320	**Bank of Sage, Ltd.**	12,938	11,812	510	3.94	5.51	8.52	130	2,104
323	**Bank of the Ryukyus, Ltd., Naha**	12,870	11,573	465	3.61	N.A.	N.A.	76	1,716
328	**Miyazaki Bank, Ltd.**	12,600	11,295	440	3.49	N.A.	N.A.	107[f]	1,813[f]
331	**Tochigi Bank, Ltd., Utsunomiya**	12,487	11,357	606	4.87	N.A.	N.A.	73[f]	1,705[f]
332	**Ehime Bank, Ltd., Matsuyama**	12,436	11,089	480	3.87	N.A.	N.A.	92	1,725
337	**Yamagata Bank, Ltd.**	12,082	10,992	494	4.09	N.A.	N.A.	93[f]	1,827[f]
341	**Kumamoto Family Bank, Ltd.**	11,930	10,241	457	4.10	N.A.	N.A.	116	1,780
353	**Ehwako Bank, Ltd., Otsu**	10,759	9,563	521	4.84	6.82	8.87	67	1,451
378	**Bank of Okinawa, Ltd., Naha**	10,272	9,350	386	3.78	N.A.	N.A.	82[f]	1,548[f]
389	**Mie Bank, Ltd., Yokkaichi**	10,014	9,230	330	3.29	N.A.	N.A.	81	1,320
394	**Shinsu Bank, Ltd.**	9,683	9,090	411	4.16	N.A.	N.A.	77	1,542

For footnotes see page 18A.

The Top 500 Banks in the World by Country

Banks in the top 500 listed geographically in asset-size order within nations
Data are for yearend 1992, or nearest fiscal yearend (dollar amounts in millions)

Asset Rank	Name	Total Assets	Total Deposits	Equity Capital	Equity/ Assets	Key Capital Ratios: Risk-Based Tier 1	Total	Branches	Employees
	Japan (Continued)								
395	Bank of Kansai, Ltd., Osaka	9,872	9,117	397	4.02	N.A.	N.A.	74	1,327
399	Hanshin Bank, Ltd., Kobe	9,724	8,709	352	3.62	N.A.	N.A.	84	1,418
423	Taiheiyo Bank, Ltd., Tokyo	9,033	8,764	264	2.93	N.A.	N.A.	43	1,019
424	Kagawa Bank, Ltd., Takamatsu	9,022	8,171	442	4.90	N.A.	N.A.	88	1,354
428	Nigata Chuo Bank, Ltd.	8,943	8,128	378	4.23	N.A.	N.A.	79	1,605e
442	Kyushu Bank, Ltd., Sasebo	8,607	7,781	370	4.29	N.A.	N.A.	90	1,406
451	Kita-Nippon Bank, Ltd., Morioka	8,350	7,591	352	4.22	N.A.	N.A.	79	1,509
460	Kanto Bank, Ltd., Tsuchiura	8,171	7,570	275	3.36	N.A.	N.A.	64*	1,250*
474	Bank of Kochi, Ltd.	7,759	7,126	233	3.00	N.A.	N.A.	83	1,408
490	Taiko Bank, Ltd., Nigata	7,295	6,639	157	2.15	N.A.	N.A.	58*	1,311*
491	Tokyo City Bank, Ltd., Sendai	7,287	6,562	211	2.90	N.A.	N.A.	71*	1,413*
	Jordon								
375	Arab Bank Plc., Amman	10,384	9,740	574	5.53	N.A.	N.A.	110	N.A.
	Korea								
134	Korea Development Bank, Seoul	34,316	7,344	1,803	5.26	N.A.	N.A.	47	2,700
149	Commercial Bank of Korea Ltd., Seoul	30,682	19,836	1,486	4.84	N.A.	N.A.	294	9,426
153	Korea First Bank, Seoul	30,177	18,841	1,740	5.76	8.52	10.09	312	8,927
154	Korea Exchange Bank, Seoul	30,158	14,716	1,474	4.89	6.08	7.43	189	7,913
160	Hanil Bank Ltd., Seoul	29,526	19,256	1,791	6.07	10.02	11.35	301	9,212
168	Cho Hung Bank Ltd., Seoul	28,405	18,218	1,593	5.61	N.A.	9.86	323	9,852
181	Bank of Seoul	25,877	17,948	1,467	5.67	N.A.	N.A.	311	9,962
227	Korea Housing Bank, Seoul	18,965	15,821	310	1.63	N.A.	N.A.	320	13,000
228	Citizens National Bank, Seoul	18,926	16,081	436	2.30	N.A.	N.A.	424	14,730
247	Industrial Bank of Korea, Seoul	17,657	8,959	470	2.66	N.A.	N.A.	300	10,402
345	Shinhan Bank, Seoul	11,781	5,755	1,609	13.66	N.A.	N.A.	133	3,758
463	Pusan Bank	8,138	6,435	357	4.39	N.A.	N.A.	132	3,737
477	Daegu Bank, Ltd., Tangu	7,722	4,779	589	7.62	N.A.	N.A.	145	3,373
	Kuwait								
390	National Bank of Kuwait	10,011	8,638	1,012	10.11	15.87	15.87	36	1,200
	Luxembourg								
184	Deutsche Bank Luxembourg	25,775	* 22,989	853	3.31	N.A.	N.A.	0	214
217	Banque Generale du Luxembourg	20,141	17,819	474	2.35	N.A.	N.A.	48	1,862
237	Banque Internationale a Luxembourg	18,363	15,960	576	3.13	N.A.	N.A.	49	2,016
239	Banque et Caisse d'Epargne de l'Etat	17,380	16,022	467	2.69	9.09	10.87	102	1,662
280	Kredietbank SA Luxembourgeoise	16,072	10,202	582	3.62	N.A.	N.A.	6	346
335	Union Bank of Switzerland (Luxembourg)	12,125	11,052	251	2.07	N.A.	N.A.	0	181
341	Commerzbank International	11,999	9,398	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
381	Bayerische Vereinsbank International	10,212	9,238	305	2.99	N.A.	N.A.	0	109
397	West LB International	9,776	7,949	226	2.31	N.A.	N.A.	0	109
425	Bayerische Landesbank International	9,012	7,052	405	4.49	N.A.	N.A.	0	100
473	DG Bank Luxembourg	7,760	6,430	191	2.46	N.A.	9.50	N.A.	200
500	Credit Suisse (Luxembourg)	7,055	6,472	221	3.14	N.A.	N.A.	0	143
	Mexico								
119	Banco Nacional de Mexico, Mexico City	37,707	23,992	2,634	6.99	N.A.	10.17	714	29,688
138	Bancomer, Mexico City	33,054	26,006	2,508	7.59	5.58	13.72	773	29,081
231	Banca Serfin, Mexico City	18,715	11,343	851	4.55	N.A.	N.A.	597	18,468
396	Multibanco Comermex, Mexico City	9,827	6,856	459	4.67	N.A.	N.A.	N.A.	N.A.
	Netherlands								
19	ABN AMRO Bank, N.V., Amsterdam	252,709	152,439	8,825	3.49	N.A.	N.A.	1,952	59,639
40	Rabobank Nederland, Utrecht	127,752	83,586	7,689	6.02	N.A.	N.A.	2,096	39,510
47	ING Bank (Internationale Nederlanden Bank N.V.), Amsterdam	109,186	71,757	3,801	3.48	N.A.	N.A.	400	24,742
221	Mees Pierson Holding, NV, Amsterdam	19,889	16,080	999	5.02	N.A.	N.A.	N.A.	N.A.
240	Credit Lyonnais Bank Nederland, NV, Rotterdam	17,939	13,650	513	2.86	N.A.	N.A.	92	3,294
	New Zealand								
377	Bank of New Zealand, Ltd., Wellington	10,315	9,161	449	4.36	N.A.	N.A.	300	6,000
	Norway								
176	Norske Bank, Oslo	27,023	19,691	41	.15	N.A.	7.94*	189	6,306
272	Christiania Bank, Oslo	16,310	12,534	242	1.48	3.07	8.60	93	4,236
318	Union Bank of Norway, Oslo (f)	12,984	9,823	247	1.90	N.A.	N.A.	182	3,439
	Pakistan								
489	Habib Bank Ltd., Karachi	7,320	6,436	264	3.61	N.A.	N.A.	1,926	32,547
	Panama								
268	Republic National Bank, Panama City	16,664	11,390	4,000	24.00	N.A.	N.A.	0	8
	Poland								
454	State Savings Bank (Powszechna Kasa Oszczednosci), Warsaw	7,257	5,135	0	---	N.A.	N.A.	822	37,127
	Portugal								
139	Caixa Geral de Depositos, Lisbon	33,050	27,631	1,859	5.63	11.80	15.25	812	15,078
286	Banco Portugues do Atlantico, Porto	15,286	8,677	843	5.52	N.A.	12.20	271	5,822
340	Banco Espirito Santo e Comercial, Lisbon	12,045	9,967	760	6.31	N.A.	N.A.	240	6,426
353	Banco Totta & Acores, Lisbon	11,571	10,137	702	6.07	N.A.	N.A.	251	4,345
376	Banco Commercial Portugues, Lisbon	10,347	8,351	1,036	10.01	9.20	13.00	266	3,998
444	Banco Pinto & Sotto Mayor, Lisbon	8,561	7,483	462	5.39	N.A.	N.A.	231	5,732
	Saudi Arabia								
313	Riyad Bank, Riyadh	13,336	11,098	1,684	12.63	N.A.	N.A.	176	4,068
386	Saudi American Bank, Riyadh	10,100	8,799	700	6.93	N.A.	N.A.	30	1,300
480	Arab National Bank, Riyadh	7,638	6,736	599	7.84	N.A.	N.A.	117	1,719
	Singapore								
198	Development Bank of Singapore Ltd. (DBS)	23,247	19,110	2,420	10.41	N.A.	N.A.	42	3,441
242	Overseas-Chinese Banking Corp., Ltd. (OCBC Bank), Singapore	17,805	14,361	1,979	11.11	N.A.	N.A.	93	3,797
260	United Overseas Bank Ltd., Singapore	16,580	14,046	1,616	9.52	N.A.	N.A.	113	5,000
443	Overseas Union Bank, Ltd. (OUB), Singapore	8,562	7,043	850	9.93	N.A.	N.A.	36	2,201
	South Africa								
150	Amalgamated Banks of South Africa, Ltd., Johannesburg	24,879	22,471	1,554	6.25	7.50	8.10	N.A.	38,738
249	Standard Bank of South Africa Ltd., Johannesburg	17,561	16,473	953	5.43	N.A.	N.A.	N.A.	N.A.
285	Nedcor Bank Ltd., Johannesburg	15,326	14,421	780	5.09	7.10	8.60	766	15,963
315	First National Bank of South Africa Ltd., Johannesburg	13,161	11,628	636	4.83	N.A.	N.A.	530	25,307

For footnotes see page 18A.

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The Top 500 Banks in the World by Country

Banks in the top 500 listed geographically in asset-size order within nations
Data are for yearend 1992, or nearest fiscal yearend (dollar amounts in millions)

Asset Rank	Name	Total Assets	Total Deposits	Equity Capital	Equity/ Assets	Key Capital Ratios: Risk-Based Tier 1	Total	Branches	Employees
	Spain								
62	Banco Bilbao Vizcaya (BBV), Bilbao	87,781	77,910	4,949	5.64	10.70	11.50	2,845	28,217
73	Banco Central Hispanoamericano, SA, Madrid	72,166	62,730	5,040	6.98	N.A.	N.A.	1,614	N.A.
86	Banco Espanol de Credito, Madrid	61,875	40,368	2,346	3.76	7.80	9.33	2,888	23,141
88	Banco Santander	61,354	51,538	2,597	4.23	9.37	12.65	1,759	20,357
99	Caja de Ahorros y Pensiones de Barcelona	56,272	43,614	2,127	3.78	N.A.	N.A.	N.A.	N.A.
121	Banco Exterior de Espana (BEX), Madrid	36,814	32,633	2,186	5.94	9.90	11.06	755	10,833
147	Caja de Madrid	31,235	23,644	2,094	6.71	N.A.	N.A.	791	11,509
151	Banco Popular Espanol, Madrid	24,412	20,341	1,575	6.45	10.40	13.08	1,745	12,114
355	Caja de Ahorros de Catalana, Barcelona	11,434	10,349	619	5.41	N.A.	N.A.	661	3,614
366	Bilbao Bizkaia Kutxa	10,655	8,861	697	6.54	N.A.	N.A.	273	3,186
371	Banco de Sabadell, SA	10,535	9,231	689	6.54	N.A.	N.A.	358	4,672
384	Bankinter, SA, Madrid	10,117	5,871	1,016	10.04	13.80	17.03	268	2,169
413	Caja de Ahorros del Mediterraneo, Alicante	9,305	7,604	378	6.20	N.A.	N.A.	671	4,396
418	Caja de Ahorros de Valencia	9,120	7,558	453	4.96	N.A.	N.A.	625	3,884
429	Caja de Ahorros de Galicia, La Corona	9,037	7,242	386	4.27	N.A.	N.A.	N.A.	N.A.
440	Caja de Ahorros y Monte de Piedad de Zaragoza	8,625	7,116	392	4.54	N.A.	N.A.	N.A.	N.A.
447	Banco Pastor, La Corona	8,429	5,893	449	5.33	N.A.	N.A.	415	3,615
481	Caja de Ahorros Provincial de Guipuzcoa, San Sebastian	7,619	4,633	N.A.	N.A.	10.26	19.16	188	1,693
484	Banco Atlantico, Barcelona	7,491	5,363	329	4.39	N.A.	N.A.	245	3,275
499	Banco Catalana, Barcelona	7,067	6,254	319	4.51	N.A.	N.A.	82	1,406
	Sweden								
75	Sparbankernas Sverige, AB (Swedbank), Stockholm	69,428	32,006	2,203	3.17	N.A.	9.30	700	13,050
79	Skandinaviska Enskilda Banken, Stockholm	68,435	44,291	2,367	3.46	5.10	8.40	330	10,325
102	Svenska Handelsbanken, Stockholm	55,443	39,042	2,410	4.35	6.80	10.10	467	7,370
108	Nordbanken, Stockholm	47,841	32,282	1,568	3.28	4.80	8.20	204	6,548
327	Gota Bank, Stockholm	12,664	10,173	711*	5.61	N.A.	8.30	221	3,140
	Switzerland								
27	Union Bank of Switzerland, Zurich	181,926	150,508	12,258	6.74	N.A.	10.00	375	27,280
36	Swiss Bank Corp., Basel	137,014	114,672	8,436	6.16	7.80	11.50	399	23,632
45	Credit Suisse, Zurich	118,011	102,912	6,051	5.13	6.90	9.60	365	18,598
128	Banque Cantonale de Zurich	35,320	31,376	1,310	3.71	N.A.	N.A.	163	4,164
144	Swiss Volksbank, Berne	31,428	28,778	1,505	4.79	6.80	9.30	206	6,186
287	Cantonal Bank of Berne	15,256	13,500	658	4.31	N.A.	N.A.	N.A.	N.A.
387	Banque Cantonale de St. Gallen	10,067	9,043	358	3.56	N.A.	N.A.	N.A.	N.A.
401	Luzerner Kantonalbank, Lucerne	9,609	8,635	435	4.53	N.A.	N.A.	32	1,050
408	Banque Cantonale Vaudoise, Lausanne	9,510	8,260	571	6.01	N.A.	N.A.	60	1,453
422	Bank Leu, Ltd., Zurich	9,033	7,927	561	6.21	N.A.	N.A.	15	1,263
435	Credit Foncier Vaudois, Lausanne	7,474	6,617	301	4.03	N.A.	N.A.	54	1,382
468	Union Bancaire Privee, Geneva	7,334	6,506	517	7.04	N.A.	N.A.	4	689
496	Thurgauer Kantonalbank, Weinfelden	7,141	6,346	320	4.48	N.A.	N.A.	76	N.A.
	Taiwan								
111	Taiwan Cooperative Bank, Taipei	47,205	43,132	579	1.23	2.57	4.05	118	6,034
115	Bank of Taiwan, Taipei	42,557	37,165	2,604	6.12	10.23	12.85	78	6,623
148	Land Bank of Taiwan, Taipei	30,897	25,649	916	2.97	N.A.	N.A.	N.A.	N.A.
158	First Commercial Bank, Taipei	29,611	27,195	1,047	3.54	4.94	9.05	158	6,160
162	Hua Nan Commercial Bank, Ltd., Taipei	29,473	25,887	1,083	3.67	5.42	8.96	107	5,540
173	Chang Hwa Commercial Bank, Ltd., Taichung	27,751	20,818	976	3.52	4.86	8.31	152	6,043
202	Export/Import Bank of Taiwan, Taipei	20,907	16,348	545	2.61	4.47	6.30	108	4,840
305	Taipei Bank	13,682	11,548	744	5.43	8.12	9.34	64	2,902
358	Chiao Tung Bank, Taipei	11,298	4,839	812	7.18	7.77	9.65	29	1,259
360	Farmers Bank of China, Taipei	11,264	8,939	336	2.98	N.A.	N.A.	87	1,952
392	International Commercial Bank of China, Taipei	9,952	7,135	837	8.41	N.A.	N.A.	N.A.	N.A.
393	Chinatrust Commercial Bank, Taipei	9,921	8,525	657	6.62	N.A.	N.A.	18	1,861
396	United World Chinese Commercial Bank, Taipei	9,751	8,254	713	7.31	10.38	11.34	24	1,364
	Thailand								
180	Bangkok Bank, Ltd.	25,960	19,566	1,777	6.85	N.A.	8.98	414	24,035
295	Thai Farmers Bank, Bangkok	14,253	11,025	1,058	7.42	N.A.	N.A.	N.A.	N.A.
297	Krung Thai Bank Ltd., Bangkok	14,017	12,456	789	5.63	N.A.	N.A.	425	17,000
362	Siam Commercial Bank Ltd., Bangkok	10,783	8,470	760	7.05	N.A.	N.A.	286	10,753
	Turkey								
347	Turkiye Cumhuriyeti Ziraat Bankasi (Agricultural Bank of the Turkish Republic), Ankara	11,716	7,464	703	6.00	N.A.	N.A.	1,353	38,969
	United Kingdom								
21	Barclays Bank Plc, London	225,765	175,899	7,992	3.54	5.50	9.10	3,500	105,000
23	National Westminster Bank Plc, London	218,629	191,103	7,906	3.65	5.20	9.80	2,800	95,200
52	Abbey National, Plc, London	104,460	95,300	4,821	4.62	9.70	10.70	704	15,456
58	Midland Bank Plc, London	92,890	76,914	3,367	3.62	5.70	10.70	1,740	46,000
64	Lloyds Bank Plc, London	83,132	74,263	4,133	4.97	6.50	10.50	2,300	64,000
89	Royal Bank of Scotland Plc, Edinburgh	61,302	52,357	3,162	5.16	6.90	10.70	1,170	24,116
107	TSB Bank, Plc., London	49,882	36,775	2,539	5.09	7.60	11.70	1,380	36,715
114	Bank of Scotland, Edinburgh	43,214	38,920	1,577	3.65	5.80	11.00	500	17,150
116	Standard Chartered Bank, London	41,357	34,351	1,520	3.67	4.90	9.70	769	2,959*
276	Hill, Samuel Bank, Ltd., London	16,134	4,388	777	4.81	N.A.	N.A.	4	1,100
282	Hambrecht, Simpson, Lonsdale Plc, London	15,603	7,476	613	3.93	N.A.	N.A.	4	1,300
301	Morgan Grenfell & Co. Ltd., London	13,950	11,284	584	4.19	N.A.	N.A.	43	2,177
380	Clydesdale Bank Plc, Glasgow	10,223	8,591	670	6.56	N.A.	N.A.	330	6,500
430	S.G. Warburg & Co., Ltd., London	8,868	7,771	677	7.63	N.A.	N.A.	0	N.A.
441	Coutts & Co., London	8,615	8,355	152	1.76	N.A.	N.A.	N.A.	N.A.
442	ANZ Grindlays Bank, Plc, London	8,438	7,973	818	9.71	12.60	14.70	N.A.	N.A.
453	Union Bank Ltd., Belfast	8,334	7,534	446	5.35	N.A.	N.A.	246	3,942
461	H.M. Bucbuckle & Sons Ltd., London	8,160	7,388	310	3.80	N.A.	N.A.	7	N.A.
471	IBJ International Ltd., London	7,814	3,185	187	2.39	N.A.	N.A.	0	253
482	Yorkshire Bank Plc, Leeds	7,533	6,516	515	6.83	8.30	11.70	266	6,407
	United States (in state order)								
446	AmSouth Bank, NA, Birmingham, Alabama	8,458	6,424	667	7.89	9.19	10.29	153	4,647
374	Bank One, Arizona, NA, Phoenix, Arizona	10,449	9,278	579	5.54	7.96	10.05	218	6,237
416	Bank of America Arizona, Phoenix, Arizona	9,260	7,736	1,190	12.85	20.82	22.09	169	3,834
38	Bank of America, NT&SA, San Francisco, California	132,166	106,921	10,748	8.13	6.54	10.69	1,337	70,419
110	Wells Fargo Bank, NA, San Francisco, California	50,736	43,071	3,602	7.10	7.23	11.03	626	21,276
118	Home Savings of America, FA, Irwindale, California	47,629	36,732	2,834	6.88	9.06	12.99	375	8,852
122	Great Western Bank, FSB, Beverly Hills, California	36,636	30,975	2,310	6.31	7.75	11.02	402	10,732

For footnotes see page 18A.

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The Top 500 Banks in the World by Country

Banks in the top 500 listed geographically in asset-size order within nations
Data are for yearend 1992, or nearest fiscal yearend (dollar amounts in millions)

Asset Rank	Name	Total Assets	Total Deposits	Equity Capital	Key Capital Ratios: Equity/ Assets	Risk-Based Tier 1	Total	Branches	Employees
	United States (6 state order continued)								
182	**World Savings, FSB,A, Oakland, California**	25,796	16,665	1,830	7.09	14.33	16.28	228	3,586
214	**First Interstate Bank of California, Los Angeles, California**	20,590	17,499	1,442	7.00	(D)5	11.52	329	9,290
216	**First Nationwide Bank, FSB, San Francisco, California**	19,031	14,068	1,359	7.14	8.35	10.80	226	4,040
253	**American Savings Bank, A Fsb, Irvine, California**	17,383	14,007	907	5.25	10.63	11.88	180	3,166
256	**California Federal Bank, FSB, Los Angeles, California**	17,236	13,465	942	5.57	7.55	9.17	179	2,966
261	**Glendale Federal Bank, FSB, California**	16,912	11,581	668	3.95	4.15	6.35	215	3,229
267	**Union Bank, San Francisco, California**	16,668	12,854	1,104	6.62	7.31	10.88	214	7,303
345	**Citibank, FSB, San Francisco, California**	10,735	6,574	1,070	14.52	(1)---	13.52	186	4,761
405	**Household Bank, FSB, Newport Beach, California**	9,582	6,551	603	6.29	7.43	12.36	167	2,602
456	**Coast Savings, FSB, Los Angeles, California**	8,303	6,186	499	6.01	6.52	10.52	89	1,766
478	**Bank of California, N.A, San Francisco, California**	7,686	5,520	559	7.27	7.21	12.11	52	3,094
483	**Homefed Bank, FSB, San Diego, California (g)**	7,519	7,030	(994)	(13.22)	25.05	27.41	1	2,862
493	**Sanwa Bank California, San Francisco, California**	7,361	5,577	677	9.32	10.78	13.72	107	2,851
538	**Shawmut Bank Connecticut, Nat, Hartford, Connecticut**	12,068	8,902	991	7.30	9.17	10.40	152	5,633
575	**First Bank, Nt, Hartford, Connecticut**	7,743	5,480	541	6.99	13.19	16.15	142	2,665
363	**American Express Centurion Bank, Newark, Delaware**	10,169	1,181	785	7.72	11.50	12.83	1	410
417	**Chase Manhattan Bank (USA), Wilmington, Delaware**	9,098	3,936	867	9.53	9.43	13.56	2	2,347
486	**Greenwood Trust Co., New Castle, Delaware**	7,439	4,847	919	12.35	12.56	13.81	2	1,451
174	**First Union National Bank of Florida, Jacksonville, Florida**	27,745	22,504	2,124	7.66	8.60	11.97	400	15,569
205	**Nationsbank of Florida, Tampa, Florida**	21,958	16,038	1,100	5.01	8.24	9.50	370	7,201
298	**Nationsbank of Georgia, Na, Atlanta, Georgia**	14,008	9,477	934	6.67	7.44	9.84	208	6,126
308	**Trust Company Bank, Atlanta, Georgia**	10,113	6,630	805	7.96	7.88	11.46	136	3,085
402	**Trust Company Bank, Atlanta, Georgia**	9,604	5,299	741	7.72	9.52	10.69	103	3,594
352	**Bank of Hawaii, Honolulu, Hawaii**	11,587	7,997	685	5.91	5.44	10.69	85	3,009
146	**First National Bank, Chicago, Illinois**	31,319	21,850	2,090	6.67	5.51	9.35	75	9,758
203	**Continental Bank, Na, Chicago, Illinois**	22,025	14,670	1,830	8.31	7.94	10.36	5	4,246
340	**Northern Trust Co., Chicago, Illinois**	11,703	7,196	645	5.51	7.43	10.87	5	4,665
403	**Harris Trust & Savings Bank, Chicago, Illinois**	9,602	6,071	605	7.24	8.47	11.40	2	3,983
458	**Ladale National Bank, Chicago, Illinois**	7,115	4,941	411	5.78	7.63	11.56	3	877
344	**Maryland National Bank, Baltimore, Maryland**	11,879	8,603	753	6.33	6.40	9.68	201	5,367
147	**First National Bank, Boston, Massachusetts**	25,326	18,018	1,689	6.59	6.47	10.11	211	13,413
270	**State Street Bank & Trust Co., Boston, Massachusetts**	16,508	11,033	932	5.64	13.10	14.00	10	8,822
332	**Shawmut Bank, Boston, Massachusetts**	13,597	8,123	851	6.26	6.66	10.02	63	4,494
435	**Baybank Middlesex, Burlington, Massachusetts**	8,905	8,278	462	5.41	8.59	10.53	190	3,068
452	**Boston Safe Deposit & Trust Co., Massachusetts**	8,337	4,457	863	10.35	13.44	14.60	3	2,136
457	**First Bank of Massachusetts, N.A., Worcester, Massachusetts**	8,286	6,871	513	6.19	11.20	13.33	178	2,903
194	**Mbd Bank, Na, Detroit, Michigan**	24,059	17,072	1,565	6.50	7.88	10.26	342	7,893
362	**Comerica Bank, Detroit, Michigan**	10,240	6,698	1,599	7.18	8.28	10.80	423	9,256
407	**Standard Federal Bank, Troy, Michigan**	9,545	6,523	609	6.38	13.14	13.53	123	2,221
410	**First Federal of Michigan, Detroit, Michigan**	9,383	5,459	499	5.32	13.95	14.77	82	1,285
414	**Michigan National Bank, Farmington Hills, Michigan**	9,297	7,850	673	7.23	9.12	10.56	190	4,939
292	**Norwest Bank Minnesota Na, Minneapolis, Minnesota**	14,978	8,321	886	5.92	7.35	11.03	87	4,526
297	**First Bank, Na, Minneapolis, Minnesota**	10,603	8,192	935	8.82	9.15	11.64	37	2,802
415	**Bostmen's National Bank, St. Louis, Missouri**	9,272	6,035	1,000	6.89	10.00	12.00	63	3,521
277	**First Fidelity Bank Na, Newark, New Jersey**	18,873	16,588	1,327	7.03	9.77	11.90	344	6,010
379	**Midlantic National Bank, Newark, New Jersey**	10,264	9,193	702	6.83	8.87	10.20	267	4,431
30	**Citibank Nk, New York, New York**	182,044	118,365	8,062	5.53	5.88	9.36	1	93,215
48	**Chemical Bank, New York, New York**	107,015	75,227	6,957	6.46	6.62	10.82	461	27,120
56	**Morgan Guaranty Trust Co., New York**	75,709	32,306	4,664	6.84	8.04	12.58	21	10,972
57	**Manufacturers Hanover Trust Co., New York**	73,796	56,178	4,823	6.54	6.65	10.66	375	25,440
58	**Chase Manhattan Bank Nk, New York, New York**	65,527	26,340	3,019	5.44	7.99	11.24	82	10,371
101	**Bankers Trust Co., New York, New York**	36,918	28,630	2,606	7.25	7.03	11.49	301	12,678
127	**Bank of New York, New York, New York**	34,255	17,778	1,907	6.75	26.04	27.36	41	3,046
169	**Republic National Bank of New York, New York**	28,355	17,778	1,907	6.75	7.11	10.94	132	4,708
173	**National Westminster Bank USA, New York, New York**	28,110	21,295	1,995	7.10	8.63	10.63	139	4,766
175	**Marine Midland Bank Na, Buffalo, New York**	16,137	13,446	1,146	7.10	9.34	12.55	315	8,921
317	**Jonathan Corporate Bank Co., New York, New York**	13,036	10,046	694	5.32	N.A.	N.A.	N.A.	N.A.
319	**Key Bank of New York, Albany, New York**	12,977	10,776	946	7.29	9.84	11.40	309	4,586
391	**Fleet Bank of New York, Albany, New York**	9,965	7,737	794	7.97	11.87	13.15	241	4,126
426	**Dime Savings Bank of New York, FSB, New York**	8,773	3,776	265	3.13	2.95	3.02	55	2,214
458	**Bank of Tokyo Trust Co., New York, New York**	8,251	1,113	489	5.93	6.01	10.75	1	297
462	**Manufacturers & Traders Trust Co., Buffalo, New York**	8,062	6,659	496	6.13	8.16	10.66	123	3,642
467	**Anchor Savings Bank, FSB, Northport, New York**	7,941	6,307	345	4.39	10.06	11.32	81	1,448
208	**Nationsbank of North Carolina, Charlotte, North Carolina**	21,718	15,397	1,243	5.72	6.39	8.87	238	5,142
241	**First Union National Bank, Charlotte, North Carolina**	17,840	13,946	980	5.49	7.22	10.60	270	7,811
250	**Wachovia Bank of North Carolina, Na, Winston-Salem, North Carolina**	17,481	11,751	1,307	7.48	9.50	10.69	224	5,123
235	**Society National Bank, Cleveland, Ohio**	18,506	13,783	1,371	7.41	8.03	10.55	241	4,687
364	**Huntington National Bank, Columbus, Ohio**	10,247	7,464	705	6.56	8.40	10.87	191	3,892
409	**National City Bank, Cleveland, Ohio**	9,226	5,217	621	7.56	9.46	10.71	80	3,199
368	**United States National Bank, Portland, Oregon**	10,585	7,565	926	8.75	8.54	10.66	186	5,051
161	**Mellon Bank Nt, Pittsburgh, Pennsylvania**	29,477	24,151	2,200	6.65	6.65	10.07	415	14,382
207	**Pnc Bank, Na, Pittsburgh, Pennsylvania**	21,736	10,866	1,271	5.85	8.49	10.45	138	4,809
250	**Corestates Bank, Na, Philadelphia, Pennsylvania**	15,303	11,379	1,009	6.63	8.00	10.62	139	4,766
369	**Meridian Bank, Reading, Pennsylvania**	10,562	8,825	738	6.99	8.03	10.28	197	4,727
412	**Provident National Bank, Philadelphia, Pennsylvania**	9,335	5,957	567	7.15	9.47	11.02	94	2,987
413	**Philadelphia National Bank, Philadelphia, Pennsylvania**	7,735	6,149	628	8.81	11.75	14.64	121	3,297
440	**Banco Popular de Puerto Rico, San Juan, Puerto Rico**	9,638	8,093	674	6.65	10.35	11.45	167	6,071
466	**First National Bank, Providence, Rhode Island**	7,962	5,945	592	7.45	9.09	11.75	58	2,909
437	**Nationsbank Bank of South Carolina, Na, Columbia, South Carolina**	8,648	4,833	694	8.02	11.12	12.55	190	3,093
468	**First Tennessee Bank Na, Memphis, Tennessee**	7,915	6,080	450	5.63	7.53	10.46	190	3,623
131	**Nationsbank of Texas, Na, Dallas, Texas**	35,100	25,662	1,825	5.20	6.35	8.14	273	15,869
230	**Bank One, Texas Na, Dallas, Texas**	19,764	16,376	1,259	6.37	6.68	9.83	212	8,288
239	**Bank One, Texas Na, Dallas, Texas**	10,027	7,581	715	7.13	7.36	10.63	32	4,234
388	**Texas Commerce Bank, Na, Houston, Texas**	9,813	7,782	473	5.23	15.67	16.24	98	2,819
134	**First Gibraltar Bank, FSB, Dallas, Texas**	8,810	7,782	473	5.23	15.67	16.24	98	2,819
439	**Compass Bank, Regional Savings Bank, Dallas, Texas**	7,673	5,755	354	4.62	13.59	13.78	102	1,153
343	**Nationsbank of Virginia, Na, Richmond, Virginia**	11,881	10,330	846	7.12	8.00	9.30	252	6,355
419	**Crestar Bank, Richmond, Virginia**	10,502	7,835	697	6.64	8.47	9.73	230	5,241
421	**Signet Bank/Virginia, Richmond, Virginia**	9,037	4,967	519	5.74	8.52	11.08	98	3,526
439	**Central Fidelity Bank, Richmond, Virginia**	8,630	5,673	571	6.61	9.50	11.07	230	5,324
284	**Seattle First National Bank, Washington**	15,485	12,364	1,596	10.31	7.58	10.43	272	7,973
426	**Washington Mutual Savings Bank, Seattle, Washington**	8,980	5,383	(1,202)	14.10	14.75	16.44	118	2,828
	Yugoslavia								
495	**Beogradska Banka, Belgrade**	7,194	6,852	920	12.78	N.A.	9.54	20	14,009

Data Source: *American Banker* survey. Equity Capital includes the value of common and perpetual preferred stock, surplus, undivided profits, and capital reserves. Loan loss reserve is excluded. Key capital ratios: equity capital as a percentage of end of period total assets and risk-weighted assets; and the risk-adjusted capital ratios: tier 1 capital as a percentage of risk-adjusted assets and total capital as a percentage of risk-adjusted assets. Total assets are quarter-end average for 92.7 billion won/ 575 dlarns, Ltd., Nationbi (b)— Formerly *Banque Nationale Bank*. Changed title for 1/1/92 when it converted from a state-owned bank to a private, public limited company. (c)— Fiscal yearend is March 31, 1993. Data were not available for *State Bank of India, Bombay* and *Bank of India, Bombay*. In last year's listing State Bank of India had $54.4 billion in assets and Bank of India had yearend 4/30/92 assets of $8.1 billion in assets. (d)— Changed title from *Banco de Bilbao* to *Banco Bilbao Vizcaya* when it merged with Banco Vizcaya. Changed title again to *Argentaria* when it acquired Credito Viarcaino. Vizcaya; Aug. 1992. (f)— Formerly Bank Bali. Acquired Credito Viarcaino. Vizcaya; Aug. 1992. (f)— Formerly Bank Bali. does not have shareholders. Part of equity consists of perpetual capital certificates which are similar to shares. (g)— Controlled by 6(d), (f)— Acquired in yearend 1992. (h)— Domestic branches only. (h)— According to bank's annual report the ratio exceeds the 8% minimum standard set by BIS. (i)— As of 12/31/92. (j)— Bank of Tokyo Trust Co. had $1.1 billion in assets. (k)— Data are for 1991. (l)— Ratio is below the 4% minimum standard set by BIS. (m)— Data are for 1990. (n)— Data are for 1989. (o)— Data are for 1988. (p)— Data are for 1987. (q)— Data are for 1986. (r)— Data are for 1985. (s)— Based on unconsolidated federal regulatory data.

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The Top 100 World Banking Companies

Based on total assets at yearend 1992 for bank holding companies and commercial and savings banks (dollar amounts in millions)

Rank 12/92	Rank 12/91	Name	Total Assets 12/92	Total Assets 12/91	Percent Change	Bank Rank 12/91	Change in Rank	Equity Capital 12/92	Equity Capital 12/91	Percent Change	Equity Capital as a % of Assets 12/92	Equity Capital as a % of Assets 12/91	Risk-Capital Ratio Total 12/92	Risk-Capital Ratio Total 12/91
1		**Dai-Ichi Kangyo Bank Ltd., Tokyo**	460,427	446,211	3.2	1	---	15.3	17,361	14,928	16.3	3.77	3.35	9.36	8.25
2		**Fuji Bank, Ltd., Tokyo**	458,675	419,430	9.4	4	2	15.3	17,225	14,089	17.3	3.76	3.36	9.26	N.A.
3		**Sumitomo Bank, Ltd., Osaka**	452,812	427,585	5.9	2	-1	15.3	19,438	16,909	14.9	4.29	3.95	9.37	8.43
4		**Sanwa Bank Ltd., Osaka**	449,770	412,170	9.1	5	1	15.3	17,398	14,536	19.7	3.87	3.53	9.43	8.10
5		**Sakura Bank, Ltd., Tokyo**	441,735	430,823	5.0	3	-2	15.3	14,992	12,758	17.5	3.39	3.03	8.96	7.92
6		**Mitsubishi Bank Ltd., Tokyo**	426,014	391,564	9.3	6	---	15.3	15,618	13,005	20.1	3.66	3.32	9.12	N.A.
7		**Norinchukin Bank, Tokyo**	371,736	367,281	21.0	7	---	15.3	2,783	2,048	35.9	0.75	0.67	N.A.	N.A.
8		**Credit Lyonnais, Paris**	350,811	306,255	14.5	9	---	-6.2	12,053	11,029#	9.3	3.44	3.60	8.19	8.81
9		**Industrial Bank of Japan, Ltd., Tokyo**	339,137	302,760	12.0	10	1	15.3	12,111	10,365	16.8	3.57	3.42	8.87	8.33
10		**Deutsche Bank, Frankfurt**	305,923	295,624	3.5	11	---	6.5	12,922	12,056	7.2	4.22	4.08	10.50	10.70
11		**Credit Agricole Mutuel, Paris**	298,310	287,198	2.9	8	-3	-6.2	14,540	14,084	3.0	4.88	4.90	9.70	9.81
12		**Mitsubishi Trust & Banking Corp., Tokyo**	292,546	247,539	18.2	15	3	15.3	7,572	6,062	24.9	2.59	2.45	9.77	8.38
13		**Bangue Indosuez, Paris**	283,822	275,886	2.9	12	-1	-6.2	5,382	5,364	0.3	1.90	1.94	9.20	9.40
14		**Long-Term Credit Bank of Japan, Ltd., Tokyo**	274,036	221,285	23.8	21	7	15.3	9,556	7,980	19.8	3.49	3.61	9.09	N.A.
15		**Tokai Bank, Ltd., Nagoya**	272,930	252,499	8.1	17	2	15.3	9,514	8,217	15.8	3.49	3.25	8.97	8.40
16		**Sumitomo Trust & Banking Co., Ltd., Osaka**	268,998	235,379	13.4	17	---	15.3	7,402	6,335	17.2	2.76	2.69	10.01	8.78
17		**HSBC Holdings Plc, London (c)**	258,061	160,334	61.0	14	-14	-19.0	12,126	13,007e	34.7	4.70	5.62	12.30	12.36
18		**Mitsui Trust & Banking Co., Ltd., Tokyo**	257,224	226,102	13.8	19	1	15.3	5,607	4,850	15.6	2.18	2.15	N.A.	N.A.
19		**Societe Generale, Paris**	256,981	223,756	14.8	20	1	-6.2	7,761	6,998	3.8	2.83	3.13	9.12	9.05
20		**ABN AMRO Bank, N.V., Amsterdam, Netherlands**	252,709	242,828	4.1	16	-4	-6.2	8,805	8,975	1.9	3.49	3.70	N.A.	N.A.
21		**Asahi Bank Ltd., Tokyo (b)**	245,167	212,622	17.2	24	3	15.3	9,251	7,872	17.5	3.71	3.70	9.22	8.30
22		**Barclays Plc, London**	225,765	208,124	13.3	13	-9	19.0	17,992	10,738	25.5	7.54	5.16	9.20	9.70
23		**Bank of Tokyo, Ltd.**	222,864	218,777	1.9	22	---	15.3	8,737	7,434	17.5	3.92	3.40	9.61	8.10
24		**National Westminster Bank Plc, London**	219,829	229,081	-5.3	6	-18	-19.0	7,909	9,825	19.5	4.29	4.90	9.90	9.40
25		**Daiwa Bank, Ltd., Osaka**	212,229	186,535	13.7	27	2	15.3	5,016	4,301	16.6	2.36	2.30	9.37	8.27
26		**Citicorp, New York**	211,899	215,261	-1.6	18	-8	3.3	11,181	9,489	17.8	5.28	4.41	9.60	7.46
27		**Compagnie Financiere de Paribas, Paris**	203,194	199,676	1.8	25	---	-6.2	6,898	7,469	7.6	3.39	3.74	9.00	9.40
28		**Yasuda Trust & Banking Co., Ltd., Tokyo**	199,329	181,711	11.7	29	1	15.3	4,462	3,996	17.7	2.22	2.21	9.66	8.30
29		**Dresdner Bank, Frankfurt**	200,328	191,527	4.6	26	-3	-6.5	6,229	6,954	-10.4	3.11	3.63	N.A.	N.A.
30		**Union Bank of Switzerland, Zurich**	181,926	183,727	-1.0	28	-2	-7.5	7,298	12,682	-13.4	6.74	6.90	12.90	13.01
31		**Toyo Trust & Banking Co., Ltd., Tokyo**	179,489	152,927	17.4	32	1	15.3	3,821	3,299	15.8	2.13	2.16	9.79	8.54
32		**Bankamerica Corp., San Francisco (c)**	179,371	114,004	57.3	34	2	15.3	6,488	8,063	92.1	8.63	7.07	11.48	10.83
33		**Westdeutsche Landesbank Girozentrale, Dusseldorf**	165,387	149,060	11.0	36	3	-6.5	7,220	3,692	95.6	4.37	2.48	9.13	9.12
34		**Istituto Bancario San Paolo di Torino, Turin**	161,019	178,502	-9.8	30	-4	-22.5	5,053	5,974	15.4	3.14	3.35	8.17	7.36
35		**Sonyetsuo Ginko, Tokyo**	155,484	149,579	3.9	34	-1	-6.5	4,011	4,149	-3.3	2.58	2.77	9.30	N.A.
36		**Nippon Credit Bank, Ltd., Tokyo**	148,769	133,897	11.1	39	3	15.3	4,863	4,158	16.9	3.27	3.11	9.00	8.32
37		**Commerzbank, Frankfurt**	143,211	140,220	4.0	31	-6	-6.5	4,297	4,415	3.0	3.00	3.15	8.50	8.50
38		**Shoko Chukin Bank, Tokyo**	138,983	115,825	20.0	43	5	15.3	3,771	3,049	23.7	2.71	2.63	N.A.	N.A.
39		**Chemical Banking Corp., New York**	136,363	137,021	-0.5	37	-2	3.3	7,260	7,128	1.9	5.32	5.20	N.A.	N.A.
40		**Swiss Bank Corp., Basel**	137,014	152,412	-10.1	33	-7	-7.5	8,436	9,174	-8.0	6.16	6.02	11.50	10.90
41		**Bayerische Hypotheken und Wechsel-Bank, Munich**	135,634	126,834	6.9	41	---	-6.5	4,561	3,884	10.7	3.36	3.06	N.A.	N.A.
42		**Rabobank Nederland, Utrecht**	127,752	126,975	0.6	41	-1	-6.2	7,689	7,589	1.3	6.02	5.98	N.A.	N.A.
43		**Deutsche Genossenschaftsbank, Frankfurt**	127,587	135,749	-6.0	38	-5	-6.5	3,656	2,713	34.8	2.87	2.00	8.00	7.40
44		**Bayerische Landesbank Girozentrale, Munich**	121,706	105,146	15.7	44	0	-6.5	3,137	2,821	11.2	2.58	2.68	8.50	8.50
45		**Zanshinen Bank, Tokyo**	120,915	97,479	24.0	57	12	15.3	2,160	1,822	18.6	1.79	1.87	8.84	8.32
46		**Nationale Nederlanden Gerlacte, N.V.**	120,911	106,234	13.8	47	1	-6.2	3,814	6,514	-41.4	3.15	6.13	10.30	10.30
47		**Credit Suisse, Zurich**	118,011	114,684	2.9	44	-3	-7.5	6,051	6,180	-2.1	5.13	5.39	9.60	N.A.
48		**Banca Nazionale del Lavoro, Rome**	117,361	111,781	11.8	48	2	-22.3	5,299	5,490	-18.0	4.59	4.91	8.45	8.56
49		**Mi Bank (Internationale Nederlanden Bank N.V.), Amsterdam**	109,186	107,164	1.9	51	2	-6.2	3,801	3,647	4.2	3.48	3.40	N.A.	N.A.
50		**Royal Bank of Canada, Montreal**	106,840	111,016	-4.1	46	-4	9.4	5,050	5,090	-0.8	4.72	4.58	N.A.	N.A.
51		**Canadian Imperial Bank of Commerce, Toronto**	106,563	100,854	5.7	56	5	9.4	5,350	5,966	-10.3	5.02	5.92	8.70	9.00
52		**Bank of Montreal**	105,256	94,484	11.4	61	9	9.4	3,763	3,766	15.5	4.13	3.99	9.37	8.50
53		**Abbey National Bnc, London**	104,460	107,290	-2.6	50	-3	-19.0	4,821	5,553	-13.2	4.62	5.18	10.70	10.80
54		**Chuo Trust & Banking Co., Ltd., Tokyo**	102,253	85,312	19.9	65	11	15.3	1,794	1,541	16.4	1.75	1.81	10.04	8.12
55		**Banca di Roma, Rome**	102,186	89,466	47.1	59	25	-22.3	2,873	3,584	-19.8	2.81	5.18	9.40	8.63
56		**I.P. Morgan & Co., Inc., New York**	101,920	102,416	-0.5	54	-2	---	7,066	6,068	16.4	6.93	5.92	12.74	10.70
57		**Caisse d'Epargne et Prevoyance Lombarde (Cariplo), Milan**	101,103	106,234	-4.8	49	-8	22.3	5,892	5,727	2.9	5.83	5.39	10.01	10.30
58		**Generale Bank, Brussels (e)**	99,889	81,408	22.7	69	11	-6.0	2,523	2,683	-6.0	2.53	3.30	9.02	8.60
59		**Monte dei Paschi di Siena, Siena**	97,216	100,299	8.9	72	7	22.3	3,874	4,936	21.5	3.99	4.92	9.03	8.50
60		**Compagnie Financiere de Cic et de L'Union Europeene, Paris (f)**	95,782	91,764	4.4	63	3	-6.2	2,309	2,483	-7.0	2.41	2.71	8.34	9.14
61		**Close Brothers Group, London**	95,254	97,275	2.1	58	-3	---	6,513	5,346	21.8	6.84	5.50	9.30	9.30
62		**Nordbotsche Landesbank Girozentrale, Hannover**	92,749	85,925	7.9	64	2	-6.5	2,840	2,959	-4.0	3.06	3.44	N.A.	N.A.
63		**Hokkaido Takushoku Bank, Ltd., Sapporo**	90,526	78,803	13.4	81	18	15.3	2,355	2,806	-16.0	3.60	3.52	9.09	8.20
64		**Banca Commerciale Italiana, Milan**	88,624	101,836	-13.0	55	-9	-22.3	3,886	4,582	-15.1	4.39	4.50	8.60	8.90
65		**Banco Bilbao Vizcaya, Bilbao**	87,781	92,377	-5.0	62	-3	-15.9	4,949	5,538	-10.6	5.64	5.99	11.50	N.A.
66		**Bank of Boston, U.S.**	87,454	84,084	10.5	72	6	9.4	4,162	4,050	2.8	4.76	4.81	9.91	N.A.
67		**Lloyds Bank Plc, London**	83,132	95,891	-13.3	59	-8	-19.0	4,133	4,628	-10.7	4.97	4.83	10.50	9.70
68		**Corporacion Bancaria de Espania S.A. (Argentaria), Madrid (g)**	82,026	95,410	13.4	60	-8	-15.9	4,706	4,792	-1.8	5.74	5.02	11.50	N.A.
69		**Bank of Nova Scotia, Toronto**	75,738	74,168	2.1	75	6	9.4	4,094	4,123	-0.7	5.41	5.56	8.57	8.62
70		**Banco di Napoli, Naples**	75,454	84,084	-10.3	71	1	-22.3	2,999	3,860	-22.4	3.97	4.59	8.07	8.50
71		**Chiba Bank, Ltd.**	73,813	66,369	11.2	84	13	15.3	3,283	2,765	18.7	4.45	4.17	9.40	N.A.
72		**Groupe des Assurances Populaires, Paris**	73,763	74,684	7.3	73	1	-6.2	1,819	1,948	-6.6	2.47	2.59	10.10	9.90
73		**Banque Bruxelles Lambert, Brussels (h)**	73,590	66,065	11.4	85	12	-6.0	1,943	1,757	10.6	2.64	2.66	8.27	N.A.
74		**Credito Italiano, Genoa**	72,323	68,588	-13.3	83	9	22.3	3,198	3,647	-14.0	4.42	5.32	8.60	8.30
75		**Bankers Trust New York Corp.**	72,172	63,684	13.3	88	13	---	3,809	3,412	11.6	5.28	5.36	13.65	10.90
76		**Banco Central Hispanoamericano S.A., Madrid**	72,162	85,488	24.7	66	-10	-15.9	5,040	6,491	-22.4	6.98	6.77	N.A.	N.A.
77		**Westpac Banking Corp., Sydney**	71,145	74,555	-4.6	74

Summary Statistics: Top 500 Banks and Top 100 World Banking Companies

Assets of Banks in Top 500 by Country

Countries listed in alphabetical order (dollar amounts in millions)

	Total Assets 12/31/92	Total Assets 12/31/91	Banks in Top 500 12/31/92	Banks in Top 500 12/31/91
Argentina	12,811	10,302	1 (0)	1 (0)
Australia	275,026	264,245	6 (6)	7 (7)
Austria	184,689	213,481	6 (6)	8 (8)
Bahrain	19,490	20,451	1 (0)	1 (0)
Belgium	443,831	404,483	12 (2)	12 (2)
Brazil	119,590	101,291	5 (0)	4 (0)
Canada	462,782	458,484	7 (1)	7 (1)
Denmark	112,431	132,838	4 (0)	4 (0)
Egypt	23,495	19,506	2 (0)	2 (0)
Finland	104,488	131,425	5 (0)	5 (0)
France	1,585,368	1,564,756	16 (4)	16 (3)
Germany	2,163,117	2,104,523	42 (5)	40 (3)
Greece	38,412	40,042	2 (0)	2 (0)
Hong Kong	133,385	127,690	3 (1)	3 (1)
Hungary	8,863		1 (0)	3 (0)
India	7,772	56,053	1 (0)	3 (0)
Indonesia	44,093	30,053	4 (0)	3 (0)
Ireland	53,194	53,532	2 (0)	2 (0)
Israel	93,154	84,572	3 (0)	3 (0)
Italy	1,146,315	1,319,465	31 (2)	35 (2)
Japan	8,504,715	7,581,492	111 (0)	106 (0)
Jordan	11,366	10,117	1 (0)	1 (0)
Korea (South)	292,351	252,825	13 (0)	11 (0)
Kuwait	10,011	10,289	1 (0)	1 (0)
Luxembourg	51,963	52,896	2 (0)	2 (0)
Mexico	99,303	90,394	4 (0)	4 (0)
Netherlands	489,647	476,566	5 (2)	5 (2)
New Zealand	10,315	10,698	1 (0)	1 (0)
Norway	56,318	63,987	3 (0)	3 (0)
Pakistan	7,320		1 (0)	
Panama	16,662		1 (0)	
Poland	7,257	7,150	1 (0)	1 (0)
Portugal	50,983	77,420	5 (0)	6 (0)
Saudi Arabia	57,874	22,650	3 (0)	2 (0)
Singapore	64,566	62,211	3 (0)	3 (0)
South Africa	70,927	47,545	4 (0)	4 (1)
Spain	526,864	577,841	26 (2)	27 (2)
Sweden	253,808	330,047	3 (0)	3 (0)
Switzerland	579,132	591,846	5 (2)	5 (3)
Taiwan	294,238	266,125	13 (0)	12 (0)
Thailand	51,015	58,697	3 (0)	3 (0)
Turkey	8,016	16,017	1 (0)	1 (0)
United Kingdom	951,477	1,024,167	20 (6)	19 (7)
United States	1,964,236	1,824,413	97 (8)	99 (6)
Yugoslavia	7,194	14,264	1 (0)	1 (0)
Totals for Top 500	**21,407,802**	**20,851,562**	**500 (97)**	**500 (42)**
Totals for Foreign Banks in Top 500	**19,943,374**	**19,827,149**	**403 (39)**	**401 (36)**
Totals for U.S. Banks in Top 500	**1,464,228**	**1,024,413**	**97 (8)**	**99 (6)**

Total Assets — Excludes the assets of banks whose figures appear in the consolidated data of parent bank. Banks in Top 500 — Figures in parentheses are the number of banks whose figures also appear in the assets reported by their parent banks. Therefore, the assets of these banks are not included in the asset total.

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The 10 Largest Asset Gains and Losses

Gains among the top 500 banks and losses among the top 1,000 banks (dollar amounts in millions)

	GAINERS	Assets 12/31/92	Assets 12/31/91	Percent Change	Asset Rank
1	Nationsbank of South Carolina NA, Columbia, U.S.	8,648	3,739	131	437
2	Society National Bank, Cleveland, U.S.	18,508	8,144	127	235
3	Chemical Bank, New York, U.S.	107,615	49,081	119	48
4	Guaranty Federal Savings Bank, Dallas, U.S.	7,817	3,673	113	491
5	BU International Ltd., London, U.K.	7,814	3,963	97	471
6	Comerica Bank, Detroit, U.S.	22,341	12,225	83	201
7	Nationsbank of Florida, Tampa, U.S.	21,958	12,094	82	205
8	Bank of America Arizona, Phoenix, U.S.	9,290	5,543	68	418
9	Banco de Estado de San Paulo, Brazil	21,023	13,477	56	211
10	Fleet Bank of New York, Albany, U.S.	9,965	6,433	55	391

	LOSERS	Assets 12/31/92	Assets 12/31/91	Percent Decline	Asset Rank
1	Franklin Federal Savings Assn., Ottawa, Kan., U.S.	1,784	4,484	60	1000
2	Great American Bank, FSB, San Diego, Calif., U.S.	2,292	5,460	58	976
3	Ljubljanska Banka, Ljubljana, Slovenia	2,409	5,093	53	956
4	Citibank (Maryland), NA, Towson, U.S.	1,905	3,955	52	999
5	Ironsides Savings Bank, Cleveland, U.S.	1,955	3,998	51	991
6	Beogradska Banka, Belgrade, Yugoslavia	7,194	14,264	50	466
7	Primorska Banka Zagreb d.d. Croatia	2,319	4,289	46	968
8	Hartford Bank, FSB, San Dimas, U.S.	1,519	2,842	46	993
9	Societe Marseillaise de Credit, Marseille, France	2,950	5,076	42	871
10	Stuyvesant, Amsterdam, Finland	11,696	20,059	42	349

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The Highest and Lowest Equity Capital Ratios Among the World's Top 100 Banking Companies

Top 100 banks in assets listed in order of equity capital as a percentage of assets on Dec. 31, 1992

Equity/ Assets Rank 12/92	10 HIGHEST RATIOS	Equity/ Assets 12/92	Equity/ Assets 12/91
1	Banco do Brasil, Brasilia	9.42%	8.70%
2	National Australia Bank, Ltd, Melbourne (ECS1)	8.79	9.32
3	BankAmerica Corp., San Francisco	8.63	7.07
4	Banc One Corp., Columbus, Ohio	8.42	8.13
5	Commonwealth Bank of Australia, Sidney	7.18	5.63
6	Chemical Banking Corp., New York	7.12	5.29
7	Banco Central Hispanoamericano S.A., Madrid	6.98	6.77
8	J.P. Morgan & Co., Inc., New York	6.84	5.47
9	Chase Manhattan Corp., New York	6.84	5.47
10	Cassa di Risparmio delle Provincie Lombarde, Milan	6.82	5.65

Equity/ Assets Rank 12/92	10 LOWEST RATIOS	Equity/ Assets 12/92	Equity/ Assets 12/91
100	Nordwestbank Bank, Tokyo	1.79%	1.67
99	Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	1.62	1.43
98	Credit Communal de Belgique, S.A., Brussels	1.61	1.55
97	Chuo Trust & Banking Co., Ltd., Tokyo	1.75	1.81
96	Hokkaido Bank, Ltd., Sapporo	1.79	1.65
95	Toyo Trust & Banking Co., Ltd., Tokyo	2.13	2.15
94	Mitsui Trust & Banking Co., Ltd., Tokyo	2.18	2.05
93	Landesbank Rheinland-Pfalz Girozentrale, Frankfurt	2.21	2.25
92	Yasuda Trust & Banking Co., Ltd., Tokyo	2.22	2.01
91	Daiwa Bank, Ltd., Osaka	2.36	2.30
90	Compagnie Financiere de CIC et de l'Union Europeene, Paris	2.41	2.71
89	ASLK-CGER Bank, Brussels	2.46	2.20
88	Sanwa Bank, Ltd., Osaka	2.53	3.30
87	Groupe des Banques Populaires, Paris	2.55	2.59
86	Bayerische Landesbank Girozentrale, Munich	2.58	2.68

Data Source: American Banker's world bank survey; Table Described: As of the top 100 world banking companies in assets on Dec. 31, 1992 reported their equity capital and total assets less contra accounts. Listed above are the 10 highest and 10 lowest ratios among these 100 banks. Equity capital includes perpetual preferred stock, surplus, undivided profits, and capital reserves. Minority interest is excluded. Assets: Total assets less contra accounts and contingent liabilities. Equity/Assets is equity capital as a percentage of total assets.

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The Highest and Lowest Risk Capital Ratios Among the World's Top 100 Banking Companies

Top 100 banks in assets listed in order of total capital as a percentage of risk-weighted assets on Dec. 31, 1992

Tot.Cap. Ratio Rank	10 HIGHEST RATIOS	Total Capital Ratio 12/92	Total Capital Ratio 12/91
1	Credit Communal de Belgique, S.A., Brussels	14.71%	15.10%
2	Banc One Corp., Columbus, Ohio	13.91	12.05
3	Bankers Trust New York Corp.	13.85	10.90
4	Corporacion Bancaria de Espana S.A. (Argentaria), Madrid	13.74	13.30
5	J.P. Morgan & Co., Inc., New York	13.34	11.49
6	Chase Manhattan Corp., New York	12.88	12.89
7	NMB Postbank Groep, Amsterdam	12.30	11.20
8	Credit Commercial de France, Paris	12.30	11.07
9	ASLK-CGER Bank, Brussels	11.68	10.10
10	National Australia Bank, Ltd., Melbourne	11.60	11.40
11	Chemical Banking Corp., New York	11.54	9.13
12	Nationsbank Corp., Charlotte, N.C.	11.52	10.30
13	Banco Bilbao Vizcaya, Bilbao	11.50	11.50
14	Swiss Bank Corp., Basel	11.50	10.90
15	BankAmerica Corp., San Francisco	11.46	10.83

Tot. Cap. Ratio Rank	15 LOWEST RATIOS	Total Capital Ratio 12/92	Total Capital Ratio 12/91
86	Deutsche Genossenschaftsbank, Frankfurt	8.00	7.40
85	Landesbank Girozentrale Baden-Wurttem, Stuttgart	8.17	7.36
84	Credit Lyonnais, Paris	8.19	8.81
83	Banque Bruxelles Lambert, Brussels	8.37	N.A.
82	Compagnie Financiere de CIC et de l'Union Europeene, Paris	8.38	9.14
81	Schweizerische Landesbank, Stuttgart	8.40	N.A.
80	Skandinaviska Enskilda Banken, Stockholm	8.40	10.30
79	Banca Nationale del Lavoro, Rome	8.45	8.56
78	Sumitomo Bank, Osaka	8.55	N.A.
77	Bank of Nova Scotia, Toronto	8.57	8.62
76	Banca Commerciale Italiana, Milan	8.59	8.75
75	Banque Indosuez, Paris	8.67	8.50
74	Bayerische Landesbank Girozentrale, Munich	8.70	8.50
73	Banque Nationale de Paris	8.70	8.91
72	Canadian Imperial Bank of Commerce, Toronto	8.71	8.68

Data Source: American Banker survey; Table Described: 86 of the top 100 world banking companies in assets reported risk-based total capital ratios. (Total capital as a percentage of risk-weighted assets) on Dec. 31, 1992. Listed above are the 15 with the highest and lowest ratios reported. Listed alphabetically from among these 86 banks. Tribal capital is tier 1 capital + tier 2 capital. Tier 1 (core) capital consists of common stockholders' equity; qualifying noncumulative perpetual preferred stock; and minority interest in the equity accounts of consolidated subsidiaries minus goodwill. Tier 2 (supplementary) capital consists of qualifying loan and lease loss reserves, cumulative preferred stock, mandatory convertible notes, perpetual debt, and subordinated term debt minus 50% investment in certain subsidiaries and minus 50% of the reciprocal holding of the capital instruments of other banking companies. The banks were required to maintain total capital equal to at least 8% of risk-weighted assets by year-end 1992.

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Movement of Key Exchange Rates

From yearend 1991 to yearend 1992, or latest fiscal yearend (U.S. per currency unit)

Name of Country (Currency)	1992	1991 % Chge	Name of Country (Currency)	1992	1991 % Chge
Australia (Dollar*)	$0.713000	$0.7796000	-10.4	Japan (Yen*)	$0.0086899	$0.0075158	+15.3
Austria (Schilling)	0.087700	0.0909000	-6.3	Kenya (Shilling)	0.041260	0.0351310	-3.8
Belgium (Franc)	0.0300000	0.0331900	-6.0	Netherlands (Guilder)	0.549000	0.585000	-6.2
Brazil (Cruzeiro)	0.0000026	0.0009840	-91.0	Spain (Peseta)	0.008700	0.010350	-15.9
Canada (Dollar*)	0.806000	0.8950000	-9.4	Sweden (Krona)	0.141000	0.1800000	-21.7
France (Franc)	0.181600	0.1930000	-6.2	Switzerland (Franc)	0.682000	0.737000	-7.5
Germany (Mark)	0.617000	0.6600000	-6.5	Taiwan (Dollar)	0.039700	0.0390000	-6.4
Italy (Lira)	0.0006576	0.0008870	-22.3	United Kingdom (Pound)	1.514000	1.8950000	-19.0

Data source: Published market exchange rates for the currency in key money center markets. (*)— For fiscal year ended Sept. 30 (*)— For fiscal year ended Oct. 31 (*)— For fiscal year ended March 31, 1992 and March 31, 1992, respectively.

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Addendum to Top 500 Listing

The following banks submitted data after the deadline for inclusion on the listing of the world's top 500 banks. They are listed below in asset size order along with the asset and deposit ranks they would have had, if the data had been received on time.

(Dollar amounts are in millions.)

Name of Bank, City, Country	Assets 12/31/92	Deposits 12/31/92	Asset Rank 12/31/92	Deposit Rank 12/31/92
117 Banque Francaise du Commerce Exterieur, Paris	40,330	9,937	117	353
347 SA Spadola & Cie, Cologne, Germany	11,767	10,252	638.5	314
418 Lyonnaise de Banque, Lyon, France	9,321	6,416	708.7	466

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AMERICAN BANKER

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Banks Turning Sights on Loans To Boost Profits

By WILLIAM GOODWIN

In a turnabout from the past few years, banks today are hungry to book new loans, and second-quarter earnings reports provided evidence that credit demand is picking up.

"It was the best quarter we've seen in quite some time" in terms of loan growth, said Dennis Shea, regional bank analyst at Morgan Stanley & Co.

Loans on the books of the 22 major regional banks followed by Mr. Shea rose by an average of 6% over the year-quarter, adjusted for acquisitions.

David Berry, research director at Keefe, Bruyette & Woods Inc., which tracks about 135 banks, said the uptick in second-quarter lending was "good news," because banks need a fresh source of sustainable earnings growth.

NEWS ANALYSIS

In recent quarters, bank earnings have been driven by declining loan chargeoffs and historically high net interest margins. Big trading gains have boosted earnings at the money-center banks.

Temporary Benefits

But analysts tend to view the big trading profits as transitory, while the discovery process of starting to play itself out.

Margins, while still high by historical standards, have also begun to soften.

"As a source of earnings growth, that has probably spent itself" too, Mr. Berry said.

As maturing Treasury securities roll off the balance sheet, they are being replaced with lower-yielding assets, given the sharp drop in interest rates.

On the liability side of the balance sheet, banks have pushed down deposit rates about as far as they can go.

"If you're going to get margin growth, you've got to get it from someplace else," said Mr. Berry, and that probably means writing more loans.

Help from Refinancings

Most of the second-quarter loan growth was driven by increased consumer borrowing, and much of that was in the form of mortgage refinancings.

Rather than selling the mortgages in the secondary market, banks were more inclined to hold on to them. That was true not just for adjustable-rate mortgages, but 15- and 30-year mortgages, too.

Business lending has remained essentially flat nationwide, despite pockets of strength in certain regions.

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INSIDE NEWS

WASHINGTON

THE NEW CHIEF of the Small Business Administration says congressional proposals to reform his agency's general business loan program are better than one made earlier this year by President Clinton. *Page 2*

REGIONAL BANKING

NATIONSBANK CORP. beat out four rival banks and several nonbank bidders to capture the financial services subsidiary of US West Inc., and is winning plaudits for its aggressiveness. *Page 6*

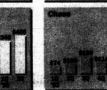
COMMUNITY BANKING

FIRSTBOCK BANCORP officials have assured investors that Justice Department investigations into the Rockford, Ill., thrift's initial public offering have had no bearing on the company's operations. *Page 3*

CREDIT UNIONS

PENTAGON FEDERAL Credit Union, the fifth-largest in the country, has jumped into the mutual funds business to keep up with customer demand. *Page 10*

MORTGAGES



Chuck Putter

RAYMOND L. CREEBS has been his company, Directors Mortgage Loan Corp., rise from anonymity to the top ranks of the industry in just three years. *Page 12*

TECHNOLOGY

ORACLE CORP.'s fortunes are rising as bankers weaning themselves off mainframes embrace its data base management systems. *Page 16*

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Bankers Trust Goes It Alone In $2.3 Billion Kodak Credit

By WILLIAM GOODWIN

In what is believed to be the biggest corporate loan underwriting ever by an individual bank, Bankers Trust committed to provide a $2.3 billion credit to finance the spinoff of Eastman Kodak Co.'s chemical unit, sources said.

Kodak announced the planned spinoff in June, and said Eastman Chemical would borrow some $2 billion for a special payment to the parent company.

About half a dozen of the nation's biggest banks bid to lead the financing, but most proposed to retain the bulk of the funds on what is known as a best-efforts basis, sources said. They added that only one other bank, whose identity could not be learned, had submitted a fully underwritten bid.

Betting Its Balance Sheet

By committing to underwrite the entire amount singlehandedly, Bankers Trust is betting its balance sheet that it can sell the deal to a bevy of other banks, and whittle its underwriting exposure to a manageable level.

Kodak has a strong following among banks, and many bankers will be eager to establish formal ties with the stand-alone chemical unit. As a result, Bankers Trust's bet probably isn't all that

See BANKERS TRUST page 22

Banks Insist Trading Gains Are Not a Flash in the Pan

By YVETTE D. KANTROW

Many of the nation's largest banks are basking in the glow of record second-quarter profits stoked by spectacular trading revenues. But they also are trying to convince investors that the trading income was not a passing phenomenon.

Most of the gains came from currency and interest rate products, as quick-fingered traders pounced on rapidly declining rates in Europe and placed bets on the continuation of a steep yield curve.

Two New York banks each had stratospheric trading revenues of over $500 million, while three others in Manhattan also had record trading gains.

Citicorp led the pack, with $572 million of trading revenues that fueled net income for the quarter of $446 million. J.P. Morgan & Co. was close behind, with $520 million of revenue en route to $431 million of profits.

Not Just New York

The phenomenon spread outside New York as well, to such giants as San Francisco-based BankAmerica Corp. and First Chicago Corp.

The banks are the first to admit that the boom has a volatile rate climate – which sustained them in both the first and second quarter of the year – cannot last indefinitely. But they are doing their best to convince Wall Street that much of the income

See TRADING page 6

Sears to Accept MasterCard, Visa, Amex

By LISA FICKENSCHER

Sears, Roebuck and Co. said Thursday that it will begin accepting MasterCard, Visa, and American Express cards in all its stores beginning Sunday.

The announcement ended decades of resistance by Sears, the last major merchandise retailer not to accept credit cards other than its own.

It also represented a long-sought victory by the banking industry, which adds 809 full-line Sears stores and about 1,000 furniture, hardware, and other affiliated outlets to the list of locations taking MasterCard and Visa.

Move Was Anticipated

Sears does about $32 billion in annual retail sales. MasterCard International estimates that 15% of the volume, or $4.8 billion, will be converted to bank cards. That would equal 1.6% of last year's domestic MasterCard and Visa volume.

As momentous as Sears' decision is, it was widely expected. Only its timing was uncertain.

The Sears Merchandise Group, toppled from retailing leadership in recent years by competition from Wal-Mart and other discounters, studied credit card acceptance as part of a far-reaching strategic reassessment.

Since last November, Sears gave customers at 140 stores in six markets – Dallas, Dayton, Miami, Orlando, San Diego, and Syracuse – the option of using the bank cards or American Express rather than Sears' own card or Discover, which Sears invented and recently spun off

See SEARS page 15

Why Sears Held Out...

- **It opened** 50 million proprietary card accounts, about one for every two U.S. households
- **A 27 million accounts** are active, equal to the total accounts of Citicorp and First Chicago combined
- **No annual fee,** a 30-day grace period, and a rebate program promoted loyalty to Sears card

And Why It Is Changing

- **Merchandise which** shoppers like multiple payment options
- **A 140-store test** indicated that sales increases when customers can choose among credit cards
- **20 additional** without Sears cards have MasterCard, Visa, and American Express

NEWS *briefs*

Pioneer Fed, 1st Hawaiian Deal Advances

HONOLULU — Pioneer Fed Bancorp said its shareholders approved a previously reported merger with First Hawaiian Inc.

Pioneer Fed said the proposal was approved by 98.3% of the holders represented at a special meeting Monday.

The merger still needs the approval of the Federal Reserve Board. The company said the Office of Thrift Supervision approved the deal last week.

Pioneer Fed said that after the merger, First Hawaiian will operate Pioneer's sole unit, Pioneer Federal Savings Bank, as a separate unit.

Integra to Buy Back Up to 1 Million Shares

PITTSBURGH — Integra Financial Corp. said its board authorized the repurchase of up to one million common shares.

Integra said its board wants to have the additional common stock available for "employee benefit and other stock plans, possible future financing and acquisition transactions, stock dividends or distributions, and other general corporate purposes."

Purchases of the common stock would occur from time to time in open-market transactions, through privately negotiated transactions, or in other transactions. It is expected that the transactions will be funded by cash from operations and cash on hand, the company said.

Hearing Set in San Diego on Homefed Seizure

WASHINGTON — The House Banking Committee will travel to San Diego on Sept. 1 for a hearing on the failure of Homefed Savings Bank and its takeover by the Resolution Trust Corp.

The hearing comes in response to a resolution passed by the San Diego City Council on June 7 that urged a congressional inquiry into the impact on the local economy of the RTC's takeover procedures.

At the time of its takeover, Homefed was the eighth-largest thrift in the nation, with assets of about $13 billion. It was the RTC's largest takeover.

House Banking Committee Chairman Henry B. Gonzalez, D-Tex., said he plans to hear from members of the San Diego City Council, representatives of Homefed, and experts on the local economy and real estate.

National City-Ohio Bancorp Deal Approved

CLEVELAND — National City Corp. said that the Federal Reserve has approved its application to acquire Ohio Bancorp.

As reported, National City has agreed to buy Ohio Bancorp for $200 million. Ohio Bancorp's holders will receive a combination of cash and stock valued at about $28 a share.

The company said that Ohio Bancorp's shareholders will consider approval of the acquisition at a special shareholders' meeting scheduled for Aug. 31. Pending the approval of Ohio Bancorp's shareholders, National City expects to complete the acquisition in October.

The briefs were compiled from staff and wire reports.

Correction

A news brief Thursday misstated Kemper Securities' earnings projections for the stock of PNC Bank Corp. Kemper forecasts $2.90 a share for this year and $3.25 for next.



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SBA Head Sees Lawmakers' Plans On Reform Preferable to Clinton's

By CLAUDIA CUMMINS

WASHINGTON — The new head of the Small Business Administration says congressional proposals to reform his agency's general business loan program are better than one made earlier this year by President Clinton.

Like the President, Rep. John J. LaFalce, D-N.Y., and Sen. Dale Bumpers, D-Ark., have proposed cutting government guarantees on some SBA loans and setting up new fees. But their proposals are far less drastic than Mr. Clinton's.

"I wholeheartedly believe the proposals of both the Senate and House are vast improvements over the original proposal put forward by the administration," SBA Administrator Erskine B. Bowles told the House Small Business Committee on Thursday.



Rep. John J. LaFalce
Sponsoring one alternative

Less of a Sacrifice

Mr. Bowles and the committee agreed that the congressional proposals would be less painful for the lending industry than the President's plan.

"I'm fearful these [Mr. Clinton's] changes are too onerous and will adversely impact on small-business borrowers," Rep. LaFalce said.

Congress is expected to appropriate about $155 million for the SBA's 7(a) program next year, roughly what the President requested. That's $169 million less than this year's funding, a necessary cut to help reduce the budget deficit, Mr. Bowles told the committee.

Unless some guarantees are cut and unless new fees are added, the SBA would be able to fund only about $3.3 billion of loan guarantees, he said. But demand for the 7(a) loans could be almost triple that, he said.

"I've found no one who doesn't expect demand to be somewhere in the $7 [billion] to $9 billion range," Mr. Bowles said.

Larger Purpose

Mr. Bowles said that while he expects the banking industry to complain about the changes, the broader goal of deficit reduction makes them necessary.

He is already talking to bankers and has found them to be understanding once he has explained the reasoning behind the proposed changes.

"While they didn't particularly fall in love with any of these proposals, I think they found them acceptable," he said.

"Each of these proposals in one way or another will cut into the profitability of these loans for the lending community," he added. "But I do believe it will remain a very profitable form of lending for the banks."

Many in Congress want to implement the changes soon, so savings in this year's budget could be carried over to 1994. If passed, the changes could be implemented as early as Sept. 1.

Impact on Capital Formation

But many remain unconvinced. Richard D. Turner, chairman of the National Association of Government Guaranteed Lenders, told the committee that efforts to cut the deficit are hurting capital formation, a necessary ingredient for job creation and economic growth.

"The administration's lack of funding support for this program indicates that solving the credit crunch was not as high a priority as they have stated publicly," he said.

But he did say that each of the congressional proposals "genuinely tries to make the best out of a bad choice." ☐

Gonzalez Ridicules the Fed as Out of Touch

By ROBERT M. GARSON

WASHINGTON — Reacting to news that the economy grew at a meager 1.6% annual rate last quarter, House Banking Committee Chairman Henry B. Gonzalez called on the Fed to loosen its grip on the money supply.

'They Need a New Radar'

"For months I have been saying that the monetary policy growth rate is dangerously low," the Texas Democrat said.

"But instead of heeding it, the Federal Reserve now says the monetary growth rate is meaningless.

"Judging from the economic results, I'd say they need a new radar over there," he added.

In an appearance before a banking subcommittee last week, Fed Chairman Alan Greenspan said the agency's basic measure of the money supply "has been downgraded as a reliable indicator."

'Crunching the Economy'

Rep. Gonzalez, a longtime critic of the Federal Reserve, aimed most of his wrath at Mr. Greenspan's statement to the panel that the economy was growing at a rate of up to 3.5%.

"Who is kidding whom?" the lawmaker said. "The Federal Reserve is supposed to be the champion number crunchers, but the only thing they seem to be crunching is the economy."

The health of the economy depends "on a decent policy at the Federal Reserve, " Rep. Gonzalez said. But the central bank "seems wholly disconnected from reality, not even in touch with the most basic indicator of all – economic growth." ☐

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First Union Service Targets Big-Check Fraud

By BARTON CROCKETT

First Union Corp. is rolling out a new reporting service for large-dollar checks that is meant to help corporations detect fraud.

The service is believed to be the first of its type, according to cash management experts and First Union officials.

"It's not a difficult thing to do," said Richard Richardson, vice president of Phoenix-Hecht, a cash management research firm in Research Triangle Park in North Carolina. "But, to my knowledge, there's not anyone else doing that."

First Union's new service, scheduled to be available later this summer, is called the Fraud Management Report.

More Technology News Pages 16 and 17

Payee Name Is Key

Basically the report, which cash managers obtain from personal computers hooked through phone lines to bank computers, is a daily listing of all checks for more than $100,000 presented against their companies' controlled-disbursement accounts.

A key piece of information included in the report is the payee name.

Payee names aren't included in fraud detection systems typically used at banks, so bank clients can be vulnerable to con artists who change the name on a check.

The new service is intended to minimize that vulnerability, at least for large-dollar checks.

"We think its going to be extremely well received by most of our controlled-disbursement customers," said Catherine Bates, a vice president in the bank's cash management division.

Some corporate clients agreed.

"This looks like it would be a good tool," said Randy Sharrow, senior cash manager with Fieldcrest Cannon Inc. in Eden, N.C.

The company, a First Union customer, plans to test the report when it is available.

Michael Daly, a First Union product development manager, said that to make the report available the bank had to design a new computer system and hire a few extra clerical workers to key in payee names.

But Mr. Daly said the bank expects to make a profit on the service, by charging clients $5 each time they obtain a report.

Bank clients will not be charged if they ask for a report but no checks have been presented against their accounts for more than $100,000. ☐

Telephone Service Fields Inquiries Around the Clock

By BARTON CROCKETT

A small technology company has started selling a computerized telephone answering service that some bankers hope will save them money and improve customer communications.

Atlanta-based Strategic Solutions Group Inc. will run the telephone system like a service bureau, answering customer inquiries around the clock about mortgages, loans, investments, and bank services.

"I've never seen anything quite like it," said Terry Williams, executive vice president of Margaretten & Co. of Perth Amboy, N.J., which plans to start using the telephone service bureau nationwide later this year.

Lower Cost, Expanded Hours

Margaretten, the country's 13th-largest mortgage originator, expects to boost service by answering consumer questions after normal business hours, and to cut costs by eliminating the time employees spend answering basic questions from prospects, Mr. Williams explained.

At least two other companies have signed up to use the telephone service bureau; Middlekauff Mortgage Co., a small, privately held broker in Jacksonville, Fla., and First Mortgage Corp. of Tempe, Ariz, according to Mr. Goetz.

Bankers said the telephone service is unique because it lets consumers do "what if" inquiries, to determine, for example, how much it would cost to refinance a mortgage.

Generating Prospects

The computers also generate a list of prospects, along with the information they entered into the vendor's computers.

Mr. Goetz said Strategic Solutions for years has sold telephone answering systems that banks can buy for $25,000 to $75,000. Customers include Citibank, First Chicago Corp., and NationsBank.

The new service bureau costs only a few hundred dollars per month and is targeted at small community banks that can't afford their own equipment, Mr. Goetz said. ☐

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Opinion

Comment

By Edward L. Morris

Congress Must End the Terror Stalking Innocent S&L Officers

When Congress votes this summer, as expected, to fund the last big chunk of the savings and loan bailout, it will close the books on history's costliest financial disaster.

While the legislators are at it, they should also put an end to the litigation rampage set loose when the bailout effort began four years ago with the passage of the Financial Institutions Reform, Recovery, and Enforcement Act.

Since that 1989 law, the Resolution Trust Corp. and the Federal Deposit Insurance Corp. have become the country's largest employers of law firms. In addition to their own immense legal staffs, the RTC and FDIC retain over 2,000 private law firms at a cost to the taxpayer approaching $1 billion a year.

Not a Call for Amnesty

No one suggests the RTC Funding Act of 1993 provide a blanket amnesty for the S&L industry's bad actors. The government should continue to handle cases where fraud, self-dealing, and other serious wrongdoing led to the collapse of banks and thrifts.

But government should call off the attack dogs demolishing the careers and financial state-

Mr. Morris is president of Fortune Group, a St. Louis investment banking firm, and publisher of *Regulatory Watchdog.*

ments of thousands of innocent former officers and directors accused only of "simple negligence."

Members of Congress who were around in 1989 may recall that the language of the original bailout bill included only "gross negligence" — wanton disregard or intentional wrongdoing. But overzealous government lawyers found ways to use state law to sue on simple negligence – flawed business judgment – and thereby circumvent the intent of the bailout law.

Well-Meaning Thrift Managers

Former S&L directors from all over the country had approved, in good faith but with less than perfect foresight, loans in the Southwest before oil prices collapsed or on real estate before the 1986 Tax Reform Act knocked the pins out from under property values.

Now they find themselves in David-and-Goliath legal battles with the government — an opponent with unlimited funds and 20-20 hindsight.

One group of beleaguered directors from a failed Utah thrift took the gross versus simple negligence question all the way to the U.S. appeals court in Denver. The judges were sympathetic but ruled against them on state law, saying they had come to "the wrong forum."

The right forum is Congress, which – with a sentence or two

DECENCY DEMANDS

that Congress call off the attack dogs demolishing the careers of thousands of innocent former thrift officers and directors accused only of "simple negligence."

in the RTC Funding Act – can finally make clear that it never intended to brutalize well-meaning bank managers for mistakes in judgment.

Net Loss on Lawsuits

Even a cynical calculus that justifies this legal reign of terror based on "net proceeds" to the government breaks down.

I publish a newsletter for defendants, and we provide information obtained under the Freedom of Information Act on how much the RTC and FDIC has spent on the law firms it retains to sue directors. While admittedly anecdotal, our information indicates that the government spends far more than it will ever take in.

If the cost of the agencies' in-house lawyers and investigators is added in, it is impossible to envision a "profit" from these suits.

My attempts through Freedom of Information Act requests to get comprehensive information on simple-negligence suits have been unsuccessful. So I suggest that Congress, through its oversight hearings, ask for hard data on the resources expended, compared with the actual restitution obtained on the taxpayers behalf.

I expect that when the settlements coerced from a few major law firms and accounting firms are eliminated, the efficiency of the recovery is shockingly low.

Chill on the Economy

The decline in business lending in the middle of an expansion is unprecedented and hurting the economy. Then again, so is the spectacle of the government suing its citizens for good business judgment.

The connection is obvious. Bankers are chilled in assessing risk and return, so when they see their counterparts hauled into financial institutions hung out to dry for making loans that eventually sour, they shy the ratchet thing with respect to lending – they make fewer loans.

Inside the Washington Beltway may be too jaded to understand that the vast majority of the simple-negligence defendants served institutions in places like Coeur Rapids, Jasper, and Birmingham. They were performing a community service and received only modest board fees.

Congress should end the shameful vengeance attack launched unwittingly against many of our most productive citizens.

Several states have already passed laws to prohibit such lawsuits against their residents on simple negligence grounds, but the laws will apply only to future lawsuits. Only Congress can cause these malicious suits to be dropped retroactively.

The only special interest group that is materially offended would be the Association of American Trial Lawyers. □

Comment

By Karen D. Shaw

The 'Organic' Bank: Attractive Structure Marries Safety and Competitiveness

It is time to rethink the structure of the financial services industry. Once interest rates rise – and bank profits sink accordingly – the risks of perpetuating on outmoded financial system will become patently obvious.

The two prevailing models for industry restructuring fall under either the "core bank" or "depository institution holding company" label.

The difference between the two is one of degree rather than kind. Each posits a diversified financial services company that includes at least federally insured deposits and other lines of business.

The variations between them come from the kinds of activities that could be housed either in the bank or in its parent holding company – with the core bank approach requiring a more constrained insured depository operating in a more diversified corporation than in most versions of the holding company proposal.

Need for Firewalls

Both the core and holding company models share a troublesome problem: Each depends

THE ORGANIC-BANK

model permits the creation of integrated, efficient, and diverse financial services companies.

on firewalls to ensure that problems in affiliated businesses do not contaminate the insured depository.

Because the two proposals differ on what activities would be allowed in the insured bank, they differ on precisely where the firewalls would be erected and on how high and how solid they would have to be. Nevertheless, each approach relies on prohibitions on integrated funding, cross-selling, and common management as the basic barriers to risk.

While these firewalls improve the appeal of these reform proposals from a policymaker's point of view, they have precisely the reverse effect on a manager of a financial services firm. The same firewalls that limit risk impede efficiency.

The Organic Bank

Another way to reform financial services would be called the organic bank. It is based on a supervisory — rather than a regulatory — approach to containing risk, and is thus based more on securities industry regulation than on the banking approach of the earlier models.

The organic-bank model permits the creation of integrated, efficient, and diverse financial services companies – attractive to policymaker and shareholder alike.

The organic bank would retain its deposit insurance, and would be allowed to operate much like existing commercial banks and S&Ls.

Insured deposits could still be converted into loans for small businesses, mortgages, or other purposes – a key difference from the core-bank proposal, which would generally limit the use of insured deposits to the purchase of no-risk government securities and, in some variations, asset-backed securities (which are by no means low risk).

Limits on Insurance

Meaningful deposit insurance reform is critical to the organic bank. If risk within the new structure is to be limited, then the scope of deposit insurance coverage must be limited, too.

Restricting coverage to no more than $100,000 per person per insured institution significantly reduces the cost of a failure to the government and is therefore essential.

In the organic bank, the distribution system of the insured institution can be used to sell any and all products offered by the parent and its affiliates.

However, products such as mutual funds, which could be mistaken for insured deposits, would be covered by rules designed to prevent consumer confusion. The sale of securities, insurance, or other products requiring licenses and similar certifications could be made only by people who have all the same regulatory requirements that are imposed on sales made outside a bank branch.

The clear penalties associated with coercive tying of sales should be more than adequate to prevent potential customer abuses, especially if the rules are accompanied by the vigorous enforcement on which the success of the organic bank relies.

Variety of Activities

A wide range of activities could continue to be conducted in an insured depository under the organic-bank model. They would include not only conventional lending, but also the trading and servicing operations increasingly associated with the modern bank.

This would avoid the almost fanatical arguments over what types of activities should or should not be conducted in conjunction with the business of taking insured deposits.

Yet the organic-bank model is by no means laissez-faire. All activities conducted within the insured depository would be subject to whatever restrictions risk regulators choose to impose.

These could be more stringent than if the same activity were conducted in an uninsured affiliate – an appropriate reflection of the different risk to the government in such cases.

For example, both a bank and a nonbank might choose to engage in foreign exchange trading, but only the bank might be subject to complex risk-based capital rules, trading limits, or similar sanctions. Each institution's management could decide whether the synergy of the relationship to the insured depository was worth the additional regulatory cost.

IF RISK WITHIN

the new structure is to be limited, then the scope of deposit insurance coverage must be limited, too.

Safety Test

Under the organic-bank approach, regulators would review all the activities conducted within an insured depository to ensure that they are done in a safe and sound fashion by properly trained personnel under appropriate internal controls. Unless all these tests were met, the activity would have to be moved outside the insured depository.

This standard would permit the organic bank to evolve as the financial markets do, with regulators determining the risk associated with different new financial services. The flexibility of the risky operation or shed its insured depository and transfer all but the deposit-taking function to an equal footing.

As new products are created, companies would be permitted to offer them either inside or outside the insured bank – but they would be allowed to offer the product and thus compete on the basis of the degree of risk presented.

A further constraint on risk would be the controls bank regulators could exercise over the insured depository. While bank regulators may not now have the power to regulate the affiliates or the parent, they would be able to supervise, not only any potentially abuses of insured funds, but also any problems that could eventually damage the insured entity.

Again, this approach borrows from securities regulation. Although the SEC regulates directly registered broker-dealer operations in a securities firm, it also has the power to require reports and other data from all of the broker-dealer's affiliates. When it finds that an affiliate is taking undue risk, it can order the broker-dealer to sever its ties.

Under the organic-bank model, the bank regulator would have similar power. However, the new approach would give an institution two options: divest the risky operation or shed its insured depository and transfer all but the deposit-taking function to an equal footing. □

'Singing' Radio Ads Have Their Place, Even for Bank

To the Editor:

I was disappointed with Paul Nadler's column, "Radio Ads Can Speak Volumes About a Bank's Character" [July 14, page 4].

Mr. may have forgotten that the whole purpose of advertising is to communicate. Since, as he put it, "the radio airwaves are saturated with bank ads," it behooves a bank to create messages that break through the monotony and cacophony.

The "singing" commercial has its place. If, for example, you were to buy airtime on an all-news station, then a singing commercial would be a welcome, and memorable, relief.

At our agency, we rarely get an opportunity to use radio exclusively to promote products. We do, however, use radio to reinforce print advertising. Sometimes, it's even nice to let people know that the banks trying to reach them and services are people, too.

I sincerely hope that Mr. Nadler's "sensible people" who "do not want to have their money in a place whose only message seems to be, 'We are friendly, la la la,' " will see banks as something other than "serious places" to hold our money.

I would like to believe that most bankers are genuinely concerned about people and about helping them survive in the 1990s. And if they want to "sing" their praises over the airwaves, I'm willing to listen.

Fredd Jefferson
President
BN Group Inc.
Suwcsanna, N.J.

Earnings, Not Book Value, the Key Issue in an Acquisition

To the Editor:

Your coverage of many banking companies' June-quarter earnings and the acquisition of Great Southern Bancorp. by Fourth Financial Corp. [July 23, page 7] highlighted a discrepancy in your reporting.

The acquisition article mentioned the purchase price relative to the acquired company's book value [1.6 times] but not relative to the latest reported earnings.

Have you talked to any acquiring companies lately? They will tell you, I am sure, that book value and assets of the target company are interesting, but that any combination, the target's earnings (or, more particularly, basic earning power as part of the combined entity) is the real issue.

Making the Difference

How else can one management (Security Financial Group of Minnesota) agree to sell out for 81% of book value, while another will not agree for less than 210% of book value (First American of Canton, Ohio)?

In the first case, earnings were low and asset quality not so good. For First American, earnings were so good that at the time of the announcement, the selloff price was only 9.7 times latest reported earnings.

John G. Conwell
J.G. Conwell & Co.
Elm Grove, Wis.

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NationsBank Gains New Territory With Commercial Finance Deal

BY KENNETH CLINE

ATLANTA — NationsBank beat out four rival banks and several nonbanks to capture the financial services subsidiary of US West Inc., and is winning plaudits for its aggressiveness.

"I don't see any downside to it," said Moshe Orenbuch, an analyst at Sanford C. Bernstein & Co., commenting on the deal to buy US West Financial Services, a commercial finance firm. "It doesn't require integration and it doesn't require cost savings. It's just a good financial transaction on its face and it makes strategic sense as well."

Charlotte-based NationsBank announced the deal Wednesday, after the market had closed. On Thursday, NationsBank stock rose $1.375 to $58.

The nation's fifth-largest bank said it will pay a premium of $85 million premium for $2.3 billion of US West's net receivables.

It touted the transaction as an extension of its strategy to develop "nonbank business[es] to meet financial services competitors outside the commercial bank arena." The finance company provides funds to commercial companies often deemed uncreditworthy by banks.

James H. Hance Jr., Nations-Bank's chief financial officer, said in an interview Thursday that the pending deal should add at least 15 cents a share to the bank's 1994 earnings. "The premium is low and [the firm] has a self-contained management," Mr. Hance said. "There are no management issues."

US West Financial, which has 208 employees, will maintain its current management and location in Stamford, Conn.

Analysts at Merrill Lynch and Morgan Keegan raised their 1994 earnings estimates for the bank after the deal was announced.

Since Dec. 1991, when the former NCNB Corp. acquired Atlanta-based C&S/Sovran Corp. to form NationsBank, the company has aggressively expanded geographically and by product line. [See table.]

Analysts have expressed concern in the past about the quick expansion, but have few qualms about the US West deal.

"The ability to fold in finance companies, where there seems to be a decent management team in place, doesn't keep me up late at night very often," said Judah Kraushaar, an analyst at Merrill Lynch & Co. "I think people are finally getting comfortable that this is not just another sleepy southern bank."

US West Financial earned $55.1 million last year, up from $52.2 million in 1991. Mr. Hance said he expects about the same from the unit in 1994.

James H. Ozanne, US West Financial's president and CEO, said nine bids were received for all or part of the company. Bidders included General Electric Capital Corp. and four banks that he declined to identify. □

Feeding Frenzy?
Recent acquisitions by NationsBank

	Assets ($ billions)	Date	Price ($ millions)
Chrysler First Consumer finance	$4.0	Nov. 17, 1992	$100
MNC Financial* Maryland banking company	16.7	Feb. 18, 1993	1,400
Chicago Research and Trading Options trading firm	7.2	March 17. 1993	225
US West Financial Services* Corporate finance company	2.3	July 28, 1993	85

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Trading Seen as Source Of Continuing Gains

Continued from *page 1*
can be considered core revenue, derived as much from services provided to customers as from proprietary activities.

Timothy Yates, chief financial officer of Bankers Trust New York Corp., told analysts last week that the income will keep coming, regardless of interest rate differentials. The nation's seventh-largest bank company booked $405 million of trading revenue and overall net income of $251 million between April 1 and July 1.

Correlation Denied

The big gains in most of the company's recent quarters, Mr. Yates asserted, were "not correlated at all to the steepness of the yield curve."

At Citicorp, executive vice president Thomas E. Jones acknowledged the unusual market conditions of the quarter, saying they probably added $150 million of trading revenues beyond the norm. But he assured investors that the nation's biggest bank can sustain exceptionally strong trading income of $400 million in future quarters.

"The firm will ultimately prove this track record can be maintained," agreed Judah Kraushaar, an analyst at Merrill Lynch & Co., in a recent report.

The Bankers Trust and Citicorp officials also both stressed that customer-related business was integral to their trading activities. Of course, the more customer orders they or their colleagues see, the better positioned they are to make trades for the bank's own account since they have a view of the market.

More Big Returns Seen

At Chemical Banking Corp., senior executive vice president Donald H. Layton told analysts last week to expect double-digit growth in trading revenues to continue as the company concentrates on sales, arbitrage, and market-making for customer accounts. Chemical reported an 18.2% gain in trading from its strong first quarter, recording $298 million of trading revenue and net income of $381 million.

Mr. Layton noted that recent rating upgrades also will help the cause, since Chemical will be able to attract more counterparties to swap transactions.

Analysts accept the bankers' arguments – to an extent. "As several banks have pointed out, there is a certain secular upturn in trading and derivatives which will still be there, even though the last two quarters have been above average," said Raphael Soifer, an analyst at Brown Brothers Harriman & Co.

But the bank investment community remains concerned. Many of the trading activities relate to sophisticated and relatively new instruments and strategies that traditional bank investors still distrust. The gains are a far cry from the traditional lending or plain-vanilla bond trading activities that banks used to excel at.

"Wall Street is still trying to figure trading out," said David Berry, an analyst at Keefe Bruyette & Woods Inc. in New York. "It's perceived as volatile income, and that makes Wall Street uneasy."

Focus of Distrust

Bankers Trust, arguably the most sophisticated trader of esoteric derivative products, is a victim of that distrust. The company's return on equity is consistently among the highest of any banking company, and in the second quarter again toppled the scales at 25.56%.

What a Quarter
Second-quarter trading revenues, in billions

Citicorp	$572
J.P. Morgan	520
Bankers Trust	405
Chemical	298
Chase	187
BankAmerica	172
First Chicago	92
Republic	54
Continental	27
Bank of New York	23

Source: Keefe, Bruyette & Woods

But uneasiness over the trading activities – and skepticism about the bank's claims that it is merely selling risk-management products to clients – has kept the company's stock price relatively low. The price-to-earnings ratio of Bankers Trust shares stood at a mediocre 7.4% based on Thursday's market price.

The skepticism from investors is not merely a reflexive, conservative reaction, analysts say. It is truly difficult to get a handle on the definition of "trading revenue" and its contributions to the bottom line. Indeed, different banks define the term differently.

Trading revenue at some companies seeps into numerous lines on the balance sheet. At Bankers Trust, for example, net interest income derives in large part from trading activities.

But at the great majority of banks, net interest income is a reflection of corporate lending and retail banking, making it much more difficult to use as a proxy for trading prowess.

Making matters worse, most banks refuse to provide details of their trading revenue.

Karen Gullo contributed to this report.

EXECUTIVE *changes*

Mercantile Bancorp. Promotes Three of Its Senior Executives

MERCANTILE BANCORP. has promoted three senior executives to new posts.

John H. Beirise has become president and chief operational banking officer of the holding company's lead bank, Mercantile Bank of St. Louis.


John H. Beirise

Mr. Beirise has been senior executive vice president in charge of institutional banking since joining the bank in 1992.

In his new post, he will be responsible for the corporate banking and institutional trust units. He also will be responsible for systemwide institutional banking strategy.

Walter F. Gray is now chairman of Mercantile Trust Co., which is being established as a nationally chartered bank. It will handle all individual trust activities now conducted by Mercantile's lead bank.


Walter F. Gray

Mr. Gray has been with the company since 1977 and currently is vice chairman and senior trust officer of Mercantile Bank of St. Louis.

W. Randolph Adams was named president and chief executive of Mercantile Trust. For the past two years, he has been senior executive vice president of Mercantile Bank of St. Louis. Mr. Adams will continue to head Mercantile's consumer banking strategy.


W. R. Adams

Central Fidelity Taps William I. Foster 3d

William I. Foster 3d has been promoted to president of the eastern region for Virginia's **Central Fidelity Bank.**

He will succeed **Ken Farmer,** who is retiring after a 35-year banking career.


William I. Foster 3d

Mr. Foster's responsibilities include overseeing the Norfolk-based company's largest retail branch network, which includes 41 branches, 24 supermarket offices, 59 automated teller machines, and more than 700 employees.

Since 1989, Mr. Foster has been statewide manager of Central Fidelity's real estate finance division.

He joined the bank in 1984 in its real estate finance department. He then headed the Norfolk commercial lending platform. — **Franklin Smith**

MIDWEST

THE MICHIGAN LEAGUE of Savings Institutions, Lansing, has elected **Leonard L. Eishen** as chairman of the League for 1993-94. He is president and CEO of **Sturgis Federal Savings Bank,** Sturgis.

He succeeds **Charles B. Cook,** president of **Marshall Savings Bank.**

Elected vice chairman of the League was **Duane L. Dickey,** president, **First Federal Savings and Loan Association of Alpena.**

The second vice chairman is **Robert J. Delonis,** president, **Great Lakes Bancorp,** Ann Harbor.

Robert G. Howell continues as president of the league.

MIDDLE ATLANTIC

PEOPLES Westchester Savings Bank, Hawthorne, N.Y., has promoted **JoAnn M. Ciocca** and **Marc Braverman** to senior vice presidents.

Ms. Ciocca oversees the daily operations of the bank's 31-branch office network, situated throughout Westchester County. Her responsibilities also include implementing policies and procedures and working closely with the bank's operations, compliance, legal, and security departments.


JoAnn M. Ciocca

Mr. Braverman oversees the bank's loan accounting department. He joined the bank in 1988 to set up the department.

Promoted to vice presidents were **Ellen J. Duck,** in the bank's training and development program, and **Dale Jewell Thornton,** who will run the payroll function of the bank.


Marc Braverman

Also named as assistant vice presidents are: **Jane W. Goodrich,** branch manager, North Yonkers office; **Samy F. Sapek,** deputy auditor; **Kathleen M. Wall,** Cortlandt office; **Thomas Alencherril** of the corporate audit unit, and **Angela Marie Asaro,** manager of the Bryn Mawr office.

WEST

FIRST INTERSTATE Bank of California, Los Angeles, has promoted **Marie Doyle-Brown,** its manager of support services for retail banking, from vice president to senior vice president. She works from offices in Los Angeles and San Mateo.

Ms. Doyle-Brown oversees a central branch-operations support unit in Los Angeles and a central risk-review department.

She also directs four teams of risk-management officers that review the bank's 326 branch offices to ensure compliance with federal, state, and bank regulations and procedures. □

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Video Training Session For Nation's Ag Lenders

By BILL ATKINSON

Washington Watch

AS MANY AS 4,700 bankers from California to Connecticut will tune in to a meeting held by the Farmers Home Administration.

For the first time, the agency is holding a 6½-hour televised training conference on Aug. 12. to explain its new certified lending program.

"It is definitely a big deal here," said Robert Bonnet, chief of guaranteed loan making and farm programs for the agency. "I think the lenders are going to like it. We've invited any banker who wants to come."

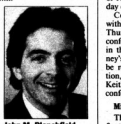
The certified lending program is designed to cut the time it takes for bankers to get approval on loans guaranteed by the farm agency. The loans are generally made to start-up farmers and farmers recovering from economic setbacks.

The Farmers Home's program will air from the Department of Agriculture's main office in Washington at 11 a.m. Eastern Standard Time, and run until 5:30 p.m.

Five panelists will explain to bankers, farmers, and 3,700 of the department's field staff how the certified lending program works. They will watch from 170 locations.

Members of the audience will be able to pepper the panelists with questions. Field office personnel familiar with the lending program will be at the sites to answer questions during breaks.

"I can't wait to see how this thing works," said John M. Blanchfield, manager of the American Bankers Association's agricultural division. "Farmers Home is not know for being innovative. We've told bankers to make sure they know about it."



John M. Blanchfield

John W. Syndergaard, senior vice president of agriculture and asset quality for Valley Bank of Shawano, Wis., said he wants to get up to speed on the lending program, but he's still debating whether or not to attend the meeting.

"We have not processed, historically, the numbers [of government guaranteed loans] they are asking for to become a certified lender," he said.

Mr. Bonnett said that in the past Farmers Home has conducted training sessions by flying as many as 300 field staff personnel to a central location. They, in turn, train other staff members. "The training is not as good, because you get it second and third hand," Mr. Bonnett said. "It [the viedo session] is considerably cheaper than what we normally would do."

* * *

The American Bankers Association has published a book on setting up a salary administration program.

The 60-page book, called "Guidebook to Salary Administration," gives bankers who run large and small institutions the inside scoop on: job evaluation programs, incentive compensation, and trends in compensation.

The guidebook also gives bankers tips on educating employees on how their salary is determined.

Gary J. Peters, senior vice president of West One Bancorp, Boise, Idaho, wrote the guidebook. It sells for $58 and is discounted to $39 for ABA members.

FirstRock: Probe of Stock Offering Has Left Its Operations Unscathed

By ROBERT B. COX

CHICAGO — FirstRock Bancorp officials have assured investors that Justice Department investigations into the Rockford, Ill., thrift's initial public offering have had no bearing on the company's operations.

"I don't think the case has had any effect," said David A. Ingrassia, president and chief executive of the $400 million-asset thrift said this week at a meeting with analysts here.

First Rock's October conversion was tainted by scandal when federal law enforcement officials seized 278,000 shares, or 10.5% of its stock, on the first day of trading.

Company officials visited with investors on the eve of a Thursday afternoon settlement conference between defendants in the case and the U.S. attorney's office. The civil case could be resolved without full litigation, Assistant U.S. Attorney Keith C. Syfert said prior to the conference.



David A. Ingrassia
Reassures investors

Misrepresentation Charged

The office of the U.S. attorney for the Northern District of Illinois charged individuals not associated with the company of illegally obtaining shares. Specifically, it alleged up to $1,500 each to depositors eligible to buy stock in the conversion. A depositor could order up to $210,000 in shares for the speculators while falsely representing the purchase as his own.

Typically, shares of healthy converted thrifts rise in value once traded on the open market.

"I don't think [FirstRock] has necessarily been tainted" by the federal investigation, said John E. Snow, analyst at Hamilton Investments, Chicago. In fact, analysts are encouraging investors to buy FirstRock's shares on the basis of its strong fundamentals and low stock price.

The stock hovers around $15.5, or about 85% of book value. That compares with an average valuation of about 100% of book value for Illinois-based thrifts, according to Howe Barnes, Chicago.

Mortgage Bonanza

FirstRock has profited handsomely from its booming mortgage division, which services $812 million in loans. The company boasted $418 million in residential loan originations and purchases during the first half of 1993 – compared with $276 million in all of 1992.

"Mortgage banking companies are just grabbing market share from the traditional mortgage lenders, and the banks and thrifts that have realized that and started acting more like mortgage banking companies themselves are doing extremely well," said Howe Barnes analyst Dan Coughlin. □

Iowa Bankers Petition for Regulatory Relief So Flood Victims Can Get the Help They Need

Regulator's Wailage

As midwesterners struggle to recover from disastrous floods, bankers in an ever-growing chorus are petitioning for relief from regulations.

The following is excerpted from a letter sent to the Federal Deposit Insurance Corp. by T. Bernt Gronstal, president and CEO of Carroll County State Bank, Carroll, Iowa, and by Carol Wieland, vice president.

Bankers need relief from red tape to speed up processing of loans for flood victims.

The banks in affected areas need time to devote to rebuilding their communities. Bankers need to spend time with customers instead of in committee meetings writing policies required by federal regulation.

Regulators should be asked to move back required implementation dates for policies on branch closings, executive compensation and other FDICIA-inspired policies having no practical use in community banks.

Enforcement Moratorium

Banks in the flood disaster areas need an enforcement moratorium on regulations requiring banks to act as law enforcers and tax collectors.

Appraisal requirements, RESPA, HMDA reporting, advertising regulations, and other regulatory red tape should have an enforcement moratorium so that bankers can make loans without fear of a compliance examiner causing major trouble over technicalities. Banks that make a good-faith effort to get credit to flood victims should be exempted from CRA geocoding and other time-consuming documentation.

Bankers need to spend time working with real customers until this crisis has passed.

Banks should be allowed to make low-cost loans to victims, with the interest income federally tax exempt. Banks could reduce the cost to borrowers if the income was tax exempt. □

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Deal Puts Pohlad Halfway to $1 Billion of Texas Assets

By JOHN RACINE

DALLAS — Minneapolis investor Carl R. Pohlad has agreed to acquire family owned First National Bank of Grapevine, putting the owner of the Minnesota Twins baseball team halfway home in his quest to build a $1 billion-asset holding company of Texas community banks.

Spokesmen for both sides expect the Federal Reserve late this year to approve the cash-for-stock purchase of the $152 million-asset institution, which has its headquarters just north of the Dallas-Fort Worth International Airport. Terms of the deal were not disclosed.

'A Plaid Number'

"Carl has always had an interest in Texas," said Lamar Ball, chairman of the First State Bank of Denton, the largest of Mr. Pohlad's three institutions in Texas.

"He has said that he wants to build a $1 billion presence, but that is a fluid number."

Mr. Pohlad first showed an interest in Texas in July 1992, when he agreed to buy troubled Texas American Bancshares of Fort Worth and San Antonio-based National Bancshares Corp., which once had combined assets of $8 billion.



Carl Pohlad
Aiming for $1 billion

The Grapevine purchase would give the investor four banks with $500 million of assets.

Because of concerns over the price of the acquisitions and the level of federal assistance, Mr. Pohlad backed away from the deals.

Charging Ahead

Despite that early setback, Mr. Pohlad has charged ahead in Texas. Earlier this year, his company purchased the Terrell State Bank east of Dallas and the Watauga State Bank in suburban Fort Worth. Both banks have assets in the $30 million range.

The purchases came more than three years after Mr. Pohlad's Texas-based First Bancorp. acquired the lead Denton bank, which was recapitalized in November 1991.

Mr. Ball said that while Mr. Pohlad does not have direct ownership of any of the banks, his "family interests" control the Texas holding company.

Looking for More Banks

Once the Grapevine bank is acquired, First Bancorp. will have just over $500 million in assets. With Mr. Ball taking the lead, the company continues to search for other community banks to acquire in Texas.

Mr. Pohlad is also known to have similar plans in several midwestern states.

Robert D. Rieke, a vice president at The Principal/Eppler, Guerin & Turner in Dallas, said that Mr. Ball has a proven track record on the operations side, which should help generate efficiencies from the banks even if they operate under separate names.

'Has the Experience'

"Lamar Ball certainly has the experience and the understanding to build a successful acquisition program," said Mr. Rieke, who helped broker the sale of the Denton bank.

While the purchase price for the Grapevine bank was not made public, observers say that metropolitan banks in Texas have been fetching prices of up to 1.75 times book value.

Because the bank had equity estimated at $10.9 million, some estimate the purchase price may have been as much as $19 million.

Thad McDonnell, vice chairman and chief executive officer at the First National Bank of Grapevine, said that Mr. Pohlad's bid was the strongest of four received since the bank was put up for sale following the death on Jan. 11 of Joe N. Box, the majority stockholder.

The buyout involves 57 stockholders, including Mr. Box's widow, Cecelia, who controls 68% of the company. The one-office bank, founded in 1919 by D.E. Box, will continue to operate under the First National Bank name. □

Sterling Unit in Deal For Keycorp Offices

Reuters

SPOKANE, Wash. — Sterling Savings, a unit of Sterling Financial Corp., said it has agreed to acquire six branches in the western part of the state from Key Bank of Washington, a subsidiary of Albany, N.Y.-based Keycorp.

"This purchase affirms Sterling's commitment to further expansion in Washington," said Harold Gilkey, chief executive officer.

The thrift has 34 branches and about $700 million of assets.



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Colorado Hurdle to Growth Seen as Minor Roadblock

By JAMES B. ARNDORFER

Colorado credit unions are taking in stride a law that for the first time requires their regulator to hold public hearings before an institution can expand its membership into a community.

Bankers lobbied for the hearings because they are angry with a decision by a regulator to allow a credit union at Lowry Air Force Base to expand its membership base into the adjacent community of Aurora.

The law, which went into effect this month, creates a five-member financial services board within the Colorado Division of Financial Services that will grant credit union charters, oversee mergers, and set regulations – powers formerly belonging to the division commissioner.


Carroll D. Beach

"I don't think there'll be any problems," said Carroll D. Beach, president of the Colorado Credit Union League. "We feel comfortable with a board and we think it will be responsive to the needs of credit unions and the community as well."

But the statute allows bankers to comment at public hearings when the board considers granting charters for credit unions seeking to expand their so-called field of membership. It also limits to one the number of branches a credit union can open if its common bond is within a community of more than 100,000. The restriction is in effect until Jan. 1, 1997.

Bankers Angered at Lowry Decision

The change comes in the wake of a December 1992 state court ruling that held legally binding Commissioner David Paul's controversial decision to allow Gateway Credit Union, formerly Lowry Federal, to expand into Aurora. The credit union asked for approval to expand after the Air Force base was targeted for closure. Gateway is the state's only community chartered credit union in the 100,000-population category.

Colorado bankers still don't know if the steps are enough to prevent credit unions from expanding into their communities.

"We'll wait and see," said Don Childears, executive vice president of the Colorado Bankers Association. "We greatly support it since we helped author it, but it doesn't go quite as far as we would've liked."

Bankers wanted hearings for all charters, Mr. Childears said.

'Industry Boards Tend to Be More Lenient'

"The banking industry will be disappointed in the new board," said Barbara M.A. Walker, state bank commissioner. "Industry boards tend to be more lenient, more concerned with competitive issues and even-playing-field issues."

A public hearing must be held before the board can grant a "community charter" or approve a merger that involves a community charter. Representatives of each credit union, savings and loan, bank, and industrial bank within the targeted community can attend the hearing and inspect the credit union's application.

Mr. Paul doesn't expect many community charter applications. "Lowry was more of a unique circumstance than the beginning of a trend," he said.

Pentagon Federal Takes a Step Into the Mutual Funds Arena

By JAMES B. ARNDORFER

Pentagon Federal Credit Union has jumped into the mutual funds business to keep up with customer demand.

The Alexandria, Va.-based institution, which has 410,000 members worldwide, launched a pilot program that will offer about 20 mutual funds. If the program works, Pentagon could design and broker its own family of funds within five years.


Ronald Snellings
Targeting 40,000 members

'An Expected Service'

"Mutual funds are becoming an expected service of financial institutions," said Ronald Snellings, president of the credit union, which is the fifth largest in the country, with $1.6 billion of assets. "We wanted to provide that service to our members and offer them something they couldn't get anywhere else."

Since May, Pentagon Federal Insurance Services Corp., a wholly owned subsidiary of the credit union, has been using branch displays and mailings to market funds to members in Maryland, Virginia, and the District of Columbia.

This week, the subsidiary mailed 400 letters to members, netting about 30 accounts, said Lansing Hewitt, sales director of Pentagon Federal Insurance, and head of the mutual fund program.

A Target Group

The credit union is initially targeting about 40,000 members in Maryland, Virginia, and Washington, D.C., Mr. Snellings said. The group is composed of members chosen for their interest and familiarity with mutual funds.

The target group will expand to 60,000 when the program picks up. The subsidiary is also licensed to sell funds to members in Pennsylvania, Florida, and California, but has not begun sales in those states, Mr. Hewitt said.

Pentagon broke with tradition in picking Egon USA Securities Inc., a Cedar Rapids, Iowa-based insurance company, to serve as a third-party broker-dealer.

Most credit unions that offer mutual funds use Madison, Wis.-based Credit Union National Association's Plan America mutual fund program. The association is the largest trade group representing credit unions.

Range of Choices

Pentagon liked the number of funds available through Egon, and it felt comfortable with the company because of an an existing business relationship. For the last four years, Egon has offered Pentagon's fixed annuities program.

A 410,000-member institution, in a pilot program, is offering 20 funds.

"We were given good service and we felt comfortable dealing with them," said Mr. Hewitt. "We didn't like Plan America's product," said Mr. Snellings.

"It's strictly front-end load. We wanted to have more than one choice and offer no-load funds as well."

The credit union will sell four types of funds: growth, growth and income, income, and tax-exempt. The funds will be drawn from six of the families brokered by Egon: American Funds Family, Dreyfus Funds, Fidelity Advisor Funds, Putnam Funds, Aim, and Invesco.

Sales of $4 Million Seen

Pentagon's initial investment for the project is between $40,000 and $50,000, not including the cost of hiring a new salesperson, Mr. Snellings said. Sales are expected to reach $4 million after six to 12 months.

At that point, the credit union subsidiary plans to expand the number of funds offered, increase the support staff, and establish itself as its own broker, Mr. Snellings said.

After two to three years, the subsidiary hopes to design and license a mutual fund. Starting a new fund would cost $800,000, Mr. Snellings said, and it would need to reach $40 million to $50 million in sales to be considered viable.

The credit union's board is still leery of the idea, Mr. Snellings said.

Strong Interest

Pentagon decided to offer the funds after members began requesting the product.

The credit union conducted marketing surveys after receiving calls from members inquiring about credit unions, Mr. Hewitt said.

The surveys found that 77,000 either had invested or planned to invest in mutual funds, Mr. Snellings said. Also, 4% of its members said they would definitely invest in mutual funds if the credit union offered the service, Mr. Hewitt said.

Taking a Chance

But Mr. Snellings acknowledged that there are risks. One fear is that the mutual fund will compete with the credit union's deposit business. Mr. Snellings doesn't expect this to be a long-term problem.

"In looking at banks you see at first there is some disintermediation with depositors taking out money to put it into mutual funds. But usually, within 18 months, the deposits are back up," he said. □

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Banks Get a Boost in Fight to Restrict Membership

By ED ROBERTS

The banking industry's bid to restrict credit union membership got a boost last week when the Justice Department decided not to launch a Supreme Court appeal of a recent bank victory.

After six weeks of lobbying by the National Credit Union Administration and the American Bankers Association, Solicitor General Drew Days decided not to ask for a high court appeal in the key "common-bond" case.

His decision left the Credit Union National Association, the industry's leading trade group, to carry the ball.

The decision effectively reduces from 50% to around "2.5% to 5%" the chances that the Supreme Court will accept an appeal, according to Durant Abernethy, general counsel for the trade group.

The more likely scenario now is that the National Credit Union Administration will return to the U.S. district court and argue the controversial AT&T Family Federal Credit Union case on the merits, hoping to establish exclusive authority once and for all to make decisions on field-of-membership expansions.

NEWS ANALYSIS

But even if the the federal agency wins that case, the banking industry appears to have won the issue of "standing," opening up future field-of-membership rulings by the regulator to a multitude of lawsuits by the banks.

New Law Seen as More Likely

The solicitor general's decision also make the chances of a legislative remedy more likely, because credit union lobbyists are expected to seek some kind of assistance from Congress in the next year or two.

"Congress is not going to stand idly by and watch another S&L debacle happen to the credit union industry," said David A. Daetwyler, president of AT&T Family.

The regulator's general counsel, Robert Fenner, who had asked the solicitor general to launch an appeal, expressed disappointment at the decision. He noted that even if the agency wins the case in the district court, "we're stuck with a bad decision [on standing], and the bankers can cause us a lot of problems."

In the case, four community banks in North Carolina and the ABA are seeking to overturn a decision by the credit union regulator to let AT&T Family, based in Winston-Salem, N.C., expand its field of membership to include nine select employee groups not affiliated with American Telephone and Telegraph Co.

The bankers' challenge was rejected by the U.S. District Court for the District of Columbia, which ruled that the banks lacked standing to challenge NCUA decisions.

But the district court's position on standing was overturned last April by the U.S. Appeals Court for the District of Columbia Circuit.

Challenges Proliferate

The decision of the appeals court gave bankers standing to challenge any NCUA field-of-membership rulings, and by extension, all other policy or regulatory decisions. As a result, the banking industry has launched

The solicitor general decided not to appeal a decision favoring banks.

field-of-membership challenges in several other states, including another suit in federal court in Michigan.

The AT&T Family case has enormous ramifications for the credit union industry, which has been hit hard by corporate failures and plant closings over the past decade and also will be hurt by planned closings of military bases. To help credit unions affected by plant and closures, the regulator has offered to liberalize guidelines for field-of-membership expansion.

Mr. Fenner had hoped for a Supreme Court appeal endorsed by the Justice Department to settle the issue of standing and discourage more challenges.

That issue having been decided for now, the case will return to the district court. If the regulator loses there, it will probably again ask the solicitor general to appeal to the Supreme Court, Mr. Fenner said.

He suggested that the solicitor general's decision was based on the assumption that the standing issue could be appealed to the top court later.

Michael Crotty, deputy general counsel for the ABA, suggested the solicitor general's decision will hasten a district court ruling on the case.

"This wise decision . . . all but assures that there will be a determination of the merits of this case in the federal district court in rather short order," said Mr. Crotty, who lobbied the solicitor general on the case.

The solicitor general's decision does not rule out the regulator's participation before the Supreme Court if the court decides to hear the trade group's appeal, noted Mr. Fenner. The top court is expected to decide Oct. 15 whether to hear that appeal. □

Editor's note:
Mr. Roberts is editor of NCUA Watch and Credit Union Accountant, weeklies produced by American Banker Newsletters.
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Directors Mortgage, A Former Unknown, Savors Its Growth

By CHRISTOPHER NOBLE

Walking through the sprawling maze of hallways and staircases at Directors Mortgage Loan Corp.'s headquarters complex, Raymond L. Crebs marveled out loud at his company's size.

"It's scary," the chief executive said. "I can't believe how big we've gotten."

In just three years, the Riverside, Calif., company has risen from anonymity to the top ranks of the industry, becoming a shimmering symbol of the nationwide mortgage boom.

Loan Growth of 353%

Last year, Directors wrote $7.66 billion of loans, up some 353% from 1990. That made the company the 15th-largest originator in the country. In the first six months of this year, Directors picked up the pace even further, producing $4.2 billion of loans and moving up to No. 14.

For 1994, Directors' CEO plans to push originations to $14 billion.

To accommodate the growth, the company has been snapping up nearby buildings almost as soon as they become available. Directors' 800 workers now inhabit seven buildings sprawled haphazardly about a dusty, pancake-flat industrial park.

Perhaps most remarkable of all, Directors has managed to pull off the growth without following the herd of companies that have gone public over the past year.

No Plans to Go Public

Directors remains the largest, privately held mortgage bank in the country. It is owned by a family trust set up by the late A. Gary Anderson, who built the company almost from scratch in 1976. Mr. Anderson died last August. (See related story on facing page.)

There is not even the hint of a plan to go public, says Mr. Crebs.

"Would we like the dollars of being public? Yes," Mr. Crebs said. "Would we like the handcuffs? No."

On a more personal level, he said, it was Mr. Anderson's wish that the company remain private – and that wish will be honored.

Sitting Pretty

Though the company's financial affairs are a private matter, Mr. Crebs is not exactly bashful about his own well-being. A bearded man of 43, he tools around Southern California in a dark green Jaguar with sheepskin seat covers.

"I make more than the Angelos and Felix Becks of the world," he says, referring to Angelo Mozilo, vice chairman of Countrywide Credit Industries, and Felix Beck, chairman of Margaretten & Co.

Mr. Mozilo, the highest paid of those two, earned $2.3 million in cash compensation last year, more than J.P. Morgan & Co. chairman Dennis Weatherstone.

Mr. Crebs declined to elaborate on his compensation. But Mr. Anderson was reported to have become fabulously wealthy since acquiring the company in 1976.

Shortly before he died last August, he transferred ownership of the company to the A. Gary Anderson Living Trust. The company is operated by a five-member board of advisers, one member of which is the Anderson trustee. Mr. Crebs reports to the advisory board.

Rising Prominence

To some extent, the rise of Directors Mortgage mirrors the new power of mortgage banking companies nationwide. These companies, which sell the bulk of their new loans into the secondary market, have been gaining market share rapidly as capital-strapped thrifts and banks have retreated.

That trend, in the view of Mr. Crebs, is sure to continue. He says the entrepreneurial spirit that rules mortgage banks will push them to take more risks and reap greater rewards.

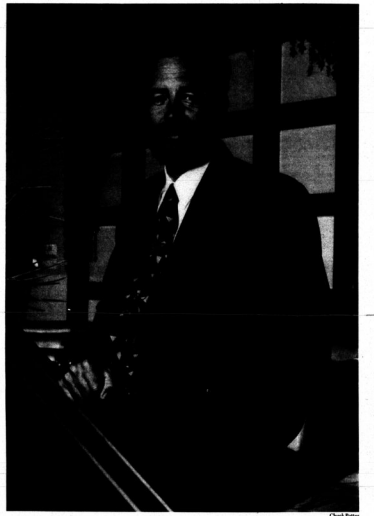
Certainly Mr. Crebs has some lofty goals for Directors.

He wants to originate $10 billion in 1993 and have a yearend servicing portfolio of $14 billion. Right now the company services about $11.7 billion, funneling monthly payments from homeowners to holders of mortgage-backed securities.

For 1994, Mr. Crebs plans to push originations to $14 billion and hit $20 billion in servicing. The servicing portfolio should reach $35 billion by 1997, he says.

All this is part of his plan to make sure the company secures

See DIRECTORS next page



Chuck Patter

RAYMOND L. CREBS, CEO of Directors Mortgage, wants to make sure the company secures a leadership role in the inexorable consolidation of mortgage banking.

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Directors' Builder, Dead a Year, a Continuing Presence

By CHRISTOPHER NOBLE

A. Gary Anderson's office at Directors Mortgage Loan Corp. looks like any other executive's office.

There is a briefcase open behind the desk, family photographs and mementos on the wall, and gold-rimmed reading glasses – temples crossed neatly – lying on a stack of papers.

There is nothing in the room, except the thin layer of dust gathering over it, to indicate that its occupant has been dead for a year.

In Memoriam

The office, preserved exactly as it was last Aug. 1, when Gary Anderson died, is only the most obvious sign of the continuing "presence" Mr. Anderson has at Directors Mortgage in Riverside, Calif.

"I think it's important to keep his memory alive," said Raymond L. Crebs Mr. Anderson's chosen successor as Directors' chief executive.



A. Gary Anderson

Mr. Anderson bought the company in 1976 and was the sole owner and CEO until he died last year. His death, at 52, came after a long illness and, while not unexpected, it nevertheless stunned Mr. Crebs and his employees.

Mr. Crebs said the transition was smooth from a business standpoint.

"Gary knew he was dying and he laid out the game plan," said Mr. Crebs. In addition, Mr. Crebs said he had been running Directors' day-to-day operations for most of the year leading up to Mr. Anderson's death.

> **"I think it's important to keep his memory alive."**
> **Raymond L. Crebs, CEO**

Mr. Crebs says the company has not faltered, and he believes that would please Mr. Anderson.

He also says that Directors' steady pace may have surprised some competitors who believed the company was a one-man show.

"We continue to shock some people that we haven't stumbled."

Portraits Adorn Walls

But a walk around the office proves that even if the business has gone on without a hitch, people at Directors are not yet ready to let go of Mr. Anderson.

There are small framed portraits of Mr. Anderson hanging throughout the corporate headquarters. The first one greets visitors in the lobby, and there are more wherever one looks.

On the first-floor landing, two industry awards to Mr. Anderson are conspicuous during the long climb up the stairs.

"It's my way of giving back to him, of making sure his memory is alive and well," Mr. Crebs says.

He says he soon plans to convert part of Mr. Anderson's office into an executive meeting room. But the desk and surrounding area will remain untouched, and Directors' executives will continue to labor under Mr. Anderson's watchful eye. □

Directors Savors Meteoric Growth

Continued from page 12

a leadership role in the inexorable consolidation of mortgage banking. When the dust settles, Mr. Crebs firmly intends for Directors to be among the top 10 in the country.

What's his immediate outlook for the mortgage market? Interest rates will remain at historically low levels – and lending volume will continue to shoot through the roof.

"I personally feel that there's more potential for rates to go to 6.5% in the form of a 30-year mortgage than there is for them to go to 7.5%," he said. Rates in Southern California are currently about 7.3%.

"I just don't see that the economy, anytime in the near future, is going to be strong enough to survive with higher rates," he said.

But eventually, he says, rates will rise and the refinance music will stop.

And when that happens, mortgage brokers, who have been feeding vast amounts of loans to mortgage banks, may quickly find themselves without chairs.

"When the refinance business goes away we're going to see a shift as a lot of those mortgage brokers go looking to find a home," he says. Many brokers, he adds, will seek to ally themselves with mortgage banks.

Meanwhile, he has expanded demand for housing, particularly among immigrants and young, first-time buyers of modest means. □

Rates Up 15 Basis Points; Biggest Rise in 2 Months

Mortgage interest rates have risen significantly this week, according to preliminary results of a survey by HSH Associates, Butler, N.J.

Lenders were offering 30-year fixed mortgages at 7.35%, up 15 basis points from the week ended July 23, the research firm said.

The jump reflected a rise in long-term bond yields.

The last time the average climbed by more than 10 basis points was the week ended May 14. — Phil Roosevelt

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Rates Paid on Annuities Decline Slightly

By KAREN TALLEY

After a modest increase in June, rates paid on annuities sold through banks edged back down in July.

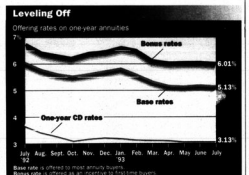
The average rate paid on annuities fell to 5.13%, from 5.17% in June.

The bonus rate received by new investors fell slightly, to 6.01% from 6.02%.

Kenneth Kehrer Associates, a consulting firm in Princeton, N.J., calculates the averages by surveying leading annuity companies.

Rates declined for five of the 41 annuities covered in the survey. Only one showed an increase.

There was no change in rates for the 35 remaining annuities.





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NationsBank Offers Back-End Loads

By DEBRA COPE

NationsBank Corp. is offering to let investors in its proprietary mutual funds defer sales charges until redemption, or even pay nothing if they hold the funds long enough.

The Charlotte, N.C., banking company quietly introduced the back-end-load option for its NationsFunds family of mutual funds in early June. That was around the time that Nations Securities, its joint venture with Dean Witter Financial Services, opened for business.

The back-end-load option is gaining popularity in the funds industry as an alternative to the traditional up-front sales charge for mutual fund purchases.

So far, however, only a handful of banks offer back-end loads, known formally as contingent deferred sales charges. Among them: NationsBank's hometown archrival, First Union Corp.

Back-end loads are figured on a sliding scale that drops from 4% in the first year to zero in the sixth, so long-term investors pay less.

NationsBank already had two mutual-fund pricing options for retail customers: level loads, which are similar to an annual fee, and front-end loads.

The back-end loads make up a third "class of shares" in the retail mutual fund lineup, known as the NationsFunds investor shares. (Funds in a separate stratum of the NationsFunds, known as the trust shares, are sold no-load to trust customers.)

Back-end loads were added in response to customer demand, and sales have been quite strong, said Mark Williamson, a senior vice president at NationsBank.

Only a handful of banks – including archrival First Union – offer the option.

He noted that the NationsFunds opened the year with $8 billion in assets, and said he expects that sales will push assets to $13 billion or $14 billion by yearend.

Mr. Williamson added that it is too soon to say whether back-end-load sales will outsell front-end loads.

Commission Problem

One reason back-end loads are still relatively rare is that they are expensive to finance.

A sale load is used to compensate a broker who helps a customer select a fund. If the load isn't collected up front, the broker's commission must be paid some other way.

The Office of the Comptroller of the Currency won't allow banks that manage mutual funds to advance the commissions, so it is up to the nonbank companies that distribute bank-managed mutual funds to do so.

Boston Co. acts as distributor for the NationsFunds. NationsBank officials declined to disclose how brokers' commissions are being financed, saying that the information is private.

Meanwhile, Dean Witter Financial Services announced last week that it will transfer 200 account executives to Nations Securities by the end of August.

Since they opened on June 7, the Nations Securities investment centers have been staffed by 200 NationsBank officers. □

Sears Finally Accepts Bank Cards and American Express

Continued from page 1

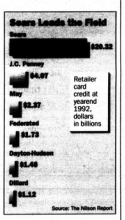
with the Dean Witter Financial Services Group.

"Our customers have responded enthusiastically to these new credit options during our recent test, resulting in new customers shopping our stores," said Arthur C. Martinez, chairman and chief executive officer of Sears Merchandise Group.

Sales Increase Seen

Stating a position that other merchandisers have been taking for years, Mr. Martinez said the policy change responds to customers' desire for choice "while providing us with opportunities to increase sales and attract new customers."

On July 9, *American Banker* reported that Sears had signed a contract with Nabanco, a unit of First Financial Management Corp. of Atlanta, to process point-of-sale credit transactions. That was viewed as a prelude to the announcement that came Thursday.



Since Sears had also been testing bank card acceptance in its catalog operation, the announcement was "no great surprise to us," said a Visa U.S.A. spokesman. "We saw [the catalog program] as a sign of things to come."

Sears was able to keep competing cards at bay because of the strength of its in-house credit operation, known as Sears-Charge. With 50 million accounts – 27 million of them active – and 70 million total cards, Sears has a larger customer roll than any other card issuer.

Clear Industry Leader

According to a compilation being published next week by *The Nilson Report* of Oxnard, Calif., Sears' $20.3 billion of outstanding card loans dwarfs that of its nearest retailing competitor, the $4.1 billion of J.C. Penney Co.

In card outstandings, Sears is also bigger than any single banking company except Citicorp. But retailers offer credit mainly as a means of increasing sales. With Sears no longer owning Discover, which competes directly against MasterCard and Visa, it made sense to try to boost revenues by taking other cards as well.

The "incremental sales" argument has been a major selling point for American Express Co. as well as the bank cards. American Express said its research shows Sears is one of the top three retailers at which cardmembers say they would like to see the card accepted.

Sears Roebuck was the last major retailer not to accept cards other than its own.

"Sears will be the only store accepting all five of America's most popular credit cards," Mr. Martinez said.

"Sears exhibited good timing, because the Discover card isn't there any more and the increase in sales will probably offset the loss of finance charges from the Sears card," said Janet Mangano a retailing analyst with Burnham Securities in New York.

Sears said it will not deemphasize the SearsCharge card, which "continues to be our customers' first choice." The company expects to add more than five million SearsCharge accounts this year.

Signaling that SearsCharge will not willingly cede its market to the outside brands, Sears said it has enhanced its Rapid Credit program. Customers who qualify can open an account in less than 2.5 minutes – instead of the previous five minutes – at cash registers in Sears stores.

Jane J. Thompson, executive vice president of credit, also pointed out that customers are drawn to a rebate program, called Bonus Club, which pays 1% when total purchases exceed $200.

Sears also does not charge an annual fee, requires relatively low monthly installment payments, and allows a 30-day interest-free grace period on purchases.

"New and existing SearsCharge customers also are attracted to our card because it offers them a line of credit beyond their traditional bank cards," Ms. Thompson said. □

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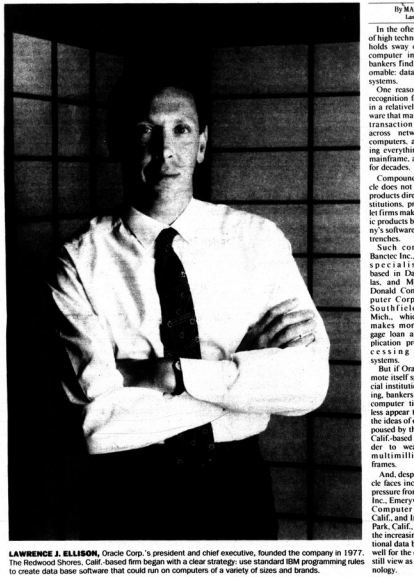
Oracle's Fortunes Rise as Banks Exit Mainframes



LAWRENCE J. ELLISON, Oracle Corp.'s president and chief executive, founded the company in 1977. The Redwood Shores, Calif.-based firm began with a clear strategy: use standard IBM programming rules to create data base software that could run on computers of a variety of sizes and brands.

By MATT BARTHEL
Last of a Series

In the often mystifying world of high technology, Oracle Corp. holds sway over a part of the computer industry that many bankers find downright unfathomable: data base management systems.

One reason for Oracle's low recognition factor: It specializes in a relatively new type of software that manages customer and transaction data distributed across networks of personal computers, as opposed to storing everything in a centralized mainframe, as banks have done for decades.

Compounding the issue, Oracle does not actively market its products directly to financial institutions, preferring instead to let firms making industry-specific products based on the company's software do the work in the trenches.

Such companies include Banctec Inc., an item processing specialist based in Dallas, and Mc-Donald Computer Corp., Southfield, Mich., which makes mortgage loan application processing systems.



But if Oracle's efforts to promote itself specifically to financial institutions have been lacking, bankers riding the personal computer tidal wave nonetheless appear to be latching on to the ideas of data distribution espoused by the Redwood Shores, Calif.-based software firm in order to wean themselves off multimillion-dollar mainframes.

And, despite the fact that Oracle faces increasing competitive pressure from the likes of Sybase Inc., Emeryville, Calif., Tandem Computer Inc., Cupertino, Calif., and Informix Inc., Menlo Park, Calif., many observers feel the increasing popularity of relational data bases at banks bodes well for the company that many still view as the king of the technology.

"I don't think bankers recognize the Oracle name the way they do some other horizontal software vendors, like Microsoft," said Richard Finkelstein, president of Performance Computing Inc., a data base consulting firm based in Chicago.

"But with many banks buying into relational data bases on a departmental basis, that may change."

Flexibility Was Goal

Oracle was founded by its current president and chief executive, Lawrence J. Ellison, in 1977. The company's early strategy was straightforward.

It would use standard programming rules from International Business Machines Corp. called Structured Query Language to establish business data base software that could run on computers of a variety of sizes and brands.

Another goal was to make the software usable by workers without extensive training in computer programming.

Armed with this vision, Oracle proceeded to take over the data base market in the early 1980s. The company's sales revenue grew from about $1 million in 1980 to nearly $1 billion in 1989. Then, when some of the company's product development efforts fell short of market expectations, the go-go growth waned.

Attractive Capabilities

Oracle's strategy of compatibility with a wide range of hardware paid off mightily as companies began to downsize.

The company's wares tapped a vein as a new breed of executive sought a quick way to access and analyze the data housed on their host computers.

The software culls information from the host computer from virtually any vendor – and off-loads that data to a personal computer for further analysis.

The most important aspect of the Oracle products was that they offered the ability to get the data they wanted without having to spend the time or money reprogramming.

The cost savings derived from installing relational data bases was supposed to be.

The compatibility questions came to light mainly because many companies in the late 1980s were beginning to replace their VAX computers from Digital Equipment Corp. with lower-cost computer workstations from companies like Sun Microsystems Inc., as well as networks of PCs.

Competitive Inroads

Installations on VAX machines made up the lion's share of Oracle's sales in the late 1980s, and Oracle had been slow to come up with a new version of its software designed specifically to take advantage of the move to smaller computers, experts said.

This crack in Oracle's armor let several competitors into the fight for relational data base business.

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can be dramatic, said Robert F. Kirk, vice president of marketing at Banctec, and a 10-year veteran of Mellon Bank Corp.

Such capabilities were extremely attractive to bankers from the beginning. Bankers had long been looking for ways to better dissect their sales efforts and analyze the performance of customer segments with a minimum of programming.

Banks Reluctant

Nonetheless, financial institutions have been slow to install the relational data base systems that would allow these distributed capabilities. There are several reasons for the reluctance, experts said.

First, bankers have an almost innate fear of decentralized systems. Moving data from the mainframe raises questions about data security and complicates systems cost-allocation and control.

Second, the large financial institutions that typically break the ice on emerging technologies have historically been mainframe shops.

This means most of the employees of these banks are dedicated to mainframe maintenance and programming, and are thus slow to embrace alternate technologies for fear their jobs will disappear.

"Banks are a bit reticent to move into the flexible systems arena," said Nigel Morris, executive vice president in the credit card area of Signet Banking Corp., Richmond, Va.

Warming Trend

But, Mr. Morris noted that this is slowly changing, as financial institutions hire more business managers who are capable of "taking intelligence out of big, old, monolithic production systems and moving it into areas that allows them to gain the flexibility to cut up data any way they need to."

Signet, a $13 billion-asset institution, has been using Oracle software since 1988 for its credit card business, which consists of about 2.5 million cardholders.

The Oracle software is the data base management engine behind industry-specific software from First Data Resources.

Other financial institutions using Oracle software include Wells Fargo & Co. in San Francisco, NationsBank in Charlotte, N.C., and Citicorp in New York.

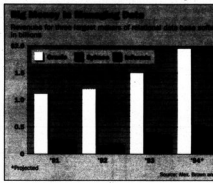
Questions of Soundness

As good as the Oracle software is at allowing access to mainframe data, experts point out that a data base manager is only as good as the application running with it. Oracle makes no banking-specific applications.

And some bank technologists have questioned whether Oracle products are as sound as the company's sales force makes them out to be.

According to several independent consultants, Oracle is infamous in the computer industry for selling what is termed "claimware," or software that does not perform up to promised levels.

In 1989, Oracle's phenomenal decade-long sales growth began to tail off as reports began to surface that the company's software was not compatible with as many hardware platforms as it



The most notable of these, Sybase, has made hay of Oracle's weakness in the area of client-server computing, in which processing for specific applications is shared among a group of linked PCs.

On the strength of its client-server computing and on-line applications, Sybase has become a force in a market that was once owned almost exclusively by Oracle.

Still on Top

Nonetheless, Oracle clearly remains the dominant force in the relational data base market, with annual revenues at the close of their fiscal year in May of $1.5 billion. That figure is roughly twice the 1993 combined revenues expected from Oracle's two nearest competitors, Sybase and Informix, according to analysts at Alex, Brown & Sons in New York.

Alex, Brown projects that Oracle will continue to grow to $2.5 billion in revenues in 1995.

There are indications that these growth plans involve banks, although Oracle executives decline to be specific. □

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AUCTION NOTICES

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 17, 1993 9:30 A.M. 6642 White Plains Rd Bronx 1986 E123 Crown Victoria 4 Dr Sdn 2FABP43F9GX200573 Rec'd: Chase; 10:00 A.M. 4609 Furman Ave Bronx 1987 Lincoln Town Car 4 Dr Sdn 1LNBM81F3HY647885 Re/Star Motor Car Leasing Ltd/E Dumay/A Delacruz: 10:30 A.M. 3037 Boston Rd Bronx 1979 Chevrolet Caprice 2 Dr Sdn 1W41L9Z22-7063 Re: W Odell, Jr.; 1985 Plymouth Voyager 3/Dr Sdn 1B3BG4B5XFZ703076 Re/ Paternoster; 1985 Chevrolet Grumman Step Van 1GBHP32M6F3301681 Re: Chase; 11:00 A.M. 3318 DeLavall Ave Bronx 1984 Ford Econoline 250 Van 1FTEW24Y1EHA59-825 Re: Fruit to Nuts Inc/A Cimitero; 11:30 A.M. 1364 Brooklyn Ave Bronx 1978 Chevrolet Chevette 4 Dr Sdn 1B68ER9Y1-36934 Re: H Kostenstein; 12:00 P.M. 1779 West Farms Rd Bronx 1983 Mazda 626 4 Dr Sdn JM1GB7223D1305196 Re: A Majuro/V Scott; 12:30 P.M. 4729 Third Ave Bronx 1984 Chevrolet Cavalier Sedan 1G1AD35PRE7201071 Re: O Raamanss/L Gonzalez; 1:00 P.M. 4026 Park Ave Bronx 1990 Honda Accord 2 Dr Sdn 1HGCB726-9LA000662 Re: State Farm Ins. Co./N Karapas; 1979 Mercedes 450SL 2 Dr Conv WP12389 Re: United Community Ins./F Scalise; 1:30 P.M. 1941 Bronxdale Ave Bronx 1977 Datsun 280Z 2 Dr H/B HLS30412329 Re: Bronx Standard; 2:00 P.M. 1300 Gerard Ave Bronx 1991 Nissan Sentra 2 Dr Sdn 1N4GB31D2MC405274 Re: NER Auction System Of Pa /A Fernandez; 2:45 P.M. 1425 Sheridan Ave Bronx 1986 Jaguar XJ6 4 Dr Sdn SAJAV1343GX455113 Re: Jaguar Leasing; 3:15 P.M. 31 Nagle Ave NYC 1980 Glassman F/B 40 Ft. 12 Boat 1100000 Re: Period; 3:45 P.M. 103 W 108th St NYC 1982 Nissan Sentra Sdn JN1CB51D7CU-T02677 Re: W Infante. Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 17, 1993 10:00 A.M. 827 Serving Place Bklyn 1984 Toyota Tercel 2 Dr H/B JT2AL32K6E0068911 Re: Chase; 10:30 A.M. 1982 Ford Granada 2 Dr Sdn 1FABP26-BKC122830 Re: P Zarnec/AMCRO Inc/JAFIUA; 10:30 A.M. 270 Greene Ave Bklyn 1979 Dodge Sportsman 2/Mini Van JFHK31036 Re: Harper Associates; 11:00 A.M. 898 East New York Ave Bklyn 1985 Isuzu Cutlass Supreme 4 Dr Sdn 1G3AR6-9AE483720 Re: E Brown; 11:30 A.M. 37 Carlton Ave Bklyn 1970 Mercedes Benz 250 4 Dr Sdn 11004212107307 Re: F Carson; 12:00 P.M. 16 Clermont Ave Bklyn 1990 Honda Accord 2 Dr Sdn 1HGCB7-368LA011412 Re: H L K Chan; 1984 Honda Civic 2 Dr Sdn 1HGCB7431EB503-294 Atlantic Ave Bklyn 1984 Audi 5000S 4 Dr Sdn WAUFB04D8EN154359 Re: E Chevalier; 2:30 P.M. 1864 Atlantic Ave Bklyn 1984 BMW 528 4 Dr Sdn WBADK-EX00E0273932 Rec'd: Mellon Bank; 3:00 P.M. 1062 Utica Ave Bklyn 1987 Chevrolet Suburban 4 Dr Sdn 1GBGS-1791840195 Re: J Quesedo; 4:00 P.M. 1281 Rogers Ave Bklyn 1984 Chevrolet Chevy Van 10 Van 1GCGG13DXE1189-123 Re/New York Police Dept Sig/G Sirupsal. Metropolitan Auctioneers Inc.

Peonto Lins Service, Lic# 869242 Sells on 8/09/93 at 10:00 A.M. 2003 Nelson Ave Bx NY 81 Chevr Camaro #1G1AP87K5BL-156139 Re: C. Milburn; 1984 Chevrolet 4 Dr Sdn Ave. Bx NY 87 Mazda RX7 #JM1FC332-XH0153642 Re: R Jackson; 1984 Chevrolet V Tsunoni Ave Bx NY 82 Olds Delta 88 #1G3AY69M3EM320276 Re: A Umana; 86 Olds 2DSD #1G3NF27U4GM360523 Re: S. Flores, 79 Buick Regal #4Z37R7S-E115775 Re: A. Pacheco, 87 Mercu Cougar #1MEBM40E8HH650599 Re: Metro Auctions. Co, 84 Chrys New Yorker #1C3BP6-6P9EG117388 Re: D. Cuello; 11 AM 1564 E. 174 St Bx NY 85 Honda Civic #JHM-AH5336F0025139 Re: D. Osborne. 83 Dodge 4DSD #1B3BM36CXDF135458 Re: A. Deolio. Published 7/23 & 7/30/93.

L. Posner lic #847081 sells for cash 8/16/93 at 10:30AM at 1060 McDonald Ave Brooklyn NY 1984 Chev #1G1AN69EXB1130174 Re: F. Jeanperre.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 11, 1993 9:30 A.M. 3592 Hampton Rd Oceanside 1989 Harley Davidson FLH MJC 1HDLBL45K9Y024476 Re: Firemans Fund Ins Co./Follo Ave Legal Serv Inc/R Rossi 10:00 A.M. 1761 Hempstead Turnpike Elmont 1984 Plym Voyager Van 2P4FH21C3ER177996 Re: J Lewis; 10:45 A.M. 78-15 31st Ave Jackson Heights 1987 Chevrolet Caprice 4 Dr Sdn 2G1AL69144929217337 Re: H Long Jr.; 11:15 A.M. 89-23 Baisley Blvd Jamaica 1976 Oldsmobile Vista Cruiser Sdn 3J37-5R6D1Z98493 Re: C Correa/J Rosa; 12:00 P.M. 38-03 21st St Queens 1978 Chevrolet Caprice Classic 4 Dr Sdn 1Y69J-AZ299837 Re: H Harper; 1978 Ford Mustang 2 Dr Sdn 8F07Y258078 Re/A Qualah; 12:30 P.M. 12-14 Broadway Queens 1991 Mazda MX6 2 Dr Sdn 1YVGD31B7M5115888 Re:/ Lopez; 1:15 P.M. 129-01 Atlantic Ave Queens 1986 Mercedes Benz L1117 Truck 1M8DZ876AGN046211 Re: McKeon Overhead Door Co. Inc; 1:45 P.M. 130-28 Merrick Blvd Queens 1982 Toyota Cressida 4 Dr Sdn JT2MX82K2C0030306 Re:/ Delshaw/T Trash: 2:15 P.M 137-24 Redding St Queens 1984 Plymouth Cor 4 Dr Sdn 1P3BP28A8EU405901 Re: A Toure; 1983 Dodge 600 ES 4 Dr Sdn 1B3BE66C-3DJ217000 Re: J Black; 1986 Oldsmobile Delta 88 4 Dr Sdn 1G3HN69J9GW304435 Re: J Bennett; 1979 Toyota Celica 2 Dr H/B RA42211178 Re: S Melvin: 3:00 P.M. 2838 Atlantic Ave Bklyn 1983 Oldsmobile Toronado 2 Dr Sdn 1G3AZ37Y9DE330019 Re: A Cruz: 3:30 P.M. 1307 Fulton St Bklyn 1983 Mazda 626 4 Dr Sdn JM1GC1181D0519-455 Re: Metropolitan Insurance Co./ J Makarem/A David: Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC#793108 and/or S. GORELICK DCA LIC # 841437 Sell August 18, 1993 10:00 A.M. 1108 S. Queens 1985 Chevrolet 10 Van 1GCD-246H2F3177310 Re: Automotive Financial Leasing Corp./Penn Corp. Of America/M. Cruz; 10:30 A.M. 78-13 Ave Queens 1984 Datsun 300ZX 2 Dr H/B JN1HJ2145-4E303365 Re: B.M.Ferguson; 11:15 AM 12-14 Broadway Queens 1987 Plymouth Voyager Van 2P4FH51J3HR263418 Re: T. Mensah; 12:00 PM 172-02 Hillside Ave Queens 1987 Sterling 825S 4 Dr Sdn SCK-FCEB5H4HM132630 Re: S. Walker; 1988 Pontiac Grand Am 2 Dr Sdn 1G2JW54M-3K560381 Re: A & M Rggins; 12:45 PM 126-24Farmers Blvd Queens 1983 Volvo 760 GLE YV1VD0446D1431939 Re: Volvo Car/ R. J & P Watson; 1:30 PM 116-40 Sutphin Blvd Queens 1985 Ford F350 Flatbed 2FUJF3715FCA54510 Re: Dougs Auto Repair Inc. 2:00 PM 109- 70 Van Wyck Exp Queens 1982 Pontiac Grand Prix 2 Dr Sdn 1G2AV37A7CP153310 Re: C. Vignoni; 1982 Oldsmobile Cutlass Supreme 2 Dr Sdn 1G3AM47AXC3943229 Re: E. Yam; 2:45 PM 103-59 110th St Queens 1993 Chevrolet Pickup 1GCGC-93N2PE105724 Re: Midwise Auto Collision Inc./ Autoparty; 3:15 PM 161-11 Cross Bay Blvd Queens 1986 Kawasaki 550 2 Dr Sdn KAW 2635ICS86 Re: G.Obrien: Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 12, 1993 10:00 AM 3881 Richmond Ave S.I. 1982 Chevrolet Camaro 2 Dr Sdn 2G1AP87T4C9151108 Re: P & J Gambino; 11:00 AM 387 Port Richmond Ave S. I. 1987 Oldsmobile Cutlass 4 Dr Sdn 1G3NT31U0HM200842 Re: E Gonzalez; 11:45 AM 3333 Richmond Terrace S.I. 1982 Chevrolet Chevy Van 20 Van 2GCGG25D5C4140354 Re: Anne Lilk C/Community/S. Steinmen; 3:00 PM 1717 Greenwood Nick Rd Bklyn 1987 Oldsmobile Cutlass Cruiser Sdn 1G3AM81H4D343821 Re: A. Kipphan: Metropolitan Auctioneers, Inc.

Hal Zakow Lic #0735454 Sells 8/06/93 Bx NY 1PM 2114 Arthur Ave 80 Buick #4694WAX114194 Re: RE Pacheco; 2PM 276 Jian Ave 92 Mitsu #JA3XC75B8NV0-10020 Re: Dt. Mercies. 82 Nissan #3N1HB15S5CU003324 Re: J. Rodriguez; 4T Yuke #1YWF6B7T5HV5754 Re: M. B Acosta, Publ. 7/23 & 7/30/93.

AUCTION NOTICES

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 10, 1993 10:00 AM 762 Bergen St. Bklyn 1982 Oldsmobile Delta 88 4 Dr Sdn 1G3AN69YWCM183792 Re: F & B Goddard; 10:30 AM 214 Clifton Pl. Bklyn 1975 Mercedes Benz 450SEL 4 Dr Sdn 11603312038106 Re: B Christopher; 11:00 AM 37 Carlton Ave Bklyn 1982 Chevrolet Camaro 2 Dr Sdn 1G1AP8715CN165099 Re: A. Lopez / D Lawler; 11:15 AM 220 Vandervelt Ave Bklyn 1981 Oldsmobile Omega 4 Dr Sdn 1F23MX63E4B000347 Re: L. Nelson; 12:00 PM 46 Hull St. Bklyn 1978 Datsun Truck 4 Dr Sdn HGA36-W8788-3DN234675 Re: A. Jones; 12:30 PM 2670 Fulton St. Bklyn 1983 Nissan Accord 4Dr Sdn 1HGAD5431FA066104 Re: M. Ramirez; 1:00 PM 842 Bremen Ave Bklyn 1988 BMW 535IS 4 Dr Sdn WBADC7405-2J117191989 Re: Warehouse H & Associates/P. Chorn; 1989 Toyota Camry 4 Dr Sdn 4T1SK13E3KU049166 Re: S. Cuzco; 2:00 PM 476 Utica Ave Bklyn 1981 Datsun 280ZX 2 Dr H/B JN1HJ02S2BX-413412 Re: M. Traver: 2:30 PM 651-659 Utica Ave Bklyn 1989 Suzuki Samurai 2/Soft JC1SJ13R8K8210066S Re: M. R. Schlesinger; 100 Utica Ave Bklyn 1984 Chevrolet Pontiac Grand Prix 2 Dr Sdn 2G2AJ37-A5EJ031040 Re: W.L. Bowen: 3:30 PM 4406 Farragut Rd Bklyn 1985 Chevrolet Corvette 2 Dr Conv. 1G1YY2183F5-104984 Re: N. Lattimore. Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 19, 1993 9:30 A.M. 6124 164th Ave Bklyn 1989 Suzuki Samurai 2/Soft JH12MC0606C307068 Re: R Canas; 10:00 A.M. 261 Meeker Ave Bklyn 1985 Chevrolet Caprice Classic 2 Dr Sdn 1G1-BN47Z2FH511786 Re: S Chaine; 10:45 A.M 361 91st St Bklyn 1986 Pontiac Trans Am 2 Dr Sdn 1G2FW8781GL232482 Re: Insurance Co. of North America/Cohen Seglias Pallenberg & Silver; 1978 Ford Mustang 2 Dr Sdn 8Y07H100110 Re: R Pallotta: 11:30 A.M. 529 W 35th ST NYC 1993 Jeep Grand Cherokee Sdn 1J4GZ58S3PC514-354 Re: J Hajan; 12:00 P.M. 150 W 20th St NYC 1976 MG MGB 2 Dr Conv GHD5UD-UG378474BG Re: V H Wong; 1973 MG MGB 2 Dr Coupe GHD5UE3299502 Re: M Sellers; 1978 MG MGB 2 Dr Conv GHN5UH400972C Re: Automotive Financial Leasing Corp./ Triumph TR7 2 Dr Coupe ACW436041A Rec'd: Lessee; 12:30 P.M. 7 E 14th St NYC 1983 Oldsmobile 98 4 Dr Sdn 1G3AN69YWDM818008 Re: R Gittle 1:15 P.M. 349 Canal St NYC 1980 Vespa PIAGGIO Mod. VNX1T Scooter Re: B Binotti. Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 18, 1993 10:00 A.M. 4075 Boston Rd Bronx 1983 Toyota Camry 4 Dr Sdn JT2SV16E1D0-033738 Re: Chase; 10:30 A.M. 730 Zerega Ave Bronx 1986 Chevrolet Camaro 2 Dr Sdn 1G1FP87S0-2EL128181 Re: Chase; 11:00 A.M. 1982 Cadillac Eldorado 4 Dr Sdn 1G6-AG69C3CC402751 Re: J. Castro Metropolitan Auctioneers, Inc.

Hal Zakow Lic #0735454 Sells 8/13/93 NY 1PM 1734 Millan Av NY 81 Toy #4T2TE-72L4DW026147 Re: J. Jimenez; 2PM 941 Wahgn Av Bx 81 Cadil #1G6AL5792-8E686379 Re: D & E Fabior; FST Ford Se En Lux auc; 85 Chev #1G1TB68C5FA103757 Re: M A Acevedo; 3PM 276 Pkn Av Bx 77 Olds #3X69L7E188896 Re: Distst Troup Co.; 4PM 1667 Cadil Bd Bx 87 Ford #1FA-BP3737K1K17847 Re: J. Doe/E Stephen. Ford #1FAHP53U4HG180531 Re: F. Martello. Publ 7/30 & 8/6/93.

CITATION NOTICES

File No. 3586-1991

CITATION

THE PEOPLE OF THE STATE OF NEW YORK, BY THE GRACE OF GOD, FREE AND INDEPENDENT,

TO Gary Rawls;
Tanaka Rawls;
Barbara Lee as guardian of Benjamin F. Rawls III;
Benjamin Rawls, Sr.;

And to the distributees of Benjamin F. Rawls, Jr., also known as Benjamin Rawls, Jr., deceased, whose names and post office addresses are unknown and cannot after diligent inquiry be ascertained by the petitioner hereto, being the persons interested as creditors, legatees, heirs-at-law, next of kin, distributees or otherwise in the estate of Benjamin F. Rawls, Jr., also known as Benjamin Rawls, Jr., deceased, who at the time of his death was a resident of 630 Lenox Avenue, New York, N.Y.

Send Greeting:

Upon the petition of the Public Administrator of the County of New York, having her office in Room 311, in the Surrogate's Court Building, 31 Chambers Street, New York, N.Y.

You and each of you are hereby cited to show cause before the Surrogate's Court of New York County, 31 Chambers Street, in the County of New York, on AUGUST 25, 1993, at 9:30 a.m., why the account of proceedings of the Public Administrator of the County of New York, as administrator of the goods, chattels and credits of said deceased, should not be judicially settled, and why a decree should not be held to determine the identity of the distributees of decedent and why the fee of Ph(1)p Bekerman, P.C., in the sum of $4,125.00, of which $2,475.00 has been paid, should not be approved and reasonable additional fee be fixed and allowed for Philip Bekerman, P.C. for any services to be hereafter rendered by Philip Bekerman, P.C. in connection with proceedings relating thereto, etc., prior to the entry of a final Decree on this accounting.

Dated, Attested and Sealed: June 24, 1993.

(SEAL) HON. EVE PREMINGER, Surrogate, County of New York

ROBERT M. REAVES
Clerk of the Surrogate's Court

Name of Attorney: Philip Bekerman, P.C.
Address of Attorney: 350 Broadway
New York, New York 10007
Tel. No. (212) 732-8400

AUCTION NOTICES

L. Posner lic #847081 sells for cash 8/09/93 at 10AM at 2562-71 Northern Blvd. Long Island City NY 1984 Chev #1N1HF1650EX016997 Re: M. Flores; 10:30AM at 98-21 Linden Blvd Ozone Park NY 1985 Chev #2SJGR7743-2J260186 Re: S. Cohen; 11AM at 71-20 80th St. Qns. 67 Chev #1638T7F241378 Re: Gerard Casimire & J. Gerard/Mr. Rooter & Mr. Thunderbird #D7FH2936699 Re: T. Breslin; 11AM at 250-21 Northern Blvd Glen Oaks. Pl. Dodge #1B3BL28B2BD104000 Re: J. Berkowski; sells 8/10/93 at 10AM at 6 E.Main St. New Rochelle. 86 Toyota Celica #JT2ST65C3G0340914 Re: Dover Nissan Inc.; 10:30AM at 222 Madison St. Bklyn. 84 Mitsubishi Starion #JA3RC34E5EZ040345 Re: A. Thomas.

By Virtue Of A Default In A Security Agreement Dated 1/8/92 Between Consolidated Rock Products, Unsecured Group Grocers Inc and Associated Foods Inc., and King Jackson Investments Ltd. (Debtor) I Will Function And Sell On August 5, 1993 2:00PM at 90-09-11 Ave Jackson Heights NY. Chattels And Fixtures & Equipment & All Items Listed In Agreement. The Secured Party Reserves The Right To Bid. Subject To Any Prior Security Agreement. The Sale Does Not Include Any Personal Property That May Be Deemed On Rental. Loan. Lease. Israel L. Saposnick Auct'r As Agent. DCA #327888.

PAWNBROKER AUCTION

Herbert B. Caspert, Auctioneer DCA #460873 Sell At Pawnbroker Establishment, 2348 Grand Concourse, Bronx, New York On AUG. 11, 1993 At 9 A.M. All Unredeemed Pledges Including All Holdovers From Previous Sales. From 89459 Of JULY 5, '88 To 51192 Of Jan. 2 '93.

CITATION NOTICES

SURROGATE'S COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
File No.375/93

CITATION

THE PEOPLE OF THE STATE OF NEW YORK

BY THE GRACE OF GOD
FREE AND INDEPENDENT

TO: PUBLIC ADMINISTRATRIX

The heirs at law, next of kin and distributees of HENRY OTTLEY, deceased, if living and if any of them be dead, to their heirs at law, next of kin, distributees, legatees, Executors, Administrators, assigns and successors in interest whose names are unknown and cannot be ascertained after due diligence.

A petition having been duly filed by VERA CANTON JONES, who is domiciled at 480 St. Nicholas Avenue New York City New York 10030

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court of New York, sitting at Room 509, 31 Chambers Street, New York, on September 21, 1993, at 9:30 a.m., why a decree should not be made in the estate of HENRY OTTLEY, Deceased, lately domiciled at 2569 Adam Clayton Powell Blvd. New York New York 10039 in the County of New York, admitting to probate as a will a paper and personal property a paper dated November 22, 1988, (a copy of which is attached) and ordering the Letters of Testamentary issue to VERA CANTON JONES), (Save any further relief sought)

None

Dated, Attested and Sealed: July 19, 1993.

(SEAL) EVE PREMINGER, Surrogate, County of New York

ROBERT M. REAVES
Clerk of the Surrogate's Court

Name of Attorney:
IRVING J. PANZER, ESQ.
Address of Attorney:
420 Grand Concourse
Bronx, New York 10451
Telephone Number:
(718) 665-2246

This citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that you do not object to the relief requested.

PARTNERSHIP NOTICE

Notice of formation of limited partnership ("L.P."). Name: 310 LENOX ASSOCIATES,L.P. Certificate filed with Sec. of State of NY ("Sec.") on 5/6/93. Office location: NY Cty. The Sec. has been designated as agent of the L.P. upon whom process against it may be served. The Secretary shall a copy of any process to c/o Hoffinger Friedland Dobrish Bernfeld & Stern, P.C., 110 E. 59th St., NYC 10022. Hoffinger Friedland Dobrish Bernfeld & Stern, P.C., 110 E. 59th St., NYC 10022 is the registered agent of the L.P. upon whom process may be served. The name and address of each general partner is available from the Sec. Effective date is dissolve: 12/31/2073. Purpose: to buy, sell, operate and manage real estate.

NOTICE TO CREDITORS

All creditors of and claimants against Lyle Mendell, Inc. are notified that July 31, 1993 must present their claims in writing and in detail on or before January 31, 1994 to said Corporation at 1730 NASA Road One, Suite 101, Houston, TX 77058 in accordance with B.C.L. 1007, or such claims shall be forever barred as against said Corporation, its assets, directors, officers and shareholders.

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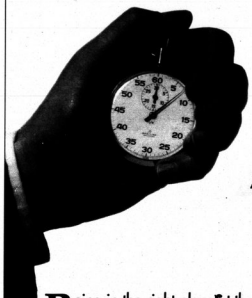

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Bankers Trust Flying Solo In $2.3 Billion Kodak Loan

Continued from page 1

risky.

"I don't think underwriting this thing is an outlandish thing to do," said an official at one of the banks that competed against Bankers Trust for the mandate to lead the credit.

Will Convert to Revolver

Spokesmen for Kodak and Bankers Trust declined to comment on the size of the bank's underwriting commitment.

Much of the $2.3 billion is expected to be replaced with proceeds from public debt and equity offerings within a year. The credit will then convert to a $500 million, multi-year revolver.

Bankers Trust, which has both bond and stock underwriting powers, may be hoping to land future underwriting assignments for Eastman Chemical in the capital markets.

Kodak did not specifically seek a fully underwritten commitment on the bank credit, but Bankers Trust apparently felt that providing one would make its bid more competitive. The bid was also considered by sources to be aggressively priced.

Other bidders included Chase Manhattan Bank, Chemical Bank, Citibank, and NationsBank.

Bankers Trust was viewed by some as the favorite to win the bidding, because it had just led a $3.5 billion revolver for Kodak last year. Bankers Trust's underwriting commitment on that deal was $400 million.

While Bankers Trust has strong relationships with Kodak and other investment-grade corporations, the bank's forte in recent years has been lending to highly leveraged borrowers.

The credit will finance the spinoff of Eastman Chemical.

The bank's aggressive pitch to win the Eastman Chemical deal signals that Bankers Trust wants to make more of a push in the higher end of the credit-quality spectrum.

"We are extremely interested in the investment-grade market-place," said Bankers Trust spokesman Tom Parisi.

Bankers Trust's securities underwriting subsidiary, which received out a niche in the junk bond arena, recently began pursuing investment-grade deals. ☐

West One Bancorp Sets a 2-for-1 Stock Split

BOISE, Idaho — West One Bancorp said its board has authorized a 2-for-1 stock split, payable Aug. 13 to shareholders of record on July 23.

The board also declared a quarterly cash dividend, adjusted for the split, of 15.5 cents, payable Oct. 21 to shareholders of record Sept. 30.

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Banks Now Turning Their Sights On Loans to Boost Earnings

Continued from page 1

wide, but there are some scattered signs that banks have begun to increased their holdings of commercial and industrial loans.

Even in the battered New England economy, Bank of Boston's portfolio of domestic corporate loans rose to $10.4 billion in the second quarter from $9.7 billion in the first quarter.

About a third of the increase came from new loans to middle-market customers in New England, according to Kevin Mulvaney, executive vice president of national banking at Bank of Boston.

The rest of the increase came from a pickup in loan demand

NEWS ANALYSIS

from specific industries.

"There was very good usage in the energy area," Mr. Mulvaney noted.

Second Half Seen Strong

He also said the bank is optimistic about continued growth in the second half of the year, which typically is a seasonally busy period in terms of loan demand.

CoreStates Financial Corp., based in Philadelphia, said it is seeing good loan growth in its regional markets, which extend from northern Virginia to Massachusetts, and west to Ohio.

But a lot of that increase represents market share that the banks has captured from competitors, said Dorothy Motz, executive vice president and chief lending officer.

At the same time, though, the bank's middle lines are weak in commercial lending, both in the large corporate market and on its home turf.

Carlos Evans, an executive vice president who is responsible for commercial lending in the Carolinas, said loan growth in the first half of this year was running at a 15% annualized rate.

He handles customers with annual sales of $5 million to $100 million. Larger corporate credits are the province of the so-called institutional bank.

About 75% of Mr. Evans' new business is refinancing, as opposed to loans to finance new capital spending programs.

While Mr. Evans said he is glad to have the business, he'd rather finance the type of activity that creates jobs.

Keen Competition

With so many banks now looking for assets, competition for loans now is as competitive as it has ever been, according to bankers around the country.

That, in turn, has put pressure on loan pricing and banks' net interest margins.

"We, like everyone, are seeing pressure on margins," said Mr. Evans.

Banc One's Mr. LaVelle said his bank is "concentrating on more effective marketing and cost control to counteract any softening of margins that may occur."

In New England, Mr. Cassidy at Tucker Anthony said, "We have to make sure that the contraction in banks does not offset any improvement in loan growth." ☐

Second-quarter reports indicate that loan demand is rising.

"What we are seeing are stronger survivors now back in, replenishing their fleets," Ms. Motz said.

CoreStates Bank, the holding company's flagship subsidiary, outstanding C&I loans rose by $300 million in the second quarter, compared with the first period.

In general, though, loan demand in the Northeast remained subdued at best in the second quarter.

Signs of Improvement

But there are signs that demand may be picking up.

Loans at big regionals rose 6% in the quarter.

Gerard Cassidy, a banking analyst at Tucker Anthony Inc. in Portland, Maine, said that more business borrowers are being approved for new credit lines. And as the funds are drawn, the new loans will show up on banks' balance sheets.

Loan demand is stronger in the Midwest and Southeast, analysts said, and several large banks in those regions reported at least a modest pickup in lending. On the West Coast, demand remained sluggish.

Banc One Corp. in Columbus, Ohio, reported a 2.8% net increase in loans in the second quarter, compared with the first three months of the year.

James LaVelle, senior vice president and chief credit officer, said residential real estate was the strongest segment, fueled by mortgage refinancings.

Business loans were basically flat, but the bank is looking for a modest increase in the second half, he added. ☐

Going After Business

NationsBank Corp. in Charlotte, N.C., has made a big push

Citfed to Call Euronotes

DAYTON, Ohio — Citfed Bancorp said its subsidiary, Citizens Federal Bank, intends to call its Euronotes at par on Sept. 13.

It said the outstanding principal balance of the floating-rate Libor-based notes is $67.4 million, with an interest floor of 5%.

Citfed said its bank intends to replace the borrowing with lower-cost Federal Home Loan Bank advances. ☐

BANK CALL NOTICE

Report of Condition of
THE DEPOSITORY TRUST COMPANY
New York, N. Y.
at the close of business June 30, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 157,442
Interest-bearing balances	17,714
Securities	2,275
Federal funds purchased and resale agreements	3,456,497
Other assets	445,357
Total assets	$4,080,285

LIABILITIES	
Other borrowed money	$ 5,944
Other liabilities	4,812,774
Total liabilities	4,818,340
EQUITY CAPITAL	
Common stock	1,850
Surplus	500
Undivided profits	29,595
TOTAL EQUITY CAPITAL	(769,945)
TOTAL LIABILITIES AND EQUITY CAPITAL	$4,080,285

I, Gary J. LaCaria, of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

GARY LaCARIA

We, the undersigned directors, attest the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

WILLIAM T. DENTZER, JR.
WILLIAM F. JAENNIKE
Directors

Highlights for Thursday, July 29

TOP 10 GAINERS %

Baltimore Bancorp	9.9
Pacific Western Bancshares	9.4
Victoria Bankshares, Inc.	7.5
Boulevard Bancorp, Inc.	5.6
MBNA Corporation	4.4
National Penn Bancshares, Inc.	4.0
Harleysville National Corp.	4.0
Imperial Bancorp	3.9
Chemical Financial Corporation	3.9
Associated Banc-Corp.	3.8

TOP 10 LOSERS %

Tompkins County Trust Company	-6.5
Jefferson Bankshares, Inc.	-5.2
First Mercantile Corp.	-4.7
Mid-America Bancorp	-2.7
Bank of Granite Corp.	-2.6
Bank of Boston Corp.	-2.3
Lake Shore Bancorp., Inc.	-2.2
Wachovia Corporation	-2.1
One Valley Bancorp of WV, Inc.	-2.1
Security Capital Bancorp	-2.1

MOST SHARES TRADED

Citicorp	2359400
Chase Manhattan Corporation	1248300
Chemical Banking Corp.	1195300
BankAmerica Corporation	1139800
Midantic Corporation	1110100

VOLUME AS % OF AVERAGE

Victoria Bankshares, Inc.	3497.6
First Amer. Bankshares Corporation	1402.1
Boulevard Bancorp, Inc.	1149.9
First Financial Bancorp	1122.6
United Missouri Bancshares Inc	1030.8

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the previous business reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.39	1.20	1.38	0.86	2.06	1.90	0.72	0.84	6.69

Top 225 Banks

52 Wk High	52 Wk Low	Name	PE	Mkt Bk%	Cls.	Chg.
38¾	27¾	FirstAlabama AL	12.1	182.4	33	-¼
30¾	21¾	FirstFidelity NJ	7.9	206.8	30¼	-¼
33¾	25¾	FirstInterCorp TN	11.7	158.8	31¾	¾
29¾	20¾	FirstMichigan MI	11.4	172.7	29¾	¼
28¾	18¾	FirstMiss Corp MS	27.4	135.1	27¾	-¼
46¾	29¾	FirstOhioBcp IL	12.1	177.5	46¼	1¼
24¾	17¾	FirstPennsylvania PA	5.4	70.1	18¾	¼
18¾	14¾	FirstUnionNC NC	15.5	126.2	15¾	¼
24¾	17¾	FirstVirginia VA	10.4	144.2	23¾	¼
75	40¾	FirstCommerce NO	10.9	160.3	75	
30¾	27¾	FirstCommercial AR	11.4	170.2	30¾	
31¾	25¼	FirstCommBk IN	12.4	159.3	30¾	¾
98	98	FirstCitizens NC	NM	185.3	25	
157⅞	128	FirstEmpire NY	11.7	164.6	146	¼
51¾	34	FirstFedFin IA	11.7	186.4	48¾	¾
48¾	37¾	FirstFedNor OH	16.4	214.0	48¾	1¾
30¾	23¾	FirstFinancial IN	11.7	183.4	30¾	
30¾	23¾	FirstHawaiian HI	10.3	153.5	27¾	¼
31¾	23¾	FirstHorizon TN	9.1	162.7	31¾	¾
27½	19¾	FirstIndBcpCorp IN	12.7	176.8	27¼	
27¾	21¾	FirstInterstate CA	12.4	157.9	27¾	¼
30¾	21¾	FirstLibertyFI GA	10.6	211.7	30¾	¾
30¾	21¾	FirstSecurity UT	11.0	157.2	27¼	¼
47	33¾	FirstTennessee TN	12.5	193.9	47	¼
51¾	35¾	FirstUnionCorp NC	13.5	173.7	47¾	1¼
31¾	23¾	FirstUnionRE FL	8.9	107.2	29¾	¾
30¾	21¾	FirstSecurity KY

STOCKS

First Chicago Earnings Are Winning Converts

By RICHARD LAYNE

First Chicago Corp.'s stellar second-quarter earnings, especially the strong showing in trading, venture capital, and credit cards, have given it a new gloss among investors.

The stock has risen 8.8% since the earnings report was issued on July 14, making First Chicago the hottest superregional stock.

Most bank stocks have slid sideways since releasing earnings. But in late afternoon trading on Thursday, First Chicago's shares were at $46.25, up $1.125.



Investors bid up the price of the stock primarily because the bank said it had $92 million in revenues from trading and foreign exchange last quarter. That's nearly three times the revenues from that period last year. By comparison, the bank's trading revenues for all of 1992 were $177 million.

Revenue Gains

Investors took notice, too, of other revenue gains. Equity gains from the venture capital portfolio last quarter were $42 million. And fee revenue from credit cards was $164.2 million, a 12% jump from the first quarter.

In all, the bank's quarterly earnings soared to $168.5 million from $34.5 million last year.

J. Richard Fredericks, an analyst with Montgomery Securities in San Francisco, said First Chicago is a better turnaround story than Citicorp, another hot stock.

First Chicago's shares sell at a lower price to book than Citicorp's shares – 124% versus 136%, Mr. Fredericks points out. Plus, First Chicago pays a dividend and Citicorp doesn't.

Also, First Chicago has moved faster in alleviating the burden of bad loans, Mr. Fredericks said. The Chicago bank's ratio of nonperforming assets in the second quarter was 1.7%, far better than Citicorp. And First Chicago could book profits from the sale of bad real estate loans, which were written down to about 54 cents on the dollar.

"I don't think enough people pay attention to First Chicago," said Mr. Fredericks.

Catching Eye of Investors

Last quarter's trading revenues helped changed that. First Chicago reported earlier than the big New York trading banks and its results caught investors attention. Of course, Citicorp, J.P. Morgan & Co., and Bankers Trust New York Co. had far bigger trading revenues last quarter.

"There is an argument to be made here that First Chicago has broken out of its historical range in the trading business," said Frank R. DeSantis Jr., an analyst with Donaldson, Lufkin & Jenrette Securities Co.

Trading revenues are always suspect on Wall Street. The question is whether they can be sustained over the following several quarters. And First Chicago has less of a track record in the business than the big trading banks.

"For the past four years, First Chicago spent a good amount of money on the capital market area, but there was never a visible return," said Judah Kraushaar, an analyst with Merrill Lynch & Co.

Mr. Kraushaar said he isn't prepared to give the bank a vote of confidence based on one quarter's results.

The venture capital business, in which First Chicago holds stakes in other companies, is unpredictable as well. The gains in the past were around $25 million to $50 million per quarter, said analysts. So far this year, First Chicago has made $160 million from equity gains in the venture capital business.

However, the credit card business is seen as a growing business and a good one for First Chicago.

"That's a core business that isn't as cylical as trading," said Mr. DeSantis.

THURSDAY'S MARKET

Bank shares turned sharply upward Thursday, helped by gains in the broad stock market and bond market.

NationsBank's shares led the way, rising $1.375 to $50.625, after the bank announced it was buying $2.3 billion in receivables from a subsidiary of U.S. West.

J.P Morgan & Co.'s shares jumped $1.25 to $73. And Banc One Corp.'s shares gained $1.125, to $54.875. First Union Corp.'s shares rose $1.25 to $47.375.

MBNA Corp.'s shares continued their tear, jumping $1.375 to $32.375. In the past three days, the stock has gained 17.7%. □

UNDERWRITING

NationsBank Exercising New Power With $150 Million Issue for First USA

By DAVID SIEGEL

NationsBank Corp. will use its new corporate debt underwriting powers in an upcoming $150 million issue of debt by First USA Bank, a NationsBank spokesman confirmed Wednesday.

The company's NationsBanc Capital Markets unit will be one of three underwriters, along with J.P. Morgan Securities and lead manager Merrill Lynch & Co.

The North Carolina-based superregional received Federal Reserve Board approval to underwrite corporate debt and equity earlier this week.

"They asked us to participate," said the NationsBank spokesman. A First USA spokesman declined to comment.

Established Relationship

NationsBank is a lead bank of First USA Inc., the parent company. NationsBank is a coagent of a new $250 million financing for the parent.

First USA is one of the largest issuers of credit cards, with more than 4.5 million outstanding at June 30. The Dallas-based company was taken private four years ago in a leveraged buyout by company management and investors, including Merrill Lynch.

First USA Bank will issue $150 million of 10-year subordinated bank notes as early as today. The notes are expected to be rated BB-plus by Standard & Poor's Corp., said a market source. They are expected to be priced with a yield around 185 to 190 basis points over the 10-year U.S. Treasury note, said a market source.

Bolstering the Capital Ratio

The issue will raise the bank's total capital ratio to 14.6% from 10.30% at June 30, said a source.

First USA recently refinanced high-cost debt related to its leveraged buyout. The company arranged a new $250 million bank credit line to refinance $111 million of bank debt and retire $90 million of 13.5% senior subordinated notes.

The new bank financing has a borrowing rate of 100 to 150 basis points over the London interbank offered rate, compared with the rate of 250 basis points over Libor for the old bank financing.

First USA will incur a $16.2 million cost from prepaying its old debt, but it expects the refinancing will result in $8 million of annualized pretax interest savings and $5.2 million of after-tax savings, the company said in a statement. The company earned $12.9 million in its fourth fiscal quarter, which ended June 30, and $39.2 million for the full year.

Merrill Lynch is lead manager of the deal.

First USA is also planning to sell five million shares of common stock: four million shares by stockholders, including Merrill Lynch Capital Partners, and one million shares by the company.

Offering by Advanta Unit

Separately, Colonial National Bank USA, a subsidiary of Advanta Corp., is expected to issue $50 million of subordinated debt shortly. The 10-year notes are being marketed by underwriter First Boston Corp., a company spokeswoman said. The notes are rated BBB-minus by Standard & Poor's Corp., Baa3 by Moody's Investors Service Inc.

On Thursday, Chase Manhattan Corp. issued $100 million of floating-rate subordinated notes through underwriters led by Salomon Brothers Inc. The 10-year notes will float at the three-month London interbank offered rate, with a 4.5% minimum rate, known as a floor. Three-month Libor is currently 3.3125%.

The issue is rated Baa2 by Moody's and BBB-plus by Standard & Poor's. □

THE MARKETS

Rates Go Down On GDP Report

Interest rates fell yesterday after the government reported that the economy grew at a slower rate than expected in the second quarter.

The Commerce Department reported a 1.6% rise in gross domestic product, below expectations for a 2.2% expansion.

The yield on the 30-year bond fell to 6.57% Thursday afternoon, down from 6.64% Wednesday; the 10-year bond yield fell to 5.80% Thursday afternoon from 5.87% Wednesday.

Stock Prices Rise

Short-term rates also fell, as the weak GDP growth quelled fears that the Federal Reserve will push up rates in the foreseeable future. Late Thursday, the three-month Treasury bill was yielding 3.09%, compared to 3.13 the day before.

Falling interest rates sparked a rise in stock prices. The Dow Jones industrial average rose 13.97 points to a 3567.42 close.

— David Siegel

July 15, 1993

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AMERICAN BANKER

VOL. CLVIII NO. 146 | Monday, August 2, 1993 | 158th year

Gold's Price Rise Is False Alarm On Inflation

By STEPHEN A. DAVIES
The Bond Buyer

This year's big run-up in gold prices should not scare investors into thinking that inflation is taking off.

Gold selling for more than $400 an ounce makes for good chatter in financial markets, but many everyday measures of prices provide evidence that inflation remains in check.

The message for portfolio managers and individual investors is simple: Inflation is still not a problem, and stocks and bonds remain valid investments if they are bought carefully and held over time to ride out any bumps in the marketplace.

ECONOMIC OUTLOOK

Anthony Karydakis, senior financial economist for First National Bank of Chicago, traces the jump in gold prices, from a low of $330 in January, to several special factors.

None of them tell of an economy that is expanding too rapidly and leading to the classic situation of too many dollars chasing too few goods.

Triple Threat

First, Mr. Karydakis notes, the disappointing government statistics on inflation earlier this year prompted Federal Reserve officials to adopt their May policy directive leaning toward a tighter monetary policy.

Though the Fed is still looking for new signs of price pressure, analysts have been reassured by the May and June price data and do not see inflation breaking out of a 3% range anytime soon.

Second, the First Chicago economist points out, there were widely publicized purchases of gold by George Soros, a well-known global fund manager who predicted gold prices were headed higher. His comments, and others by such prominent market players as Jim Goldsmith, helped fuel the gold frenzy.

Third, Mr. Karydakis says, cutbacks in production by South Africa and other major gold producers helped buoy prices. Meanwhile, there were reports of unusually large purchases by China and other buyers, for political reasons.

Bond Yields Steady

Mr. Karydakis concludes that the rise in gold prices "has set off a hopelessly false alarm" and says the more impressive event in markets is that bond yields, which normally go up on infla-

See **GOLD** *page* **21**

INSIDE NEWS

MANAGEMENT STRATEGIES



Tony Dugal

MICHIGAN's First of America Bank Corp. has employed a super-community-bank strategy to grow from $300 million to more than $20 billion in two decades. Now, president Richard F. Chormann and Donald J. Kenney must squeeze more efficiency from their 550-branch network.
Page 1A

COMMUNITY BANKING

THE PROSPECT of interstate branching isn't fazing smaller banks, but they eventually may be affected when issues such as taxation, competition, and CRA requirements come into play. *Page 6*

MORTGAGES

RICHARD H. DEIHL, who plans to retire as chairman of H.F. Ahmanson by yearend, is going out with all his guns blazing. *Page 8*

INVESTMENT PRODUCTS

CONCORD FINANCIAL Group cemented its position as the No. 1 administrator of bank-managed mutual funds during the second quarter. It serviced bank proprietary funds with $29.5 billion of assets, up from $25.6 billion in the first quarter.
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CREDIT DEBIT ATMs

DESPITE SIGNS that competition is hurting profit margins, credit card banks have posted another strong quarter. *Page 13*

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Analysts Bullish on Bank Stocks

By RICHARD LAYNE

Bucking a trend, bank stocks rallied last week after the release of quarterly earnings, raising optimism for the weeks ahead.

For the five trading days that ended last Thursday, the *American Banker* Bank Index was up 2%, roughly in line with the Dow Jones industrial average.

In the previous five quarters, bank shares went into a tailspin after earnings announcements, as profit taking and concerns about revenue growth fueled selloffs.

Bullish Analysts

But now that pattern has been broken, and money managers and analysts are bullish about bank shares, which gained 1.9% in the past month versus 1.4% for the blue chips in a lackluster market.

"I think the outperforming trend will continue," said Sam A. Marchese, investment manager for SIFE Trust Fund, Walnut Creek, Calif. "Value investors recognize that banks will have very good earnings over the next four quarters."

Value investors, who look for cheap stocks, can find them in banks. The average price-earnings multiple is 35% less than that of the S&P 400, which

See **STOCKS** *back page*

Conferees Agree to Limit Student Loans by U.S.

By ROBERT M. GARSSON

WASHINGTON — Congressional negotiators have agreed to cap the government share of the student loan market at 60% in 1999, giving banks an opportunity to prove their contention that the direct lending program won't work.

The tentative agreement is a large step toward cutting banks, thrifts, and other lenders out of the student loan market altogether. However, it is still a major improvement over legislation that cleared the House this year,

In the House bill, the government share of the market would have gone to 100% in four years, with no mechanism to reevaluate the program. The compromise approved Friday calls for creation of a presidential commission to evaluate the program after its fifth year.

'An Opportunity to Compete'

"We're glad we've been able to maintain an opportunity to compete," said Joe Belew, president of the Consumer Bankers Association. "We continue to believe that direct lending is a bad idea, and with the commission, we have a chance to prove it."

The conferees also agreed to a "risk-sharing" measure that would force banks to absorb 2% of loan losses. And they approved a separate provision that sets a 50-basis-point origination fee, paid by the lender, on new loans. A plan to impose a 5% transfer fee on loans sold in the secondary market was dropped.

The Budget Compromise At a Glance

- **While the government could** start lending directly to students, its share of the market would be limited each year, peaking at 60% in 1999.
- **Intangible assets, including** acquired core deposits, could be amortized over 14 years, clarifying uncertainty under current law.
- **Made an exception for one key category** of intangible assets - purchased mortgage servicing rights - which can be amortized over nine years, rather than 14.

The action on student loans came as a House-Senate conference committee labored to finish work on President Clinton's huge deficit-reduction bill.

Among other decisions, the conferees agreed to permit a 14-year amortization of intangible assets, including acquired core deposits, a step banks have been urging for years.

The panel also agreed to a "carve-out," or exemption, for

See **CONGRESSIONAL** *page* **21**

Fast-Growing Syracuse Bank Attracts Suitors' Attention



BUT CEO ROBERT BENNETT says he plans to build a super community banking powerhouse, not sell out to a giant rival like Keycorp or Fleet.

See story on page 4

NEWS *briefs*

Crossland Expected to Fetch $300 Million

WASHINGTON — The Federal Deposit Insurance Corp. hopes to sell Brooklyn-based Crossland Federal Savings Bank for $300 million within three weeks, the agency announced Friday.

In a prospectus filed with the Office of Thrift Supervision, the FDIC said it planned to go ahead with previously announced plans to sell the $5.3 billion-asset thrift to institutional investors.

The deal was delayed when Dime Savings Bank of New York expressed interest. A Dime spokesman declined to comment Friday, but a regulatory source said it was still possible Dime could bid.

If the FDIC gets $300 million, Crossland will end up costing the government about $850 million. That's about $100 million more than the FDIC staff predicted when Crossland was seized in January 1992.

According to the prospectus, the FDIC for the next five years will assume 80% of the losses on Crossland's portfolio that exceed its $179 million loan-loss reserve.

— Barbara Rehm

Colonial of Alabama Buying First Amfed

MONTGOMERY, Ala. — Colonial Bancgroup has agreed to acquire First Amfed Corp. in a stock swap valued at $45 million.

First Amfed Corp. has assets of $485 million and nine Alabama offices. The purchase will increase the assets of Colonial to $2.5 billion, or more than 20%. The acquisition will dilute the projected 1994 earnings per share for Colonial by less than 2%, the company said.

Projected earnings for 1994 were $2.60 to $2.65 per share, the company said. Assuming that the acquisition will close by Jan. 1, the new expected earnings will be $2.59 to $2.60 per share for 1994.

PNC's Robbins to Head Corporate Banking

PITTSBURGH — PNC Bank said it named Bruce Robbins head of its corporate banking line of business in addition to his role as president and chief executive officer of PNC Bank, Pittsburgh.

Robbins will be responsible for directing efforts with corporate customers across PNC Bank's multistate service area, as well as with selected corporate customers nationwide.

The company said Robbins replaces James Rohr as head of corporate banking.

NationsBank, Barclays in Colombia Deal

NEW YORK — NationsBank Corp. and Barclays Commercial Corp. have signed a trade finance agreement with Bancoldex, the Colombian foreign trade bank.

Carlos Caballero, president of Bancoldex, told *American Banker* that NationsBank and Barclays will check the creditworthiness of U.S. buyers and handle collections in the United States.

The Colombian bank will provide financing to Colombian exporters who sell to U.S. buyers while the two U.S.-based banks assume the risk in the event that the importer does not pay.

The briefs were compiled from staff and wire reports.

Correction

An article Friday about Pentagon Federal Credit Union misspelled the name of the broker-dealer it is using. The firm is Aegon USA Securities Inc.

Law Expands New York's Power To Keep Tabs on Foreign Banks

By JAMES R. KRAUS

New York Gov. Mario Cuomo has signed legislation that greatly increases the state's ability to monitor foreign banks and handle their liquidations.

"This new law and other recently promulgated foreign bank regulations greatly enhance the department's ability to supervise foreign banking institutions," New York's state superintendent of banks, Derrick D. Cephas, said in a statement last week.

Extensive Studies

The new law comes after nearly two years of studies by the department.

It parallels similar, but more general legislation approved by Congress in response to pressure to tighten control over foreign banks after banking scandals involving the U.S. offices of Luxembourg-based Bank of Credit and Commerce International and Italy's Banca Nazionale del Lavoro.

The law empowers the department to examine transactions by employees in the state on behalf of any office of the foreign parent bank, expands the grounds for revoking or suspending foreign bank licenses, and requires foreign bank offices in New York to provide prompt notification of any changes in control.



Peggy Turkett/American Banker

Derrick D. Cephas
Gets stronger authority

Other Provisions

The law also:

- Requires foreign banks to pledge funds that can be used to cover any expenses involved in a liquidation
- Subjects New York offices of foreign banks to stat restrictions on the amount that can be lent to any one borrower.
- Sets tough specifications and certain restrictions on the types of claims the banking department will accept from creditors of a foreign bank.
- Simplifies liquidation procedures and enhances the banking department's ability to gain control over assets of a foreign bank in the event of a liquidation. □

Chase Plans Mexico Bank After Trade Pact Is Implemented

MEXICO CITY — The president of Chase Manhattan Corp. said the company plans to open a commercial bank in Mexico once the North American Free Trade Agreement has been implemented.

"We have not finalized all of our plans, but we expect to keep our current activities and to open, with approval, a new commercial bank," Arthur Ryan said in a press briefing.

Chase now has a representative office that focuses on corporate finance. Foreign banks, with the exception of Citibank, are not allowed to operate as commercial banks under existing Mexican banking laws.

Mr. Ryan said Chase does not plan to enter the retail sector but would use the bank to enhance its corporate finance activities.

"With a representative office we have certain limitations [on activities] in money and foreign exchange markets . . . that is why we would want a commercial bank," he said. — **Reuters**

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

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Citi Workers Try Out Stored-Value Card

By JEANNE IIDA

Citicorp is testing a stored-value payment card that can be used for small-ticket purchases such as pay telephone calls and vending machine purchases.

Citicorp employees in the bank's 50-story office building in Long Island City, New York, are using the cards in the company cafeteria and vending machines. About 3,500 employees work in the building.

The machines can accept a card made of heavy paper, or a standard plastic Citibank automated teller machine card.

Citicorp is the second big bank to experiment with the stored-value cards, which are operators, who can eliminate the costs of processing cash, and reduce vandalism.

Citicorp has installed six machines, called Value Stations, where employees can add value to magnetic-stripe cards. Three of the machines, developed by Verifone, accept cash and credit cards to issue value up to $99.99. Citi is accepting Visa, MasterCard, and Diners Club cards at the Value Stations.

In addition, Citicorp worked with Verifone for a year to develop a kiosk that accepts a Citibank ATM card, transferring funds from an employee's bank account. Unlike the cash and credit card machines, the ATM kiosk gives customers a receipt.

Since working with Citicorp to set up the trial, Verifone announced it will stop making stored-value terminals using magnetic-stripe technology in favor of smart-card-compatible devices.

The magnetic-stripe card can be used for small purchases at a Citicorp office tower in New York.

Smart-Card Conversion Mulled

As a result, Citicorp will not extend the magnetic-stripe pilot to other locations and is now talking with Verifone about converting the Long Island City facility to smart-card technology. Citicorp, is also considering expanding the smart-card pilot to other large facilities in South Dakota and Honolulu.

Commonplace in Europe

The prepaid application, which can be used on cards equipped with a magnetic stripe or an embedded computer chip – a design known as a smart card – is widely viewed as the first big U.S. opportunity for the stored-value concept, which is already widely used in Europe.

Although the magnetic stripe technology Citicorp is using is very different from smart-card technology, the trial can yield data about market acceptance of smart cards.

A recent study by PSI, of Tampa, Fla., showed that 21% of consumers were interested in stored-value cards, typical of the ones used in public telephones in the United Kingdom, France, and Japan.

The cards can lower operating expenses for vending machine

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NCR Sells Norwest Unit An Image Capture System

Norwest Bank Minnesota has bought an image capture system for its wholesale lockbox processing area from NCR Corp., according to NCR officials.

The bank is installing 20 NCR devices, called Personal Image Processors, for capturing images of checks. Dayton, Ohio-based NCR, a unit of American Telephone and Telegraph Co., will also supply 42 NCR workstations that will be used to review the check images.

The workstations run software from Rigakos Software Development Corp. of New York.

— **Jeanne Iida**

More Small Banks, Fewer Big Ones Doing Their Own Core Processing

By MATT BARTHEL

The number of financial institutions using outsourcing services for all of their core processing dropped by a few percentage points in 1992, a recent study found.

But the study, issued by Mentis Corp., Eden, Md., found that demand for selective outsourcing services remained high among larger institutions. Mentis surveyed more than 2,000 commercial banks and thrifts in the U.S.

The banking research firm found that 44% of commercial banks and 75% of thrifts used a service bureau or a facilities manager to handle their core processing applications in 1992, compared with 47% of banks and 80% of thrifts using third-party computer services in 1991.

While these numbers appear to point to an overall decline banks' consumption of outsourcing services, a significant decline in outsourcing is evident only among the nation's smallest financial institutions.

Last year about 26% of banks and thrifts with under $50 million in assets reported that they owned and operated their core banking systems themselves, up from 5% in 1991.

The more than 6,000 financial institutions with $50 million in assets or less represent about 44% of the nation's banks and thrifts.

Mentis Corp.'s president, James B. Moore, said more flexible and affordable hardware and software options have persuaded many of these institutions to run their own systems.

Help with Mergers

At the larger and more influential institutions, however, there is a different story.

Many banks with more than $1 billion in assets are engaged in mergers and acquisitions that result in huge systems-conversion projects. While some financial institutions can handle these projects on their own, an increasing number are looking for help from outsourcing vendors.

Other large institutions are also using third party computer services for selective businesses.

NationsBank Corp. is the largest example of an institution engaging in both of these practices.

Some industry observers believe that the days have passed when the country's biggest banks, like First Fidelity Bancorp. and Continental Bank Corp., hand over all their data processing to a third party.

Nonetheless, the Mentis study found that outsourcing is alive at many large institutions.

The most obvious evidence that the percentage of $4 billion-plus thrifts handling their own core processing dropped from 58% in 1991 to 65% last year. □

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Fast-Growing Onbanc of Syracuse Attracts Suitors

By KAREN GULLO

After spending most of his career building empires, Robert J. Bennett has little time for people who advise him to join a larger kingdom.

Mr. Bennett, 52, has spent the past six years turning a once sleepy thrift in upstate New York – the Onondaga County Savings Bank – into Onbancorp Inc., one of the best-managed, healthiest, and safest banks in the Northeast.

As chairman and chief executive of the Syracuse-based company, Mr. Bennett says he is only halfway toward his goal of building the company into a super community powerhouse.

Potential suitors are nevertheless sizing up Onbanc, as the $3.8 billion-asset company is known, at its current size.

Time Is Not Right

"People have made overtures," concedes Mr. Bennett, who declined to name them. "We're not interested at this point."

Instead, he said, Onbanc will double its size over the next few years. He has made significant strides toward that goal by negotiating the purchase of Franklin First Financial Corp., a $1.2 billion-asset thrift in northeastern Pennsylvania. He also has his radar out for deals in other small cities in Pennsylvania, upstate New York, and even in Canada.

Analysts say it's unlikely that suitors will stop knocking on Mr. Bennett's door anytime soon. "They have an outstanding franchise," says Anthony J. Polini, an analyst at Mabon Securities Corp., New York. "Their takeover appeal is tremendous."

Potential Buyers

He lists superregionals such as Keycorp in nearby Albany, Rhode Island's Fleet Financial Group, New Jersey's First Fidelity Bancorp., and Pittsburgh's PNC Financial Corp. as potential suitors.

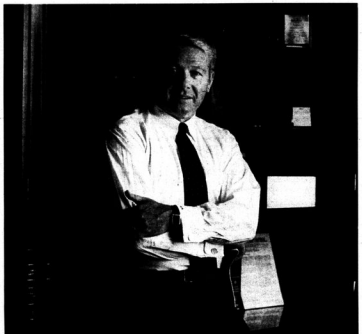
Mr. Bennett is aware that his ambitious plans may contain the seeds for a takeover. The bigger and stronger a company gets, he says with the voice of experience, the more attractive it is to acquirers.

He should know. Before joining Onbancorp in 1987, Mr. Bennett spent 12 years at Boatmen's Bancshares. During his tenure at the expansionist St. Louis-based company, he oversaw the integration of 69 separate banks and more than 150 branches in four states. Boatmen's grew from $700 million to $11 billion in assets during his stay.

Today, he says that the best shark repellent is to be the highest-performing bank around. "If anyone wants to pay three times book, we can talk," he quipped.

Startling Makeover

Right now he's brewing shark repellent. He helped transform Onbanc from a $1 billion-asset



Hal Silverman

ROBERT J. BENNETT, chairman of Onbanc, knows that his ambitious plans may contain the seeds of a takeover. The bigger and stronger a company gets, the more attractive it is to acquirers.

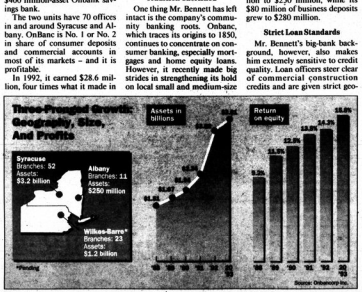
underperforming savings institution to a successful commercial banking company. The company, which became a bank holding company in 1989, operates the $3.1 billion-asset Onbank and Trust Co. and the $400 million-asset Onbank savings bank.

The two units have 70 offices in and around Syracuse and Albany. Onbanc is No. 1 or No. 2 in share of consumer deposits and commercial accounts in most of its markets – and it is profitable.

In 1992, it earned $28.6 million, four times what it made in 1988, Onbanc's first full year as a publicly-held company. In that same period, Onbanc has doubled its deposit base to $2.2 billion and expanded its loan volume by 55%.

Tradition Cherished

One thing Mr. Bennett has left intact is the company's community banking roots. Onbanc, which traces its origins to 1830, continues to concentrate on consumer banking, especially mortgages and home equity loans. However, it recently made big strides in strengthening its hold on local small and medium-size businesses.



Late last year, Onbanc bought two banks in Albany and Syracuse from Midlantic Corp. For $89.9 million, Mr. Bennett expanded his company's commercial loan portfolio from $70 million to $250 million, while its $80 million of business deposits grew to $280 million.

Strict Loan Standards

Mr. Bennett's big-bank background, however, also makes him extremely sensitive to credit quality. Loan officers steer clear of commercial construction credits and are given strict geographic limits on where they can operate. But in keeping with Onbanc's community banking spirit, Mr. Bennett says that local officers call the shots on 97% of loan decisions.

The discipline has paid off. Nonperforming assets were just 0.91% of total assets, well below the average 3% for banks with assets between $2 billion and $5 billion, according to Keefe, Bruyette & Woods Inc.

Despite his recent acquisition binge, Mr. Bennett is keeping a firm eye on profits. In the first six months of 1993, OnBanc's earning's were up 52% to $18.9 million over the same period last year.

The company's return on equity is a healthy 15.7%, while its return on average assets was 1.0%. Mr. Polini, the Mabon analyst, expects Onbanc's 1993 earnings to be 23% higher than last year's.

Boon to Earnings

Mr. Bennett believes the pending purchase of Franklin First Financial will be as important to earnings as the Midlantic deal. The healthy 22-branch Pennsylvania thrift is being purchased for $138.6 million, or 1.4 times book value.

Onbanc ventured into northeastern Pennsylvania two years ago with a loan production office. It liked Wilkes-Barre, an aging city that was built over an anthracite coal mines, because its characteristics were close to those of Syracuse: Lots of small businesses, major transportation routes, stable realty values, and a middle-class population.

Having established a toehold, Mr. Bennett waited for the right opportunity, then moved swiftly to bag Franklin First.

Target Cities in New York

He says he hopes to repeat the pattern in Buffalo, Rochester, and several other New York towns where Onbanc has opened loan offices. He has no desire to be in a large city like Pittsburgh – which is hundreds of miles from Wilkes-Barre – but he has opened a lending office there in the hopes of expanding in the suburbs.

Observers say Mr. Bennett, a Massachusetts native with a degree from Harvard Business School, has imported an aggressive, big-city style to Onbanc. It's refreshing, they say, but some wonder if the executive is moving too fast.

"In some ways they've taken on the tone, style, and operating approach of a larger bank," said Les Dinkin, president of NBW Consulting, a bank marketing consultant in Westport, Conn. "They may have lost some of their edge as a the local hometown bank."

Mr. Bennett counters that Onbanc keeps local management in place as it expands. But he notes that an aggressive acquirer and potential takeover target can't afford to be too laid back.

"We can accommodate the growth and reach our goals," he said. □

California Facing Another Year of Economic Stagnation

By CAROLYN SHERWOOD-CALL
Regional economist
Federal Reserve Bank of San Francisco

The current recession in California has lasted three years, longer than any other postwar downturn, and has cost the state 585,000 jobs, for a drop of 4.7%.

Defense cuts have contributed significantly to the severity of the downturn. According to the California Commission on State Finance, the volume of real defense dollars going to California has fallen 21%, or $13 billion, since the peak in 1988.

Largely as a result of the defense cuts, the number of aerospace jobs has fallen 137,000 since that year.

Economic troubles in the construction and real estate sectors also are more severe than they would be in a "typical" California recession.

Residential markets have suffered, but most of the more serious problems have been on the commercial side.

The weakness has been reflected in construction activity, property values, and rental rates.

California's problems are not confined to the defense and real estate sectors, however. Nonaerospace manufacturing has lost 150,000 jobs, or 9. 1 % of the total, since California's downturn began, while employment in wholesale and retail trade has fallen 6.9 %, a loss of 207,000 jobs.

Loans Down 11%

Banks have struggled during recent years as well.

The volume of loans outstanding at large California

Commercial realty and fiscal problems will remain drags on the economy.

banks has fallen 11% since the peak in early 1991.

At the end of the first quarter, 6.48% of bank loans were delinquent. That's lower than one year earlier, but still well above the 4.11% delinquency rate in the middle of 1990.

Partly as a result of California's broad-based economic problems, state and local governments have faced severe fiscal troubles in recent years.

For the current fiscal year, lawmakers this June addressed a large budget shortfall – this time amounting to $8 billion.

State Budget Cuts

This year's solution to the budget impasse will result in cutbacks in public services, particularly those provided by local governments.

By reducing the funds available to government employees and recipients of public aid or services, the budget cutbacks will tend to have a constraining effect on economic growth in the state.

Some measures of California's economic health have been flat for the past year or so.

For example, taxable sales (adjusted for seasonality and for changes in the "snack tax") have been more or less flat since the end of 1991.

Also, the number of existing homes sold has not fallen below where it was at the end of 1991.

Moreover, the number of construction jobs was the same in June as it was six months earlier, a big change from the persistent declines seen previously.

At the same time, though, the number of housing permits issued has fallen again, after a brief upturn (on a seasonally adjusted basis) around the beginning of the year. And total payroll employment continues its persistent decline.



Carolyn Sherwood-Call

While there is some evidence that the worst of the downturn is past, it is important to distinguish between the end of a downward trend and the beginning of a normal recovery.

For one thing, California is likely to see additional large defense cuts during the next few years.

Extraordinary Times

These defense cuts alone would normally not be enough to keep California from recovering. Historical relationships suggest that even unexpectedly slow growth in the national economy, with the number of jobs rising only 1% a year, would be more than enough to offset the anticipated defense cuts and any associated secondary effects.

However, these clearly are not normal times. Overbuilt commercial real estate markets and persistent fiscal problems also will continue to be drags on California's economy during the next few years.

Nevertheless, the apparent stabilization of taxable sales and home sales means that there are fewer sources of downward pressure than there were earlier in the recession.

Taken together, these factors suggest that California is likely to "bump along the bottom," with little trend either up or down, during the next year. □

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Interstate Branching Yet to Sound Alarms

By TERRENCE O'HARA

Ronald P. Haberman, chief executive of Valley of the Rogue Bank in Rogue River, Ore., wasn't even aware that his state had just legalized interstate branching.

The way he sees it, the issue doesn't really affect his community bank, which serves small businesses along the Interstate 5 corridor in southern Oregon.

"It doesn't worry me at all."



Arthur Wilmarth
Sees Northeast, West as next

Mr. Haberman said last week.

But as the forces for interstate branching move on state houses across the country in coming years, the issue will increasingly light up community bankers' radar screens.

Questions Will Arise

When the office of the super-regional bank down the street becomes a branch of a bank in another state, myriad questions about taxation, competition, regulation, and community reinvestment will arise.

Some key issues: Will a bank branch have to pay the same in state taxes as a local community bank? Will a local branch of a bank chartered in another state have to comply with the same CRA requirements as a one-office community bank?

A year ago, New York was the first to pass an interstate branching bill. North Carolina, Oregon, and Alaska have since enacted laws modeled on New York's.

The law allows a state-chartered commercial bank that does not belong to the Federal Reserve System to become a branch of a bank in any other state that has an identical law.

Delay Seen Likely

The number of banks establishing interstate branches is likely to be small until a significant number of states have enacted laws, said Arthur Wilmarth, a lawyer specializing in banking issues at Barley, Snyder, Senft & Cohen in Lancaster, Pa.

But just which states or regions will jump on the bandwagon – should there be one – is an open question. The success of such legislation within each state depends largely on the prevailing attitude of the legislature and the banking associations which usually sponsor the bills.

For example, California-based interstate bank holding companies would greatly benefit from interstate branching but the California Bankers Association hasn't pushed for such a state law. Tom Celebrezze, spokesman for the trade group, said it wants the Congress to act on the issue nationally.

A bill modeled after New York's law died in committee earlier this year in the Washington Legislature.

'A Critical Mass'

Despite the present reluctance of some states to pass interstate branching laws, the Conference of State Bank Supervisors predicts that it will be the states, not the Congress, that will take action on the issue.

"At some point, you're going to see a critical mass," said Ellen Lamb, spokeswoman for the group.

Mr. Wilmarth predicted many states in the Northeast and the West would move sooner rather than later on interstate branching. States in the Southeast (excluding North Carolina) and the Midwest will move more slowly on the issue, he said.

"Nobody knows how it's going to shake out [in the states]," said Matthew Street, associate

See **SMALL BANKS** *page* 21

Q: What do you think of President Clinton's budget plan?



MICHAEL E. GROVE
President and CEO
First National Bank
of White Sulphur Springs
Montana

I see a program that isn't going to stimulate the economy. In fact, I think it will slow down the economy even more at a time when it is already weak. I see too much in taxes and not enough in spending cuts.

I see the influence of that on a small rural community being very negative. I think the increase in taxes will hit them hard. □



DONALD R. MENGEDOTH
Chairman and president
Community First Bankshares
Fargo, N.D.

I am tremendously concerned about the increased tax levels that will ultimately be involved for corporations and customers of ours who invest capital into job creation.

I agree that the deficit needs to be reduced, but it is critical to focus on expense reduction opportunities rather than revenue increases. □



JOHN S. KREIGHBAUM
CEO and president
Premier Bank and Trust
Elyria, Ohio

Frankly, I believe it will have a chilling effect upon the business community. I think it will have a tendency to discourage business as far as investing back into our markets in the form of capital.

My suggestion is to pull back on tax increases and work on spending cuts.

Psychologically, I think it will have a negative rather than a positive effect. □

Banks Win a Few on Budget Plan

By BILL ATKINSON

Lobbyists with banking and thrift trade groups say President Clinton's budget-reduction plan would not be a total bust for the banking industry.

In fact, the industry has won victories on several fronts. It thwarted an effort to increase exam fees for state-chartered banks. The measure would have raised more than $1 billion over five years.

It also appears to have simplified rules governing intangibles. Banks that acquired assets and liabilities have had to fight the Internal Revenue Service in court to write off these intangibles within seven years. The new language sets a 15-year time frame for writing off intangibles and goodwill.

"It is a great victory," said Jim O'Connor, tax counsel with Savings and Community Bankers of America. "It is fair and it should make everybody happy."

Knowing the Score

"You will know exactly when your deductions occur," added Henry Ruempler, director of tax and accounting with the American Bankers Association. "Without this law you are shooting craps. You were spending a small fortune in lawyers' fees and you had no certainty to the outcome."

But the lobbyists aren't thrilled with everything in the bill. To be sure, student lending is a sore point. A bill in the House would cut banks out of student lending altogether and put the business in the hands of the government.

"That will be some business lost and some business relationships lost," Mr. Ruempler said.

Others fret about the budget's proposal to raise $300 billion in new taxes.

"It certainly makes small businesses less profitable to the extent they get a tax increase," said Stephen J. Verdier, senior legislative counsel with the Independent Bankers Association of America. □

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Develop a Solid Training Plan for Recruits

Goal: A low-cost training program that utilizes the resources available in the bank to train potential officers in a structured way.

Pitfalls: Assigning new people to work with Mr. Gridley, who has had 40 years' experience in the job.

Problem: Mr. Gridley has not had 40 years' experience. He has had one year's experience 40 times.

Furthermore, Gridley will look at the bright young new employee and think, "He wants my job. The only way I can keep my job is to make him look bad so the bank will appreciate what I do and how I do it."

Better approach: An organized program that judges Mr. Gridley as a teacher as much as it judges the new recruit as a student. This motivates Mr. Gridley to be a positive force and not a roadblock.

Weekly Adviser



By PAUL NADLER

From the Top

The Start: The community bank gets few recruits that it can afford to make a fuss over each one. This should involve a luncheon with top management during the first week, if not the first day, followed by introduction to the entire staff.

Next: The recruit should be given an itinerary of what he or she will be doing for the next several months.

This should include a list of the departments to which the recruit will be assigned and the officer in charge of training and how long the stay will be.

The Ins and Outs

One hopes the recruit will sit down with this department officer immediately to learn what the department does and what role he or she will be expected to fill while undergoing training.

The training will consist not only of the day-to-day job, but interviews with everyone in the department, at least several of the people if there is duplication of function.

(The recruit need not talk to every teller, just enough to understand what tellers do and what their problems are).

Then, at the end of the internship in that department, the recruit will have to prepare a written report on the department, including what it does and what the recruit sees as its strengths and weaknesses.

Giving Praise

If the CEO really wants to get the best out of these new people, he will not only read the reports but reward with favorable comments both the recruit who is able to point out weaknesses and the officer assigned to train the recruit.

The CEO may even wish to circulate the entire report to the staff or circulate parts that would be useful as examples.

Only after the recruit has been assigned to each of the major departments should a decision be made on placement in the bank.

Training should include introductions to all departments.

Other assignments: Each recruit also should be given some serious reading to do at home as part of the training.

In particular, I advise that the recruit first be given a pamphlet available from the Federal Reserve Bank of New York called "Money Master or Servant?" about the role of banks in the economy, and "The Moneychangers," Arthur Haley's novel of the banking industry.

After this is done, I would give the recruit the bank's annual report and any other literature available on the organization.

Further Reading

Following that, I would either give or lend each recruit a marvelous textbook, "Money and Capital Markets," by Dr. Peter S. Rose of Texas A&M (Richard D. Irwin, 1992).

It not only describes banking and most related fields, like mortgage-backed securities, but it can serve as a reference for the recruit when unfamiliar terms or practices come up.

(As an aside, I have written my own banking book, but I stopped assigning it to students because I think Rose's is superior).

Finally, I would suggest that recruits read the daily and weekly financial press, and that their mentors periodically sit down with them and discuss current issues of interest to the bank to get them in the habit of looking outside the internal operations of the bank to augment their personal growth.

Icing on the cake: After about six months on the job, recruits should be asked to spend 10 minutes at a board meeting talking about their backgrounds and what they have learned.

Additionally, whenever possible, a recruit should be part of meetings with customers. □

Mr. Nadler is a contributing editor of *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

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Weekly Adviser is a forum for community bankers to share their concerns, problems, and solutions. You can participate by writing to:

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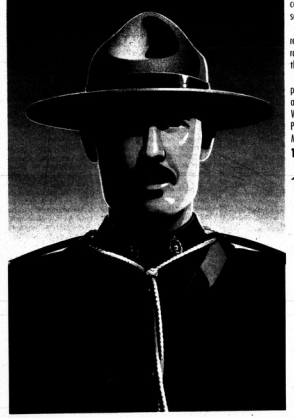

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Ahmanson CEO Revs Up Before Passing the Torch

By PHIL ROOSEVELT

People in the News

IT LOOKS LIKE Richard H. Deihl will be going out with all his guns blazing.

The former fighter pilot plans to retire by year-end as chief executive of H.F. Ahmanson & Co., the nation's largest thrift company. But he is showing no signs yet of easing up.

Two weeks ago, Mr. Deihl turned a lot of heads by selling $1.2 billion of delinquent home loans to a subsidiary of Bear, Stearns & Co.

It was the largest-ever sale of bad home loans and, Mr. Deihl says, it will help free his staff to boost mortgage originations.

Last week, he followed up with a hefty $250 million offering of convertible preferred stock. That fattens the California company's war chest for acquisitions – and Mr. Deihl makes no secret of his desire to pull off some more deals before he exits.

"I'd like to do that," he said in an interview. "There are some obvious opportunities now, and they've been growing rather significantly in the last few weeks."

Specifically, he is keeping a close eye on two Golden State neighbors. One, Glenfed Inc., faces a key re-capitalization deadline Aug. 3 for its struggling Glendale Federal Bank. The other, California Federal Bank, forced out its top two executives on July 26.



Richard H. Deihl

"I don't know whether that puts them [California Federal] in play or not, but I was talking with some people about that today," Mr. Deihl said. A California Federal spokesman declined to comment.

Mr. Deihl, who turns 65 in September, expects to step down in late October as chief executive of Ahmanson and its main unit, Home Savings of America. He has been the flagship's CEO for more than 25 years.

Charles Rinehart, Mr. Deihl's co-pilot for the past three years, is likely to assume both CEO posts. Mr. Deihl expects to remain chairman of Ahmanson, possibly for a few years.

For now, one of the big pushes is to increase the volume of mortgage lending. Ahamanson slid in mortgage originations from No. 1 in the nation in the late 1980s to No. 8 last year, reflecting the weak California economy and a decline in the popularity of its specialty, adjustable-rate mortgages.

In the first half of this year, the $50 billion-asset company wrote $5.1 billion of loans, down from $5.8 billion in the year-earlier period.

But the big sale of delinquent loans should help reverse the trend. That's because the company's lending staff has been spending much time working with realty brokers to sell foreclosed homes. Now, with the volume of nonperforming assets down to 2.04% from 3.91% before the sale, the number of homes going into foreclosure should steadily diminish.

"We'll have more and more time to get back to residential lending," Mr. Deihl said.

Readiness to lend will be especially important once the California economy recovers, and Mr. Deihl is guardedly optimistic on that front.

"The robin isn't singing and spring isn't here, but there are definitely some signs," he said.

HUD Seen Setting Rigorous Goals For Loans by Fannie and Freddie

By SNIGDHA PRAKASH

WASHINGTON — The Department of Housing and Urban Development plans to hold Fannie Mae and Freddie Mac to some tough standards for financing lower-income housing.

That, at least, is the message that congressional sources, housing advocates, and industry officials are reading into proposed regulations that HUD recently sent to the two secondary-market agencies.

HUD, carrying out a law enacted by Congress last year, proposed specific goals for each agency, with rigorous standards for what kinds of loans will count.

Tight 'Strike Zone'

"The net result of these proposals is that the umpire is going to call the strike zone pretty tight," said Brian Smith, director of policy development at Savings and Community Bankers of America.

If the agencies have trouble meeting the goals, he warned, they may pressure lenders to sell them more loans outside "the suburban cookie-cutter mold."

Congress last year directed Fannie Mae and Freddie Mac to ensure that 30% of the housing units financed by loans they purchase be for low-income and moderate-income people, and that 30% be in central cities. Any given purchase can count toward more than one goal.

A Break for 1993

Legislators gave HUD leeway to set the goals at lower levels for 1993 and 1994, and authority to set entirely new levels – higher or lower than 30% – in 1995.

HUD decided to give the Federal National Mortgage Association and Federal Home Loan Mortgage Corp. a break on some of those goals in 1993. But both corporations must reach the 30% goals in 1994.

Freddie Mac's Goals Lower

For 1993, Fannie Mae must make sure that 30% of the housing units it finances are bought or rented by lower-income and moderate-income people; 28% are for central city residents.

Freddie Mac's lower-income and moderate-income goal is 28%, and the central city goal is 26%. Freddie Mac's goals are lower than Fannie Mae's because it has not bought multi-family mortgages for some years, and thus finances fewer units than Fannie Mae.

Though the goals are not mandatory, they carry a lot of weight in the politically-charged environments in which the corporations operate.

Now, it's the 1995 horizon that all sides are eyeing.

Once Fannie and Freddie meet the initial goals, HUD is "going to get tougher," said Mr. Smith of the thrift group. Chris Lewis of the Consumer Federation of America agreed.

One sign of HUD's tough stance is its decision on a third goal that targets borrowers who make 80% or less than median income.

An Add-On to '92 Level

HUD proposed that Fannie add $2 billion of these loans to the level it purchased in 1992. Freddie's two-year goal is $1.5 billion over its 1992 activity.

Freddie Mac had thought the goal would be $1.5 billion alone, rather than on top of last year's lending, said Mindy Delk, that corporation's vice president for government and industry relations. Fannie Mae officials declined comment. □

Tough Targets

Affordable-housing goals set by HUD

1993

- **Fannie Mae** must seek to ensure that 30% of the housing units it helps finance are owned or rented by low- and moderate-income people. And 28% of the units financed should be in central cities.
- **Freddie Mac**'s low and moderate-income goal is 28%, while its central city target is 26%.

1994

- Each agency will have targets of 30% for both low- and moderate-income units and central city housing.

GE Capital Closing In on Deal To Buy Shearson Mortgage Unit

By CHRISTOPHER NOBLE

Despite weeks of public silence, General Electric Capital Corp. is still on track to buy the large mortgage unit of Shearson Lehman Brothers, industry sources said.

GE had originally planned to announce the deal July 16, the sources said, but negotiations have taken longer than expected. The announcement is near, but no date has been set, they said. "There appears to be nothing to blow it up this time," one industry insider said of the deal.

Headed for No. 5 Spot

Last month, *American Banker* reported that GE was moving to buy the Irvine, Calif., Shearson unit, which services about $17 billion of loans. The deal would make GE one of the nation's five largest servicers, with a portfolio of $56 billion.

The sources speculated that the delay in finalizing a deal was caused by hard bargaining by GE Capital, which is known for demanding last-minute concessions in acquisitions.

A GE Capital spokesman declined to comment, and Shearson did not return phone calls.

"Please find out about this structured finance deal and get back to me."

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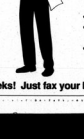

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Fannie's Technology Push Described by Its Chairman

As the Federal National Mortgage Association explores new technologies, lenders have been wondering how they will be affected. James Johnson, Fannie Mae's chairman, laid out the agency's technology agenda while speaking at a conference of the California League of Savings Institutions. An excerpt follows.

Verbatim

Our technology agenda is substantial. We're working with our customers on reducing the costs of origination. We are supporting the development of electronic data interchange standards that improve the sharing of origination, credit, mortgage insurance, title, underwriting, and delivery information among industry participants.

We're working with the [Mortgage Bankers Association of America] to create a book-entry registry for mortgages like those that exist for the stock and bond markets. We are developing an automated underwriting system that will reduce time spent on routine applications so that more time is available for processing more complex files.

We're developing a home-buyer counseling system to enable housing counselors to better prepare low- and moderate-income applicants, match them with affordable mortgage products, and create financial plans that put them on the path to home ownership.

Slashing Origination Costs

We believe these efforts by Fannie Mae and our customers can cut in half the average cost of originating mortgages and improve the industry's responsiveness to low- and moderate-income buyers.

Technology will provide a more efficient business environment.

We've shared these ideas with our Technology Advisory Council and have heard from them what a significant effect these initiatives could have on the industry. We've told them that we recognize that our size and central position in the industry thrusts upon us a leadership role in this area as well.

We share the desire of many in the industry to avoid a technology competition that could result in higher costs rather than reduced costs. We also agree that any industry technology must be open, adaptable to existing systems, and available to all participants at reasonable costs.

Technology will change the way we all do our business and will reinforce the strong, competitive nature of our industry.

Vital Partnerships

Nevertheless, our continuing partnership with Fannie Mae seller-servicers will be the centerpiece of our business relationships. I can assure you they will be vital to the success of these technology initiatives.

We will keep our focus squarely on the seller-servicers who originate and service mortgages, interact with borrowers, and have the financial strength to stand behind their origination decisions.

Technology will, not by itself, determine who will be the most successful competitors. Rather technology will provide a more efficient business environment where lenders will compete to provide the best service to homebuyers of every economic status. □

Bear Stearns, Cargill in Venture

By CHRISTOPHER NOBLE

A leading investment bank has teamed up with a large financial services company in a venture to buy and securitize multifamily mortgages.

Bear, Stearns & Co. Inc., New York, and Cargill Financial Services Corp., Minneapolis, said their new conduit should "introduce a steady, ongoing source of liquidity for apartment loans by utilizing the highly efficient mortgage-backed securities market."

So far, three mortgage banks have been approved to sell loans to the conduit: American Residential Mortgage Corp., La Jolla, Calif.; ARCS Mortgage, Calabasas, Calif.; and Collateral Mortgage Ltd., Birmingham, Ala.

Apartment Mortgages

The MMC Program, as the new venture is called, will purchase apartment mortgages and bundle them into securities for sale in the secondary market. The conduit will handle all the different stages of the securitization and sale of the loans.

William T. Ratliff 3d, Collateral's president, said the new program would make it easier for his company to sell the multifamily loans.

"The big advantage is that it will open up a much wider universe of investors into multi-family mortgage-backed securities," he said.

Bank of N.Y. Names Executive

Separately, Arcs – a unit of the Bank of New York Corp. – has named a new head of secondary marketing.

Ann Holmes Pennywit previously held a senior secondary mortgage marketing position at Standard Federal Savings Bank of Virginia.

"Ann's extensive knowledge and experience in the secondary mortgage market and on Wall Street will allow our company to reinforce its position as an industry leader," said Howard J. Levine, chief executive officer of Arcs. □

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We broke the news about the plans by credit union trade associations to branch cross-country. We warned readers that the FDIC will crack down on banks and thrifts that aren't paying enough for insurance, and that the Fed was flirting with examination fees. We also uncovered plans that would let banks pay less for deposit insurance provided they set up, certain special programs.

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Concord Led the Field of Administrators Of Bank-Managed Funds in 2d Quarter

By KEITH DuBAY

Concord Financial Group cemented its position as the No. 1 administrator of bank-managed mutual funds during the second quarter.

The New York-based company provided administrative services to bank proprietary funds with $29.5 billion of assets, up from $25.6 billion of assets in the first quarter, according to a survey by Lipper Analytical Services Inc.

Underscoring the growing popularity of bank mutual funds, Lipper reported that 13 of the 15 companies it tracks boosted the volume of mutual fund assets that they administer.

The exceptions were Concord's nearest competitors, PFPC Corp. and Boston Co.

Variety of Services

Mutual fund administrators provide a range of services, including accounting, statement preparation, literature mailing, custodial and transfer services, and institutional and wholesale marketing. Exact duties can vary and may even be split among several companies.

Concord officials attributed its gains to hot fund sales, particularly among individual bank customers. "There's been a tremendous emphasis on the retail side of the business," said Joseph F. Kissel, a Concord executive vice president. "It's a monetizing. It's a commitment by the bank partners to focus their retail efforts."

Leaders of the Pack

The five top administrators of bank-managed mutual funds

	Fixed assets (Millions)*	Biggest Client
Concord Holding Corp. New York	$29.5	BankAmerica Corp.
PFPC Inc. Wilmington, Del.	24.2	PNC Institutional Management Corp.
Boston Company Boston	18.3	NationsBank Corp.
SEI Financial Management Corp., Wayne, Pa.	17.4	Banc One Corp.
Federated Administrative Services, Pittsburgh	14.6	First Union Corp.

*As of June 30.

Sources: Lipper Analytical Services, American Banker

Concord serves six bank clients with large mutual fund families: BankAmerica Corp., Bank of New York Co., Barnett Banks Inc., Chase Manhattan Corp., Credit Suisse, and United States Trust Co.

Proprietary Programs

Its two newest clients – First American Corp. of Nashville and Continental Bank of Chicago – are preparing to launch proprietary funds.

PFPC, the second-ranked administrator, saw its assets slip from $25 billion to $24.2 billion in assets.

The decrease was caused by trading decisions made by advisers of the institutional funds, according to a spokesman for the Wilmington, Del., company, a subsidiary of Pittsburgh's PNC Bank Corp.

Boston Co., the third-largest administrator of bank-related funds, closed the quarter with $18.3 billion under its control, down from $21.4 billion the previous quarter.

Sold to Mellon

Company officials attributed the decline to the sale of Boston Co. by Shearson Lehman to Mellon Bank Corp. in Pittsburgh.

Among the accounts lost by Boston Co. was the $4.5 billion Pierpont Fund family, managed by J.P. Morgan & Co.

Boston Co. also lost administration contracts for Baltimore-based Mercantile Safe Deposit and Trust Co. (MSD&T Funds) and for the Arch Funds managed by Mercantile Bank of St. Louis. Together, they represent about $1 billion in assets.

Jon Hubbard, spokesman for Boston Co., dismissed the decline as "a one-time event" caused by the merger with Mellon.

The company's internal figures show assets under administration at $22.3 billion, with the increase coming from new investments and increased value of existing accounts, Mr. Hubbard said. "This is a growth business for us and we continue to do well."

All of the funds that left were jointly serviced by Boston Co. and PFPC.

Awkward Situation

After PNC Bank bought Boston Co., it left those accounts in the awkward position of being jointly serviced by the two bitter rivals from Pittsburgh, Mr. Hubbard said. Morgan, for instance, feared its service would suffer, he said.

Signature Financial Group in New York was the major beneficiary of the merger jockeying. The bank fund assets it administers leapt from $5.2 billion to $12 billion, largely on the strength of picking up the Pierpont business. That boosted Signature from 11th to a tie for sixth place with Winsbury Co. in the Lipper rankings.

In 1989, Signature pioneered the "hub and spoke" style of mutual fund administration that is attracting much interest in the industry. Signature has trademarked the name. Other fund families call it a "master feeder" system. It is a legally separate entity that requires different accounting and regulation.

Instead of creating several different funds for no-loads, front-end loads or back-end-loaded products, the master feeder sets up one "hub" that does fund management, custody, and securities pricing.

The "spokes" are whatever flavor the investments take, whether annuity, privately managed account, group trust, load mutual fund, or offshore investment.

The spokes are responsible for their own marketing, distribution, transfer agency, and shareholder servicing. They can charge fees or market the funds any way they want, but all of the partners are investing money with the hub adviser.



Joseph F. Kissel
"It's a monumentum thing"

"We were very happy with the Boston Co., but our conversion to the hub-and-spoke structure led us to move to the author of that structure," said Eve Guernsey, managing director of Morgan's U.S. funds management division.

Carol Bradovchak, a marketing executive with Boston Co.'s investor services group, said her company has studied the issue and its potential regulatory and accounting complications. She added, "The vote is still out on hub and spoke." □

Citibank Ad Campaign Stresses Funds Are Not Insured

By KAREN TALLEY

Citibank has launched a new television advertising campaign stressing that the mutual funds it sells are not covered by federal deposit insurance.

The giant New York bank's commercials feature a shot of an ATM screen with the words "securities" and "not insured" prominently highlighted.

Since early this year, Citibank customers have been able to use ATMs to transfer money into and out of the bank's four Landmark money market funds.

Erasing Any Doubt

Banks have been under pressure from regulators and consumer groups to make double sure that consumers understand mutual funds aren't backed by the Federal Deposit Insurance Corp.

Customers can transfer money to funds via ATMs.

Maria Rullo, a Citibank spokeswoman, said the disclosures are consistent with the bank's basic approach to marketing securities.

Money Management Focus

"It's important our customers understand up front which of our accounts are covered by FDIC insurance and which are not."

The television ads, which recently began airing in the New York metropolitan area, are part of a campaign to draw attention to the bank's money management offerings.

The bank is also conducting a print campaign emphasizing the convenience of its consolidated statements, which now include information on securities and investments, as well as loans and deposits. □

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Marshall & Ilsley, Bucking Bank Trend, Eliminates Load

By MICHAEL O'D. MOORE

Just months after introducing its own mutual funds, Marshall & Ilsley Bank dropped the funds' sales charges.

Strong customer resistance to loads that ranged up to 3.5% on the six Marshall funds caused the bank to reconsider the charges almost immediately, said John McCarthy, vice president in charge of the funds.

"It was a big decision that filtered through all elements of the bank," Mr. McCarthy said.

Milwaukee-based Marshall & Ilsley, with $7.8 billion in assets, is one of the latest banks to go against the tide of banks offering load products. It launched its funds in October, and switched to no-load pricing on April 23.

Mr. McCarthy said that though, brokers may want the additional fees, some markets may prove too competitive for load funds to thrive.

Local Competition

Wisconsin, like Massachusetts, is home to many no-load mutual funds companies, including Strong/Corneliuson Management Corp. and Nicholas Co.

Milwaukee-based Firstar Corp.'s Portico Funds are also sold no-load.

In Boston, three of the four bank proprietary fund families are no-loads.

Customers resisted the charges, which ranged as high as 3.5%.

Offering a no-load family backs a trend that goes back at least to the mid-1980s, according to a 1990 study by Alliance Capital Managment, New York.

Noting that 75% of banks offer only load funds, Alliance concluded, "No-load funds are disappearing from bank's product lines."

Strategic Error Seen

Avi Nachmany, a partner in Strategic Insight, a New York-based consulting firm, said offering a no-load is a "a strategic error."

Mr. Nachmany said that most banks should charge loads for their proprietary funds, because doing so will build a stronger fee base and enable banks to devote a larger staff of employees to serve customers.

Trying to compete with a no-load giant like Fidelity is a mistake, he said. Banks' niche should be dealing with the majority of investors, who want more advice than those who buy directly from no-load mutual fund companies, he said.

Though some banks with no-load programs are doing well – Fleet Bank, for instance – Mr. Nachmany said the true test of the strategy will come when the market drops.

'It's Against My Religion'

He believes the banks with loads will be in a stronger position to keep customers through better service.

Not everyone agrees.

A down market will just make investors who are becoming more sophisticated look around and say "Hey, what are we paying here?" said David Anderson, executive vice president in charge of the $1 billion no-load UMB Funds for United Missouri Banks.

UMB Funds have been load free since they were introduced, in 1982. "It's against my religion" to offer loaded mutual funds, Mr. Anderson said. "If you're not a salesman, what good is a load?"

M&I customers had similar thoughts about the Marshall funds. Retail sales were "negligible" in the months after the funds were rolled out. The fund family, which was started with $1.2 billion in trust assets, has grown to $1.5 billion in assets.

Why did M&I offer loads in the first place?

"The dilemma is that you're trying to satisfy the broker-dealer," Mr. McCarthy said. The additional fees are very appealing, he said.

Class System Rejected

After identifying the resistance, M&I could have switched to a classes-of-shares system that gives different investors various fee-structure options.

But that structure was viewed as too confusing for customers, who would wonder whether the funds are load or no-load. Mr. McCarthy said.

Mr. Nachmany believes some banks selling no-load funds may be missing the mark. Instead of marketing to customers who need the guidance a financial intermediary provides, these banks are going after customers who could just as easily invest directly with a fund company.

Most bankers seem to agree. A 1992 study by Dalbar Financial Services, Boston, found a contradiction between brokerage and bank views toward sales fee-structure options.

While brokers identified loads as the biggest source of sales resistance, bankers said customers aren't worried about loads. □

AT A GLANCE

Marshall Funds

Assets	$1.5 billion
Funds	6
Investment adviser	M&I Investment Management Corp., a unit of Marshall & Ilsley Bank
Distributor	Federated Investors
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Bankers are Bullish on Mutual Funds



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Card Banks Record Robust Profits Despite the Pressure on Margins

By STEPHEN KLEGGE

Despite signs that competition is hurting profit margins, credit card banks have posted another strong quarter.

The healthy profits can be viewed most clearly through the three highly efficient, specialist issuers that investors view as a proxy for the card industry:

- First USA Inc. earned $12.9 million, more than double what it earned in the same period of 1992.
- Advanta Corp. reported a 67% increase, to $17.2 million.
- MBNA Corp. boosted its quarterly net by 20.1% to $46.1 million.

All the results reflect growth in card loans, as new categories of merchants such as supermarkets are starting to accept the cards.

"In general, business appears strong," said analyst Mark Alpert of Alex. Brown & Sons.

Volume Up 20%

The bank card associations have reported 20% growth in overall volume, and the specialists have been growing faster, Mr. Alpert said.

But increasingly intense price competition is beginning to hurt margins.

The first sign of that came earlier this month, when Signet Banking Corp. reported a 32-basis-point slip in its net interest margin, to 5.03.

The Richmond-based banking company has been building its credit card portfolio with one of the more aggressive low-interest-rate strategies in the nation. Its earnings were up 51% from the 1992 second quarter, at $40.4 million, much of the gain attributable to the growth in card receivables.

But investors, concerned about card profitability rates, dumped Signet's stock when the report came out.

Analysts discounted the margin decline, saying it was due mostly to an increase in funding costs. To the extent that card pricing was a factor, it was unlikely to presage a general problem in the credit card sector, they contended, because few banks are pricing as aggressively as Signet.

First USA's Margin Slips

Nevertheless, First USA also saw its margin on managed credit card loans fall – by 16 basis points since March 31, to 7.65% at midyear.

That was believed to be mostly the result of a $500 million securitization that temporarily took earning assets off the books. But observers noted it was the first full quarter in which Delaware-based First USA Bank was offering a pre-approved gold card at rates as low as 9.9%.

The net interest margin at Advanta, the parent of Colonial National Bank of Wilmington, slipped in the quarter by 2 basis points to 7.72%. That was also off from 8.46% in the second quarter of 1992. A spokeswoman attributed the change since last year to a repricing in November, when the issuer removed a floor of 18% on its loan rates, allowing rates on many cards to drop to around 14%.

MBNA, meanwhile, saw its margin expand in the latest quarter to 8.55%, from 8.26%, primarily as a result of a decrease in the cost of liabilities. "We don't just compete on price," a spokesman said. "We compete on the quality of the product, the quality of service."

Inevitable Changes

Whether or not the margin pressure represents a turning point for credit cards remains to be seen. But as Samuel G. Liss of Salomon Brothers Inc. pointed out in a report released before the earnings season, it is inevitable that price competition and an increase in funding costs from today's historically low levels will reduce margins.

According to RAM Research of Frederick, Md., the weighted-average interest rate on a standard card has slipped to 17.29% from 17.84% in January and from 18.40% in June 1992. The average annual fee on a standard card has fallen to $16.85 from $17.20 in June 1992, RAM said. □

The Big 3 Card Specialists

	Size (end of 2nd quarter, in billions)	Year-to-year increase	Net interest margin
MBNA	$46.1	20%	8.55%
Advanta	17.2	67	7.72
First USA	12.9	108	7.65

Source: Company Reports

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Rep. Flake, a New York Liberal – and Bank Defender

By ROBERT M. GARSSON

Antipoverty activists were aghast when Rep. Floyd Flake, D-N.Y., introduced a community development lending bill that rivaled President Clinton's proposal. What angered them most were the incentives the bill offered to commercial banks and thrifts for community lending.

But Rep. Flake, a three-term congressman from Queens, has never been a traditional sort of liberal. In 1991, he weathered similar criticism when he joined Rep. Tom Ridge, R-Pa., to win approval of the Bank Enterprise Act, which gives banks rebates against deposit insurance premiums for certain kinds of community lending activities.

Voice of Experience

And in the debate over community development, Rep. Flake's credentials are better than most of his critics'. A veteran of the Great Society programs of the 1960s, Rep. Flake is an African Methodist Episcopal minister who has used his church in the New York City borough of Queens as the focal point for community development effort that even his most ardent critics might admire.

As pastor of the Allen A.M.E. Church, Rep. Flake has built up an organization that employs nearly 1,000 while providing assistance ranging from prenatal care to financial services.

"If our church was listed on the *Black Enterprise* list of top businesses, we would be No. 66 in the country," he said.

Anything That Works

His voting record is distinctly liberal, but Rep. Flake sees himself as a moderate and a pragmatist, willing to support anything that works in his quest to bring prosperity to "the Third World nation within our borders."

And he says his experiences with antipoverty programs have convinced him that community development will not succeed without the involvement of mainstream lenders.

"I come to this as a pragmatist who was involved in the process of community development, and who realizes there comes a point where you don't have all the resources you need available to you," he said.

Two Lending Tracks

"If there is a big marketplace out there in the banking industry where there are resources, there ought to be as many vehicles as possible to access those funds," he added.

As a result, Rep. Flake's legislation would create two lending tracks for businesses. First, it has authorized $105 billion in three installments to pay for the S&L cleanup.

The Clinton administration originally asked Congress to approve $28 billion for the RTC. In May, the Senate passed a bill that would give the agency $18.3 billion. But the House has refused to vote for RTC funding.

Seidman Sees Savings

Some experts, like L. William Seidman, who once headed the RTC, argue that the lack of funding has actually saved taxpayers a bundle. How? Borderline thrifts that would have been shut down by the Office of Thrift Supervision and given to the RTC for liquidation have been left open – and recovered.

The OTS denies that it ever stopped closing bad thrifts.

The reason House members are afraid to vote for the bill is that they think their voters will be angry. Members of Congress "don't want to go back to their constituents and explain why they voted for it. The public doesn't seem to understand that when you vote for RTC funding, you're voting to bail out depositors," said Ms. Goodman.

In early May, the RTC resumed its job of liquidating the thrifts by freeing $3 billion from reserve funds. The agency isn't sure how long the funds will last.

Robyn Meredith



Rep. Floyd Flake
Sees himself as a pragmatist

would provide seed money for small community development banks that can help entrepreneurs get started. It also provides incentives for traditional lenders to pick up those businesses when they outgrow their development banks.

Tall and dapper, Rep. Flake is coming into his own. Thanks to the huge turnover in Congress this year, he won the chairmanship of the House Banking subcommittee on general oversight, making him a major player on banking legislation.

And with his community development lending bill, which he cosponsored with Rep. Jim Leach, R-Iowa, he has an opportunity to reshape what may be the only major banking initiative to clear Congress this year.

'So Much Waste'

In a voice that seems perpetually hoarse, Rep. Flake recalled recently how the Great Society years shaped his views on community development.

"There was so much waste," he said, in a pained voice. "When you think about the billions of dollars we spent on model cities, and other than Columbia, Md., and a few others, we just don't have much to show for the money we spent.

"I never want to see that again," he added.

Rep. Flake said the program failed partly because it had so little oversight, but mainly because the government did not involve private lenders – a mistake he did not repeat in his church.

Leveraging the Donations

In Queens, he said, "we are leveraging church tithes and offerings." About $3.6 million goes into the church's collection plates each year. A third of that goes to community projects, many of them profit-making businesses. All told, income from church-sponsored business and collections gives Rep. Flake a $21.9 million annual budget.

But the real muscle comes from private lenders, he said.

For example, the church has become a major real estate developer, buying up and rehabilitating vacant stores in Queens. In most cases, a 20% down payment comes from church funds and the rest is borrowed.

Bank, Community Benefit

"We bought a block of stores for $250,000," he said. "We put about $500,000 in it, rented it out, and it was appraised at $1.4 million. So we went back and borrowed $650,000 on that and bought more properties."

The bank benefited by picking up two good loans, he said. More importantly, he added, the community benefited from the new stores, which provide services and employment.

"The problem is, you have secondary markets for mortgages, but nobody does that for small business," he said. "So no matter how much housing we produce, the Main Streets of most urban communities are in total depression."

Despite his years in Washington, Rep. Flake said it is the pull of his Queens parish that helps him maintain his balance.

"I realize I could never be a Beltway politician," he said. Back home, "there are real people with real everyday problems that need to be addressed." □

Taxpayer Groups See Red Over Lack of RTC Funding

Congress' delay in funding the Resolution Trust Corp. has cost taxpayers about $2 billion since last year, the agency argues.

That figure has outraged some taxpayer groups. "Congress is just being incredibly cowardly in not voting for this money," said Susannah Goodman, legislative advocate at Public Citizen. "They are losing big bucks by not funding the RTC. It is bad public policy not to fund the RTC."

Without funding, the thrift cleanup agency must continue to operate failed savings and loans while losses mount because it cannot afford to pay off depositors and put sick S&Ls to sleep.

"It is like running a bankrupt business," an RTC spokeswoman said. The agency must pay operating and overhead costs for the S&Ls it still runs.

"Members [of Congress] are ducking their responsibility," by not passing the bill pending in the House, said Chris Lewis, director of banking and housing policy at the Consumer Federation of America.

The agency's spending authority ended on April Fools' Day, 1992. Since the RTC's creation in August 1989, Congress

The Inside Line

PEOPLE
Oversight Post Going to a Minority

Dietra L. Ford, who was a member of President Bill Clinton's transition team, will become president and chief executive of the Thrift Depositor Protection Oversight Board, which sets policies for the Resolution Trust Corp. That job was previously held by **Peter Monroe,** a Republican.

Ms. Ford, who is black, would be the first minority to have such a high-ranking federal post in the banking or thrift industries. She is currently a senior legislative associate for the House Committee on the District of Columbia, where she has worked since 1975.

She also has served as a commissioner of the National Capitol Planning Commission.

Edward C. Sylvester Jr., who directed the D.C. committee's majority staff before retiring, said Ms. Ford is "extremely bright, very personable, and a hard worker.

"I'd be surprised if there any administration jobs she couldn't do well," he said.

* * *

A U.S. Air shuttle carrying Federal Reserve Board Vice Chairman **David Mullins** from New York last Wednesday had to abort its initial landing attempt at National Airport. As the pilot pulled up and went to full throttle, he announced that a plane taking off from National had not yet cleared the runway. Mr. Mullins was unfazed. He said he's had similar experiences on airlines in the past.

* * *

James J. Didion, chairman and chief executive of CB Commercial Real Estate Group in Los Angeles, was elected chairman of the National Realty Committee at its annual meeting here. NRC's president and full-time CEO, **Steven A. Wechsler,** was reelected.

* * *

It was probably only a coincidence, but Rep. **Joseph Kennedy 2d,** D-Mass., canceled a hearing and put his House Banking consumer affairs subcommittee to work instead on an insurance bill – the day after an Energy and Commerce Committee panel voted out its own insurance regulation package.

Following his own subcommittee vote, Rep. Kennedy conceded that the fierce turf rivalry between banking and energy and commerce could have had something to do with his decision to go to a markup last week. And it could lead to a full committee vote next week, he said.

"The fact is, there are jurisdictional questions and they are addressed in part by who gets to Rules first," he said.

A rule setting a floor vote on the Kennedy bill would add weight to the banking committee's claim to jurisdiction over insurance.

* * *

Senate Banking Committee Chairman **Donald W. Riegle,** D-Mich., can breathe a little easier now, knowing that at least one potential challenger has taken a pass on the 1994 Senate race.

Republican Rep. **Fred Upton** said Thursday that he would not enter the race, citing the demands of his young family.

Sen. Riegle, still bearing the scars of the Keating Five scandal, is widely regarded as one of the most vulnerable Democratic senators up for reelection in 1994. Wags say he'll be running against **Charlie Keating.** □



David Mullins
Rough landing

BOARDROOM *changes*

Loyola Federal's Johnson to Head Board of Fairfield Finance School

James C. Johnson, president of the **Loyola Federal Savings Bank**, Baltimore, has been elected chairman of the board of trustees of the Center for Financial Studies, Fairfield University, Fairfield, Conn.


James C. Johnson

Mr. Johnson succeeds **Janet Pavliska**, former president of Bank Five for Savings in Arlington, Mass. The board also elected two new trustees: **Kenneth J. Abt**, president and chief executive officer of **First Federal Savings and Loan**, Middletown, N.Y., and **Arthur R. Connelly**, president and chief executive of the **South Weymouth Savings Bank**, South Weymouth, Mass.

— **Franklin Smith**

MIDWEST

CHICAGO TITLE and Trust Co. said **Margaret P. MacKinnon** has been elected to the combined board of directors of Title and Trust Co. and of **Chicago Title Insurance Co.**


M.P. MacKinnon

Mrs. MacKinnon's professional career includes 17 years with Kraft Inc. and Kraft General Foods Inc., from which she retired in 1989 as senior vice president, communications.

LAKE FOREST BANK and Trust Co. said **J. Christopher Reyes**, president of **Chicago Beverage Systems Inc.**, has joined its board of directors.

A. William Reynolds, chairman and chief executive officer of **Gencorp** in Fairlawn, Ohio, has been appointed chairman of the board of the Federal Reserve Bank of Cleveland for 1993.

Mr. Reynolds, previously deputy chairman, was also reappointed a director.

G. Watts Humphrey Jr., president of **GWH Holdings**, Pittsburgh, has been appointed a director and also will succeed Mr. Reynolds as deputy chairman.

Marvin Rosenberg, a partner in **Towne Properties Ltd.**, Cincinnati, was reappointed chairman of the board of the Cleveland Fed's Cincinnati branch for 1993.

Jerry W. Carey, president and chief executive officer of **Union National Bank and Trust Co.**, Barbourville, Ky., and **John N. Taylor**, chairman and chief executive of **Kurz-Kasch Inc.**, Dayton, Ohio, were appointed directors.

Eleanor Hicks, senior partner and chief executive officer of **Hicks & Kinley**, Cincinnati, was reappointed to the board.

Robert P. Bozone, president and chief executive officer of Allegheny Ludlum Corp., Pittsburgh, was reappointed chairman and director at the Pittsburgh branch.

New members of the Pittsburgh board are **Frank V. Cahouet**, chairman, president, and CEO of **Mellon Bank Corp.** and **Mellon Bank**, Pittsburgh, and **Randall L.C. Russell**, president and CEO of **Ranbar Technology Inc.**, Glenshaw, Pa.

MIDDLE ATLANTIC

COMMONWEALTH Federal Savings Bank, Valley Forge, Pa., said its chairman and chief executive officer, **Charles H. Meacham**, has been elected to a one-year term as an industry director of the Federal Home Loan Bank of Pittsburgh.

SPENCER SAVINGS Bank, Garfield, N.J., has appointed **Robert Motta**, a certified public accountant, to the board of directors.


Robert Motta

He has a private accounting practice in Clifton.

For more than 10 years, Mr. Motta has been employed by the **American Institute of Certified Public Accountants** as professional grader for the CPA examination division.

COVENANT BANK, Hasdonfield, N.J., said **Melville P. Dickenson Jr.** has joined its board of directors.

He founded the employee benefits firm of M.P. Dickenson and Associates and was cofounder of Miller, Mason, and Dickenson Inc., consultants and actuaries in the employee benefits field.

Samuel M. Gass has been appointed to the bank's Camden County advisory board. Mr. Gass is president of **Micrographic Services Inc.**, a microfilming facility in Pennsauken, N.J.

BALTIMORE BANCORP., parent company of the Bank of Baltimore, has elected as directors **Bruce E. Hoffman**, executive director of the Maryland Stadium Authority, and **James P. O'Conor**, chairman of the realty firm of **O'Conor, Piper & Flynn.**

WEST

WATSONVILLE Federal Savings Bank, Watsonville, Calif., has elected **Edward Banks** and **Gary Manfre** to its board.

Mr. Banks is a principal with **Martin & Friend Insurance Agency**. Mr. Manfre is president and chief executive of **Watsonville Coast Produce Inc.**

COLUMBIA BANKING Systems Inc., Bellevue, Wash., has elected **Jonathan Fine** a director of the bank holding company and its subsidiary, Columbia Bank.

Mr. Fine was senior vice president and treasurer of Puget Sound Bancorp and managing director of Puget Sound Securities.

FIRST INTERSTATE Bank of California, Los Angeles, has elected **Linda Griego**, former deputy mayor of Los Angeles, to its board of directors.

Ms. Griego is an entrepreneur specializing in urban redevelopment. □

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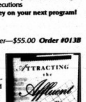

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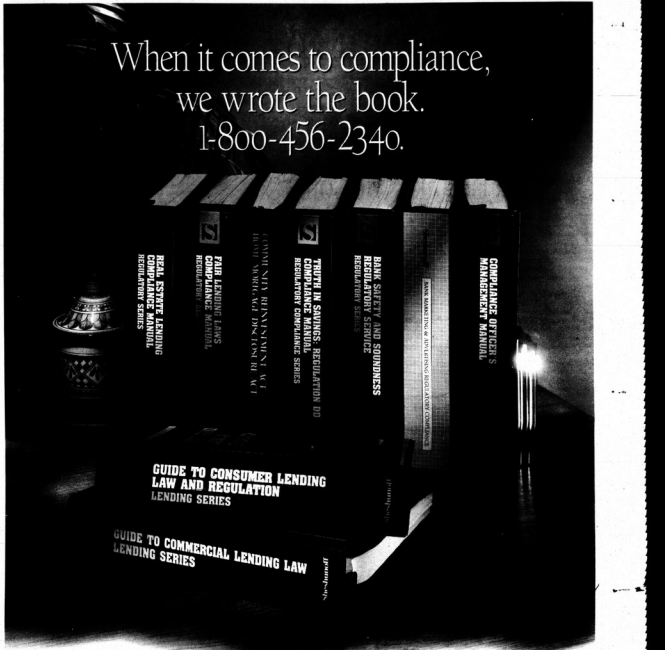

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Opinion

Front Row on Washington

By Jim McTague

The Unmitigated Gall Of NationsBank's McColl

The military-industrial complex, which has been ordered to beat guns into plowshares, apparently has found a way to market some of its most advanced technology to the banking industry.

I call your attention to the stealth spokesman, a super secret unveiled by the White House on July 15 during a media event called to promote President Clinton's community development lending program.

NationsBank chairman Hugh McColl stepped up to the podium following the President's speech and revealed to the world for the first time that he is the industry's official mouthpiece. Then, on behalf of bankers everywhere, he endorsed the lending plan, which is about as bank-friendly as John Dillinger.

Spokesman for Whom?

Naturally, other claimants to that lofty title were "shocked" and "surprised," and they groused that Mr. McColl is spokesman for NationsBank — period.

Furthermore, they contended that he had shafted them big-time by endorsing the President's community lending and Community Reinvestment Act plans.

The cynics further charged that Mr. McColl would endorse any half-baked Clinton idea in return for the White House's support for interstate branching legislation.

"McColl is the kissy-kissy of interstate," sneered one banker.

Mr. McColl no doubt enjoys these whiney plaints from his rivals. His claim to be the industry's spokesman was an obvious taunt aimed at trade groups that still pretend that bankers are capable of finding common ground on important issues.

Phony Theory

The unity myth was foisted upon the industry by the 101st Congress which said, disingenuously, that it had failed ty consider controversial reform legislation, like eliminating Glass-Steagall, because bankers hadn't spoken to them with one voice.

The actual reason for the inaction was a reluctance to give bankers a present and try to explain it to other constituents.)

CYNICS CHARGE that Mr. McColl would endorse any half-baked Clinton idea in return for the White House's support for interstate branching legislation.

Ever since, some trade groups have been obsessed with achieving some form of unity in their ranks. Their efforts have failed miserably, primarily because there are at least four banking industries, if not more.

Mr. McColl realizes this. In fact, he's been on a tirade about all-inclusive trade groups since January of last year.

At that time, the blustery banker threatened to quit the American Bankers Association and 11 other state and national organizations if they didn't disregard the wishes of their small-bank members and lobby for interstate branching in 1992.

Later that year, Mr. McColl and five other big bank CEO's formed a splinter group of the ABA to lobby for interstate branching.

Right in Character

There's nothing surprising or out-of-character, then, in Mr. McColl's going his own way.

In fact, it's hard not to admire the gift he has for ingratiating himself with the high and mighty to press his agenda.

President Clinton burned the midnight oil with Mr. McColl talking about the Community Reinvestment Act. No muckety-mucks from the ABA or the Independent Bankers of America were present.

This remarkable access is due in part for Mr. McColl's support during his campaign, even though it came in the 11th hour.

The banker is also buddies with H. Ross Perot, with whom he does business. He supported Mr. Perot for President until Perot dropped out.

Before that, Mr. McColl was a regular guest at the Bush White House when banking matters were discussed. (He was stricken from the list when he began supporting Mr. Perot.)

False Comfort

Bankers opposed to interstate branching take succor in the fact that a President alone can't enact such legislation. It takes a Congress, and they claim that Mr. McColl has little currency on Capitol Hill.

Don't be so sure. Nations-Bank was a generous contributor to Congressional candidates in 1992. Mr. McColl no doubt has plenty of capital at that end of Pennsylvania Avenue as well. ☐

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Comment

By Kathy Robb and Nathaniel Chapin

Ruling Guides Lenders in Preserving Exemption from Cleanup Liability

A recent court decision in the landmark lender-liability case of U.S. v. Fleet Factors Corp. embodied the Environmental Protection Agency's final interpretation of the secured-creditor exemption from the Superfund law.

While the court's finding was specific to that long-running case, the decision provides guidance to lenders, defining some activities they may undertake without voiding the exemption.

The story began back in 1976, when the Fleet Financial Group subsidiary entered into a factoring agreement with Swainsboro (Ga.) Print Works. Fleet advanced funds against account receivable and took a security interest in real property, inventory, equipment, and machinery.

The print company filed for bankruptcy in 1979 and ceased operations in 1981. In 1982, Fleet foreclosed on its inventory, equipment, and machinery, but not on the real property.

Fleet employed Baldwin Industrial Liquidators Inc. to auction the equipment and machinery. After the auction, Fleet allowed Nix Rigging Co. to salvage the remaining equipment and machinery. Nix remained on site until the Environmental Protection Agency's arrival in 1984.

Hazardous Substances

In 1984, the EPA discovered asbestos debris and several hundred drums of hazardous chemicals. After Fleet refused the EPA's demand to clean up the site, the EPA conducted a removal action under the Superfund law (formally, the Comprehensive Environmental Response, Compensation, and Liability Act).

The costs of the action were considerable, and the United States sought to recover them by suing Fleet.

IN THE preforeclosure period, the court in the Fleet Factors case allowed significant involvement by the lender in winding down its borrower's operations.

The first Fleet Factors decision, issued in response to a preliminary appeal by Fleet, established a controversial new standard, imposing liability on lenders who have a mere "capacity to influence" a borrower's treatment of hazardous wastes.

Partly in response to that decision, the EPA proposed a rule interpreting the Superfund law's secured-creditor exemption. The Fleet Factors trial court stayed the case pending the EPA's final rule, which became effective April 29, 1992.

See **FLEET** *next page*

The case then proceeded to trial. The government alleged that Fleet was liable as a owner-operator of Swainsboro Print Works.

Secured-Creditor Exemption

The principal question was whether the secured-creditor exemption protected Fleet.

The Superfund law imposes liability for the cleanup of hazardous substances on "any person who at the time of disposal of any hazardous substance owned or operated" the facility where disposal occurred.

The law exempts from the definition of the term "owner or operator" any "person who, without participating in the management of a . . . facility, holds indicia of ownership primarily to protect his security interest" in the facility.

This secured-creditor rule discusses activities a lender can undertake without voiding the exemption.

The trial court analyzed Fleet's role in two phases: preforeclosure and post-foreclosure.

The court held that Fleet's preforeclosure actions did not void the secured-creditor exemption, but that the post-foreclosure actions of Fleet's agents – Baldwin and Nix – amounted to participation in management under the rule's foreclosure provisions, and therefore voided

Comment

By Kathy Robb and Nathaniel Chapin

Fleet Factors Ruling Guides Lenders on Cleanup Liability

Continued from page 18

the exemption.

Under the rule, a lender participates in the management of a facility, abd thus incurs Superfund liability, if it makes decisions about its environmental compliance or exercises managerlike control over a facility's day-to-day operations.

The government claimed that Fleet participated in Swainsboro Print Works' management by blocking the sale of chemicals, which then leaked and contaminated the site.

The court found the evidence inconclusive, however, and limited its ruling to the facts, declining to rule on whether a creditor that affirmatively blocks the sale of chemicals at a facility is participating in management.

Also, the court rejected the government's argument that Fleet assumed managerlike control of the print works.

The court applied a "reasonable person" standard, comparing Fleet's actions to those of a "reasonable secured creditor acting primarily to protect its security interest."

Before foreclosure, Fleet disposed of inventory, provided payroll funds, and hired and fired helped resolve customer disputes, and collected receivables.

Even though Fleet was the only entity making decisions at the plant, the court held that Fleet's actions were those of a reasonable lender seeking to mitigate its losses and acting in the "normal course of business."

Post-Foreclosure

The rule's foreclosure provisions, triggering the "foreclosure or its equivalents," permit a lender to undertake a number of specific managerlike actions after foreclosure to preserve a secured asset.

Even though Fleet conducted an extra-judicial reposession of assets at Swainsboro Print Works, the court found it was "consistent with normal lending practices" and therefore the equivalent of a judicial foreclosure.

The court noted that the foreclosure powers permit the incidental handling of hazardous substances if it is directly related to a permitted activity such as preparing a facility for liquidation.

But the court found Baldwin's handling, or mishandling, of drums containing hazardous substances was not permissible under the foreclosure provisions, and amounted to participation in management of the facility.

The critical factor was that the environmental threat posed by the drums was readily and apparent "even to a lay observer."

The court further found that Nix's activities at the facility voided Fleet's secured-creditor exemption for three reasons.

• First, like Baldwin, Nix handled hazardous substances at the site in a manner that was not merely incidental to Fleet's foreclosure activities.

• Second, Nix aggravated a conspicuous environmental hazard by haphazardly moving drums around the site, rupturing some in the process, and leaving asbestos-laden insulation strewn around. Those actions constituted decision-making control and amounted to impermissible participation in management even under the foreclosure provisions.

• Third, Nix remained on site over 18 months after Baldwin's auction and failed to finish its salvage operations "in a reasonably expeditious manner." As a result, Fleet exercised excessive control over the real property that had not been foreclosed on at the time of foreclosure of the assets.

The court stated that a lender may exercise control over real property on which the creditor hasn't foreclosed only to the extent necessary to protect and liquidate assets on which the creditor has foreclosed.

LENDERS MAY conduct wider managerlike activities after foreclosure but should avoid excessive control of assets on which they have not foreclosed.

Limited Mandate

In the preforeclosure period, the court allowed significant involvement by the lender in winding down its borrower's operations.

While lenders may conduct more extensive managerlike activities in the post-foreclosure period, they should avoid exercising excessive control over assets on which they have not foreclosed. When hazardous substances pose a serious and apparent environmental threat, lenders should avoid handling those substances without EPA or state agency supervision.

Also, the court's broad reading of the phrase "foreclosure and its equivalents" is helpful to lenders because it permits them greater involvement in a borrower's activities under the rule's foreclosure provisions than under the preforeclosure provisions. ☐

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Ms. Robb is a partner in the New York office of the Hunton & Williams law firm and heads its environmental law team. Mr. Chapin is an associate on the team.

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China to Take Bids for Banking System

Reuters

BEIJING — China's central bank will solicit bids from international computer companies this year for a new national computer system to handle financial payments.

According to the newspaper *China Daily*, the proposed interbank payment system would be a breakthrough for China's antiquated financial sector, in which money often languishes for weeks while banks go through outmoded clearance operations that rely on the telegraph and mail.

"It will help accelerate circulation of capital, reduce use of cash, and improve social economic efficiency," said a People's Bank of China spokesman.

He said there will be two separate bids, one for the overall design and the other for equipment. The project could take more than 10 years to complete.

China's financial system has failed to keep pace with the country's accelerated economic development, and modernization of the banking structure has become a major priority for the government. □

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L.Romero Auctioneer Lic #0865604 Sells on 8/10/93 8:30 AM at 4345 Telegraph Rd (Rts) 86 Buick #1G4AJ1198C7GT480834 Rec fl: 0 or P. Balsamo. 82 Oldsmobile #1G3AY69Y3CM226360 Rc: E. Civito, 81 Buick #1G4AJ1748BG178990 Rc: Unknown rules, 77 Atlantic Boat #AJW0231360777 & 81 Avalon Trailer #AVT1B1R4A1L006-OH343 Rc: J. Riddle, 10:30 AM at 1488 Bruckner Blvd (Rt) 87 Buick #1G4AJ1144HH401863 Rc: NGA M Tran 11 AM at 755 Bruckner Blvd (Rts) 85 Buick #1G4CW69G7F486856 Rc/O: Gonzalez. 11:30 AMat 200 Bruckner Blvd (Rt) 85 Renault #VSMAC93359R227457 Rc: Unknown. Must be alive, 12 PM at 741 E 136 St (Rt) 88 Dodge #1B4FK4031JX319913 Rc: P.O. Martinez. 12:30 PM at 1111 Longwood Ave (Rt) 81 Toyota #JT2TE72L8B0037267 Rc: C. Soto, 1 PM at 667 Hunts Point Ave (Rt) 78 Ford #E15H8FC93400 Rc: G. Ben, 1:30 PM at 6071 Broadway (Rt) 82 GMC #1GDJG31M8C4003435 Rc: Bronx Supply Corp. 2 PM at 150 Van Cortlandt Ave E (Rt) 87 Mitsubishi #JA3HB84L0-HY007442 Rc: R. Calderin. 2:30 PM at 3186-810 Mclean Ave (Yonkers) 84 Hyundai #KMHLA21JTGU100818 Rc: B. Dessoy. 90 Mercedes #WDBEA30D3-L762548 Rc: LC. Berman. Published 7/26/93 & 8/2/93.

Lien Services Inc. Sells For Cash On August 18, 1993: 9:00AM at 799 Sackman St., Brooklyn, NY 1979 Chevrolet #1B14J6N0L-78706 Rc: R. Jemal; 9:15 AM at 130-07 Merrick Blvd., Jamaica, NY 1965 Ford #5F07C369673 Rc: R.D.D. Lane; 9:30 AM at Water St., New Rochelle, NY 1987 Suzuksmer #JX1JE70171687 Rc: R. Ventura/Crestmont Bank Installment Co.; 9:45 AM at 243 Lee Ave., Brooklyn, NY 1982 Ford #1FTHX26F5CKA07662 Rc: M. Braun. D Munao Acter #841590. Licnse May Bid.

L. Posner lic #847081 sells for cash 8/17/93 at 10AM at 23-17 39th Avenue Qns. 88 Jaguar XJ6 #SAJAV6548JC-Rc: Ahmed; 11AM at 114 Cherry Lane Qns. 86 Jeep #1JCNJ15U2GT000127 Rc: Unknowner; 11:30AM at 3285 Grace Ave Bx 87 Jaguar #SAJAV6548JC-Rc: Lopez. 12PM at 211 Eagle St. Bklyn 87 Acura #JH4KA-3258HC000336 Rc: J.D. Nelson 1PM at 190-17 Station Rd. Qns. 85 Jaguar 4USD #SAJAY1344FC418829 Rc: J. NG.

Pronto Lien Service, Lic# 869242 Sells on 8/17/93 at Pier 1941 Boston Rd Bx 8Y 81 Honda Prelude #JHMSN5322BC021814 Rc: E.D. Crowd. 10AM 81 W Tremont Ave. Bx NY 84 Mazda 626 #JM1GC2212E1641-6043 Rc: Arma Casualty & Surety Co. 86 Olds Delta 88 #3N69NAX128449 Rc: Rockford Leasing Corp. 11AM 18-30 W 8th, Edrn Ave Bx NY 80 Buick Lesabre Rc: E. Seneriz. Published 8/02/93 & 8/10/93.

Lien Sale 8/9/93 9:00AM 2235 E 17 St Bklyn 1989 Olds #1K5378TD204448 Rc: CIT Simms. 1988 Chevrolet #1GCDC14-H9JZ108115 Rc: Hwy Rockville Ctr 85 Mer/Be #WDB-BA67A4F160 Rc: Mellon Lease. CMS, CMSlazer. MMBank & Mfg HT. Pub. 7/26 & 8/2/93.

Lien Sale 8/16/93 9:00AM 1449 E 222 St Bronx, NY 1987 Bert #2JHBS00AXH-116033 Rc: R. Dessler. 10:00AM 428 Dewitt Ave Bklyn 1988 Nissan #JN1CN34S9JM007134 Rc: EG Worden & First Sec ST Bk. Publ. 8/2 & 8/9/93.

Lien Sale: 8/17/93 Bklyn, N.Y. 9927 Strickland 4:00PM '72 Formula 230 (23) #2T21J3367 (804)262-8400 Rc: Raul Valentin; B. Zarrow, AucU.

FOUNDATION NOTICE

NOTICE

The annual report of SHELLEY MEADOWS CHILDREN'S FOUNDATION, INC. for the fiscal year ended June 30, 1993, is available at the principal office located at 855 Valley Road, Clifton, NJ 07013. (201) 472-6250 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Donald Rubin.

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Small Banks Not Worried By Interstate

Continued from page 6

general counsel of the American Bankers Association. "It's still a very limited phenomenon."

If enough states pass such laws, and if Congress fails to repeal or at least amend the McFadden Act, there could be a trend of changing from national to state charters, Mr. Wilmarth said. He added that he favors federal legislation that would amend the McFadden Act and allow states to set their own rules about interstate branching.

"Many states in 1991 were waiting for Congress to act," Mr. Wilmarth said. "When that fell through, some states decided to take the initiative, which is what we're seeing now."

A Watchful Eye

The Independent Bankers Association of America, the trade group for community banks, is keeping a watchful eye on state legislation.

"If this thing gets to be more of a movement, we'll likely help out [state community banking

The issue will increasingly light up their radar screens.

associations] in dealing with it," said Stephen J. Verdier, senior legislative counsel to the IBAA.

Mr. Verdier doesn't think interstate branching is as inevitable as the interstate banking movement – in the form of regional compacts – became in the mid-1980s.

CRA, Taxation Big Hurdles

"I still see many roadblocks," he said. "It's not inevitable."

The biggest roadblocks, he feels, are community reinvestment and taxation.

"If there's a CRA challenge that NationsBank isn't serving a particular market, but NationsBank says its market is the entire United States, how does a local trade deal with that?

In addition, the effect on state tax revenues could be significant if a branch becomes part of a taxable entity in another state.

The laws in Oregon, Alaska, New York, and North Carolina all deal with those issues, albeit in very different ways and under regulatory oversight. But different states could take different approaches, Ms. Lamb said, creating conflicts.

Oregon Bankers Not Worried

That doesn't faze Frank Brawner, executive vice president of the Oregon Bankers Association, who shepherded the interstate branching bill through his state legislature.

"For one we thought [Oregon banks] deserved to be in the forefront of this issue," Mr. Brawner said. "We hope Congress does act on this issue. We hope Washington, Idaho, California, and Nevada act on this issue. If there are conflicts, we'll deal with it."

Mr. Brawner said community bankers did not oppose the law in Oregon. □

Gold Sends False Alarm On Inflation Prospects

Continued from page 1

tion fears, have held steady.

With stock and bond markets generally strong, gold offered a tempting alternative for investors looking for a place to put their money. And worries about shaky currencies in Europe and elsewhere have encouraged traders to build up their positions in bullion and gold futures as a currency hedge.

Private banks in Europe, U.S. investment banks, hedge funds, mutual funds, and foreign exchange dealers have all been in on the gold-buying binge, says Jeffrey Christian, managing director of CPM Group, a precious-metals consulting firm in New York.

Anti-Inflationary Forces

But ordinary investors do not have to look far to be assured that inflation is not building up much steam. And there are plenty of cases where prices are coming down, not going up.

• Oil prices have dropped to $18 a barrel, from $19.50 at the beginning of the year, and there has been speculation that they will go lower if Iraq ever gets a gain its status as a major exporter.

• Phillip Morris Cos. announced that the its price cut in Marlboro cigarettes may be made permanent, suggesting other tobacco prices will be coming down, too, after years of steady increases.

• Prices of high-tech footwear that carry endorsements from TV superstars like Michael Jordan have come down below $100, and retailers have slashed prices repeatedly to move inventory.

• The continuing war in the computer business is providing more and more processing capabilities at lower prices. J&R Computer World, a discount

Other measures provide evidence that inflation remains in check.

catalog in New York, lists an IBM PS/1 personal computer with a 486SX Intel processor and a 14-inch color monitor, plus other accessories, at $1,699.

Price Consciousness

If anyone doubts that retailers are having trouble boosting prices stick, they only have to ponder the announcement by Procter & Gamble that it is slashing 13,000 jobs, 12% of its work force, and shutting down 30 plants.

Chairman Edwin L. Artzt frankly acknowledged that the company's top-line products, which have long been household names, will have to priced more aggressively to compete with generic brands, which are gaining in popularity.

The Bond Buyer is a sister publication of the *American Banker*.

Congressional Negotiators Limit Direct Student Lending

Continued from page 1

one sort of intangible, purchased mortgage servicing rights.

The agreement would allow financial institutions to amortize servicing rights over nine years, instead of the 14 years they now must use for the Mortgage Bankers Association, which lobbied hard for the exemption.

Under current law, servicing rights are amortized over seven years, the accepted useful life of mortgage loans. While the nine-year amortization is less generous, it is better than the 14-year timetable for other intangibles.

Feeling of Uncertainty

But while those deals have tentatively been set, a separate decision to hold the gas tax to 4.5 cents a gallon could force congressional negotiators back to the table to find ways to meet the President's deficit-reduction goals. □

Centennial Bancorp Buys Harding Fletcher

EUGENE, Ore. — Centennial Bancorp said it bought Harding Fletcher Co., a mortgage banking company. Terms were not disclosed.

Harding Fletcher has offices in Oregon, Washington, and California. Centennial said it planned no changes in the firm's staff or operations. Co-founder Wallace Harding will remain president and CEO of Harding Fletcher.

— Reuters

"It creates the possibility that they will have to go back over everything and see if they can squeeze out more revenues," said Henry Reumpler, tax lobbyist for the American Bankers Association. The IRS "still doesn't know anybody knows exactly where they stand."

The deal on purchased mortgage servicing rights could be particularly vulnerable, since Rep. Dan Rostenkowski, chairman of the House Ways & Means committee, opposes it.

One item that was still undecided Friday was whether the tax treatment of debt-to-stock conversions for bankrupt companies.

Current law does not tax the income that might be attributable to such transactions, since it helps companies stay in business. However, the committee is considering whether to make the conversions taxable as a means of raising revenue. □

CREDIT RATINGS

The ratings agencies took the following actions last week:

Banc One Corp.: Thomson Bankwatch upgraded the subordinated debt of Banc One to AA from AA-minus.

It said the company demonstrates all of the qualities needed for a high rating, including solid capital ratios, good asset quality, consistently strong earnings, and a dominant franchise.

Bank of Boston Corp.: IBCA raised the holding company's senior debt rating to BBB-plus from BBB, and its short-term rating to A2 from A3. The senior rating of First National Bank of Boston was raised to A-minus from BBB-plus.

IBCA cited Bank of Boston's continued improvement in asset quality and capital levels.

BayBanks Inc.: Standard & Poor's Corp. raised senior debt ratings to an investment grade BBB-minus from a junk rating of BB-plus, and raised the rating of uninsured certificates of deposit to BBB/A-2 from BBB-minus/A-3.

The upgrades reflect improving operating performance measures as asset quality pressures continue to subside. Moody's Investors Service Inc. said BayBanks' asset quality measures have improved, with nonperforming loans down around 40%, but they still compare unfavorably with other New England banks.

First Interstate Bancorp: Moody's Investors Service Inc. raised the ratings of long-term senior debt to A3 from Baa1, and subordinated debt to Baa1 from Baa2. The preferred stock rating was raised to baa1 from baa2.

Ratings for the company's bank subsidiaries were also raised, Moody's cited improving asset quality and strong reserves.

Standard & Poor's Corp., citing the same factors, affirmed its ratings for the bank, but revised its ratings outlook to "positive" from "stable." First Interstate senior debt is rated BBB-plus, its subordinated debt is rated BBB and its preferred stock is rated BBB-minus.

Midlantic Corp.: Duff & Phelps Credit Rating Co. raised the bank's senior debt rating to BB from B-plus, and subordinated debt to BB-minus from single B.

The agency cited Midlantic's progress in raising more than $200 million in common equity, and improving operating earnings, while recognizing the significant asset quality problems that still exist.

PNC Bank Corp. and First Eastern Bank: Moody's Investors Service confirmed PNC's ratings and placed First Eastern's ratings on review for upgrade as a result of the announcement that PNC will buy First Eastern Corp.

PNC's subordinated debt is rated A3, and the senior debt of a funding vehicle, PNC Funding Corp., is rated A2. First Eastern's long-term deposits are rated Baa3, and its long-term debt backed by letters of credit is rated Ba2.

The $330 million purchase will be financed partly by debt, but will not have a big impact on PNC's capitalization, Moody's said.

Signet Banking Corp.: Duff & Phelps Credit Rating Co. upgraded the senior debt rating to BBB-plus from BBB, the subordinated debt to BBB from BBB-minus, and affirmed its Duff-2 commercial paper rating.

Duff & Phelps cited Signet's improved asset quality and profitability, and solid capitalization levels, and said that the recent rapid growth in credit card receivables will be an important factor in assessing the bank for possible future upgrades.

Society Corp.: Duff & Phelps Credit Rating Co. raised the debt ratings of Society Corp. and its major subsidiary bank, Society National Bank, by one notch. Corp.'s senior debt was raised to A-plus from A, and subordinated debt to A-minus from A-minus. Society National Bank's senior debt was raised to A-minus from A-plus, subordinated debt to A-plus from A, and short-term certificates of deposits to Duff 1-plus from Duff 1.

The upgrades reflect Society's strong earnings, solid balance sheet, improving asset quality, and ample reserve coverage.

UJB Financial Corp.: The banking company's credit ratings were raised. The action elevated its subordinated debt and preferred stock to an investment grade Baa3 from junk grade Ba1. Its senior ratings were raised to (P) Baa2 from (P) Baa3, and commercial paper was upgraded to prime-2 from prime-3.

Moody's said UJB has shown improved reserve coverage of problem loans, due to declining levels of new nonperforming loans, extensive chargeoffs, and provisioning against bad real estate and commercial loans over the past three years.

Wells Fargo & Co.: Standard & Poor's revised its ratings outlook to stable from negative, and affirmed its current ratings of BB-minus for senior debt, BBB-plus for subordinated debt, BBB for preferred stock, and A-2 for commercial paper.

The outlook revision reflects the agency's judgment that the chances are lessening that the real estate recession could further damage the long-term prospects of the company. Wells Fargo is weathering the downturn in California commercial real estate markets better than most have been expected, given the severity of the downturn.

— David Siegel

S&P raised
BayBanks' senior
ratings to
investment grade.

FirstPerryton Bancorp, Inc.
Perryton, Texas

has acquired

Texas Commerce Bank—Amarillo
Amarillo, Texas

The undersigned acted as financial advisor to FirstPerryton Bancorp, Inc.

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1st Chicago Arranges $100 Million Chinese Deal

By JAMES R. KRAUS

First Chicago Corp. has arranged a $100 million commercial paper program for China National Chemicals Import and Export Corp., the first Chinese company to venture into the U.S. public debt market.

First Chicago also will act as the issuing and paying agent and depositary and Chase Manhattan Markets Inc., a unit of First Chicago, as the sole commercial paper dealer, the Chinese company announced in a press release.

The Participants

The Bank of China and Credit Suisse are co-arranging. Credit Suisse is also acting as agent and providing letters of credit.

Other participating banks are Italy's Monte dei Paschi di Siena, Germany's Bayerische Hypotheken-und Wechsel Bank AG, and Japan's Dai-Ichi Kangyo Bank Ltd.

Funding for Debt Deals

The funding is being done in the name of Sinochem American Holdings Inc., the New York-based U.S. operating unit of the Chinese government-owned company which will be mainly used for trading transactions.

Sinochem National Chemicals, also known as Sinochem Beijing, is one of China's biggest trading companies, with a turnover of $12.25 billion last year.

Chinese Expansion

The issue comes as Chinese companies are seeking to broaden their international borrowings in order to invest and to expand their operations.

Market sources said several other Chinese companies in the United States are planning to launch U.S. commercial paper programs soon, and are also considering issuing dollar-denominated bonds in the United States. □

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Highlights for Friday, July 30

TOP 10 GAINERS %

Tompkins County Trust Company	6.9
Peoples First Corporation	5.3
Boulevard Bancorp, Inc.	5.3
F & M National Corporation	4.7
Jefferson Bankshares, Inc.	4.7
Bank of Granite Corp.	3.5
Commonwealth Bancshares	3.5
Hubco, Inc.	3.4
Fulton Financial Corporation	3.3
USBANCORP, Inc.	3.1

TOP 10 LOSERS %

National Penn Bancshares, Inc.	-6.3
Pacific Western Bancshares	-4.3
Colonial BancGroup, Inc.	-3.5
Baltimore Bancorp	-3.4
Central Fidelity Corp.	-3.3
Western Bank	-3.1
Intercontinental Bank	-2.9
S&T Bancorp	-2.8
Trans Financial Bancorp, Inc.	-2.8
First Hawaiian, Inc.	-2.7

MOST SHARES TRADED

Citicorp	1204300
Chase Manhattan Corporation	781300
BankAmerica Corporation	760300
Chemical Banking Corp.	712400
Midlantic Corporation	457800

VOLUME AS % OF AVERAGE

Victoria Bankshares, Inc.	2802.8
Merchants New York Bancorp	2185.9
Bancorp Connecticut, Inc.	1160.3
First Financial Corporation	1100.6
United Missouri Bancshares Inc	983.2

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.78	-0.20	0.67	-0.49	1.46	0.76	0.03	0.58	5.50

Top 225 Banks

52 Wk. Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg. to 6/30
26¾	19½	1stSouthwCorp/N	11.4	134.8	23⅜	¼
27¾	18¼	AMCORE Fnl A	11.4	129.6	24⅜	⅛
17½	8¼	AmBkshs/FL A	11.6	284.2	16¾	¼
35¾	26¾	AmSouthBancorp/A	10.9	149.9	33⅞	⅛
36½	30	AmTrustCorp/SC	12.8	182.2	34½	⅛
35⅞	27⅞	BB&T FinCorp/C	12.0	154.2	33⅜	¼
27½	12	BOKFinancial/OK	13.8	193.9	20	⅛
33	21¼	BT FinCorp/PA	11.4	141.0	30⅜	¼
11¾	6	BaltimoreBancp/MD	11.4	111.8	10⅜	⅛
21¾	24⅜	BanPonceCorp/PR	10.1	124.9	29½	⅛
31¾	24⅜	BankAtlantic A/FL	11.1	120.0	25½	⅛
53¾	40¾	BankersTrustNY/C	7.4	1220.0	41½	⅛
46¾	37¾	BancorpSouth/MS	11.5	145.3	37½	⅛
54⅜	41	BancorpHawaii/HI	11.5	317.7	44¼	⅛
36½	26	BankGranite/Corp/NC	17.5	276.5	29½	⅛
14¾	9¼	BankNewEngland/MA	11.4	358.2	13¾	⅛
78¾	59	BankersTrust/NY	8.5	170.0	77¾	⅛
19¾	12½	BankmontFinancial/GA	11.8	182.2	19¾	⅛
28⅜	18⅞	BankAtlantic/MA	8.8	110.1	24½	⅛
61¾	39¾	BankersCorp/NJ	27.4	158.8	58	⅛
50¾	34⅜	BarnettBanks/In FL	18.3	178.4	47¾	⅛
52⅜	28⅜	BayBanks/MA	12.8	1.8E+2	47¾	⅛
64¼	49¾	BostonPrv'sBcnts/MD	11.7	153.7	58⅞	-⅛
20	13½	BostonPrv/MA	27.4	158.8	18	⅛
31¾	24	BrentonBanks/A	10.2	133.1	25½	⅛
35¾	26½	CBT Corporation/GA	11.2	147.3	30⅜	⅛
42¾	32¾	CCB FnCorp/KY	11.8	147.3	36½	⅛
29¾	22⅜	CFX Corporation/NY	11.4	154.2	26½	⅛
19¾	7½	CNB FinCorp/CA	9.1	153.2	12¾	⅛
14	9¾	CNBancshares/IN	11.3	205.8	13¾	-⅛
34¾	13¾	CathayBancorp/CA	10.2	135.3	13¾	⅛
26½	19	CentralBcshs/AL	11.4	181.0	25½	⅛
34¾	22¾	CentralFidelity/VA	11.7	175.5	29	-⅛
34¾	22¾	CentralFinCorp/KY	14.2	177.8	27½	⅛
24½	16⅝	CentralBancorp/MI	10.9	151.1	20¾	⅛
37¾	21	CharterBancshares/TX	9.1	95.6	31¾	⅛
44	30¾	ChemicalBanking/NY	8.7	119.7	41¼	⅛
47¾	32¾	ChemicalFinCorp/MI	14.2	179.8	47¼	⅛
22	13¾	CitizensBcorp/CT	12.1	112.8	20¾	⅛
22¾	14¾	CitizensBcshs/MO	13.0	138.3	20¾	⅛
26	19¾	CitizensBancorp/MD	14.1	138.6	24¾	⅛
34¾	18½	CitizensBcshs/MI	11.5	146.3	31¾	⅛
76	27¾	CitizensFin/A	15.1	166.3	73	⅛
24¾	16¾	CityNational/CA	11.8	184.2	23¾	⅛
13¾	4¾	CoastFinancial/FL	10.4	109.1	7¾	⅛
23½	17½	ColonialBancGp/AL	9.0	138.8	20¾	-⅛
19¾	12¾	ColumbiaBcshs/MD	11.7	164.5	20¾	⅛
17½	11¼	CommBcshs/Corp/GA	18.8	197.6	16¾	⅛
33¾	25¾	CommunityBcshs/MD	11.5	138.5	29¾	⅛
45¾	34¾	CommunityFirst/MO	10.9	150.2	41¾	⅛
15¾	10¾	CommunityFirst/MO	10.9	150.2	14	⅛
39¾	36	Comerica/MI	9.7	1.8E+2	36¾	⅛
35⅛	27⅛	ContinentalL A	4.7	87.8	33⅜	-⅛
40¾	25¾	CoreStatesFnCp/PA	13.4	1.8E+2	37¾	⅛
40¾	25¾	CoreStatesFnCp/PA	13.4	1.8E+2	40¾	⅛
40¾	21	CulbroadE/TX	11.0	170.1	37¾	⅛
27¾	20¾	DauphinDeposit/PA	12.3	163.9	24¾	⅛
27¾	20¾	DauphinDeposit/PA	12.3	163.9	24¾	⅛
27¾	17¾	E N B Fin/Corp/PA	11.8	151.2	24¾	⅛
18¾	9½	EMI Corp/IN	17.7	115.1	14¾	⅛
29	24	FarmersCapital/KY	15.8	134.8	29	⅛
40¾	31¾	FifthThirdBcp/OH	11.7	2.8E+2	39¾	⅛
40¾	31¾	FinancialTrust/GA	13.2	191.0	40¾	⅛
40¾	31¾	FirstAmBcshs/TN	13.8	250.1	39¾	⅛
39¾	27¾	FirstAlabama/AL	12.1	182.4	33	⅛

52 Wk. Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg. to 6/30
26¾	19½	FirstAmerBcTn	7.7	142.2	25¾	¼
33¾	20¾	FirstAmerCorp/TN	11.7	160.5	31¾	¼
36¾	26¾	FirstBancorp/NC	11.7	153.4	35	⅛
33¾	23¾	FirstBankSystem/MN	27.4	176.1	30⅜	⅛
24¾	16¾	FirstBcshs/MO	11.5	180.2	24¾	⅛
62½	30¾	FirstCitizens A	8.2	126.7	47¼	⅛
18¾	14¾	FirstCommFL	15.4	125.3	18¾	⅛
20¾	8¾	FirstCommerce/A	10.3	191.4	18¾	⅛
40½	25¾	FirstCommerce/GA	10.9	182.2	36	⅛
34½	27¾	FirstCommerce/LA	11.1	165.2	33¾	⅛
34¾	25¾	FirstCommerce/TN	12.4	185.2	34¾	⅛
35¾	25¾	FirstCommerce/VA	12.4	185.2	35¾	⅛
117⅛	90	FirstEmpire/NY	11.7	164.6	115	⅛
31¾	24	FirstFedFin/IN	10.9	147.4	31¾	-1⅛
48¾	37¾	FirstFinBanc/OH	16.2	212.8	48¾	⅛
36¾	26¾	FirstFinCorp/DE	17.2	153.3	36¾	⅛
30¾	23½	FirstHawaiian/HI	10.0	149.3	27	⅛
36¾	29¾	FirstHorizon/TN	9.0	162.6	33¾	⅛
27½	19¾	FirstMichBdCp/MI	12.7	176.8	27¾	⅛
25	18	FirstMidwest/IL	17.0	182.2	25	⅛
22¼	15¾	FirstNiagaraBcCp/A	12.5	159.8	20¾	⅛
22¼	15¾	FirstNiagaraBcCp/A	12.5	159.8	20¾	⅛
47	32¾	FirstTennessee/TN	12.6	196.2	43	⅛
35¾	25¾	FirstUnionCorp/SC	13.4	172.6	35¾	⅛
28½	17	FirstUnionBcsh/FL	8.9	143.7	28½	⅛
27¾	21¾	FirstVirginia/VA	12.8	180.5	27¾	⅛
29¾	19¾	FirstWisBcshs/MI	14.3	180.4	29¾	⅛
29¾	19¾	FirstWisBcshs/MI	14.3	180.4	29¾	⅛
39¾	29¾	FirstCorp/VA	11.8	191.4	39¾	⅛
39	34	FirstBankIL A	11.9	167.0	37½	⅛
37¾	26¾	FleetFinancial/RI	14.2	157.6	33¾	⅛
37¾	26¾	FleetFinancial/RI	14.2	157.6	33¾	⅛
34¾	22¾	FortuneBancorp/IN	13.4	173.8	30¾	⅛
31¼	24	FortuneFinCorp/KS	11.6	156.6	30	⅛
30¾	23¾	FranklinFed/GA	10.5	151.5	30¾	⅛
30¾	28	FranklinMcCarty/IN	11.3	140.3	27	⅛
31¾	23¾	FranklinMcCarty/IN	12.3	188.1	29¾	⅛
18¾	12¾	FulbrtFCorp/PA	14.0	175.4	23¾	⅛
41¾	13¾	GBC Bancorp/CA	8.3	150.3	20¾	⅛
25¾	15¾	GreatsthBcshs/MO	11.3	147.1	24¾	⅛
20¾	14¾	HancockHldg/LA	10.1	157.2	20¾	⅛
39¾	34	HarleysvilleB/PA	11.8	189.5	39¾	⅛
39¾	34	HarleysvilleB/PA	11.8	189.5	39¾	⅛
18¾	12¾	HeritageFnl/LA	10.4	109.2	18¾	⅛
18¾	12¾	HeritageFnl/LA	10.4	109.2	18¾	⅛
27¾	18¾	HuntingtonBcshs/IN	13.6	236.9	26¾	⅛
29	23¾	IndependentBk/MI	11.1	178.2	29	⅛
29	23¾	IndependentBk/MI	36.7	146.8	27¾	⅛
18¾	12¾	IntercontBk/FL	10.4	191.7	18¾	⅛
18	12¾	IntercontBk/FL	12.3	153.3	17	⅛
18¾	12¾	IntercontBk/FL	10.3	117.5	44	-½
28	22¾	InvstFinCorp/S	8.3	200.2	43¾	⅛
28¾	22¾	JP Morgan/DE	10.3	191.2	28¾	⅛
23	13½	JeffersonBcshs/VA	13.3	176.0	22¾	⅛
24¾	19¾	JeffersonBcshs/VA	11.1	193.2	24¾	⅛
24¾	24¾	KeycorpN/NY	12.6	167.2	30	⅛
24¾	24¾	KeycorpN/NY	12.6	167.2	30	⅛
30¾	23¾	KeystoneFin/PA	8.4	143.4	29¾	⅛
17¾	10¾	KeystoneFin/PA	15.0	195.5	29¾	⅛
17¾	10¾	KeystoneFin/PA	15.0	195.5	29¾	⅛
14¾	10¾	MBC Financial/MD	10.2	123.4	14¾	⅛
29¾	17¾	MNC Financial/MD	11.3	146.3	29¾	⅛
29¾	17¾	MarShallBnkshs/WI	11.8	150.2	29¾	⅛
29¾	17¾	MarShallBnkshs/WI	13.4	245.5	29¾	⅛
29¾	17¾	MarShallBnkshs/WI	11.8	150.2	29¾	⅛
29¾	17¾	MarShallBnkshs/WI	13.4	245.5	29¾	⅛
29¾	17¾	MarShallBnkshs/WI	11.8	150.2	29¾	⅛
29¾	17¾	MarShallBnkshs/WI	13.4	245.5	29¾	⅛
46¾	40	MarineBancCorp/A	9.8	140.4	45¾	⅛
46¾	40	MarineBancCorp/A	12.0	147.4	45¾	⅛
30¾	27	MercantileBcsh/MD	11.5	146.3	30	⅛
30¾	27	MercantileBcsh/MD	11.5	146.3	30	⅛
30¾	24¾	MeritBnkCorp/MS	11.8	150.2	27¾	⅛

52 Wk. Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg. to 6/30
23¾	18½	UnitedCarolina/NC	10.4	137.0	23	⅛
89	72	UnitedCorp/Inc W	8.3	138.1	88	⅛
40¾	36¼	UnitedMissouri/MO	13.9	131.4	38¾	⅛
17½	12	UnitedNatBnk/WV	11.1	141.2	16¾	⅛
45¾	35	ValleyRecorp/WI	13.7	180.7	45¾	⅛
30	19¾	ValleyNatBcsh/NJ	12.3	243.6	29¾	⅛
27¾	20¾	VictoriaBcshs/TX	8.7	125.1	24½	⅛
40¾	29	WaterhouseCp/NC	13.3	206.5	39¾	⅛
120	61¾	WellsFargo/CA	22.2	190.4	115¾	⅛
30	19¾	WestAmerBcp/CA	15.3	172.3	30	⅛
54¾	38¾	WestBancorp/Inc ID	12.8	168.6	54¾	⅛
54¾	38¾	WestBancorp/Loan/NE	12.8	138.7	54¾	⅛
33¾	20¾	WesternBcshs/CA	13.9	212.8	31½	-½
21¾	14¾	WilmingtonTrst/DE	11.3	130.8	20¾	⅛
21¾	14¾	WilmingtonTrst/DE	12.9	206.8	20¾	⅛
30¾	24¾	WisconsinEn/WI	11.3	149.7	29¾	⅛
11¾	8¾	WoodwardBk/CA	11.3	201.7	40¾	⅛

Top 25 Thrifts

52 Wk. Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg. to 6/30
11.3	8¾	ABARKFinancial/IN	11.3	18.1	18¼	-¼
21¼	13¾	ArmancoCo/A	NM	101.4	19½	-¼
23½	15¾	CalFedBancorp/CA	9.1	187.9	21¾	¼
36¾	24	CharterOneFin/OH	8.0	151.0	33¾	1¼
18¾	11¾	CoastSavingsBnk/CA	13.7	69.4	12¾	¼
23¾	11¾	CollectiveBcp/A	9.1	187.9	21¾	¼
23¾	11¾	CollectiveBcp/LimNE	9.1	121.0	20¾	¼
36¾	24	CharterOneFin/OH	12.8	151.0	33¾	¼
20	13¾	DreamworksGp/CA	22.1	113.7	20¾	¼
15⅝	9¾	FedFinCorp/MI	9.6	138.2	14¾	¼
34	17¾	FedNatMtCo/MI	9.9	72.3	32	-¼
18¾	11¾	FirstFedMI/MI	11.4	162.1	18¾	¼
19¾	13	GreatWesternFn/CA	250.0	104.9	17¾	-¼
26¾	16	JSB Financial/NY	10.0	95.1	25¾	¼
18¾	11¾	MetroFinCp/MN	9.7	107.0	16	¼
21¾	16¾	MSB Bancorp/MI	10.9	104.4	20¾	¼
32¾	22¾	NSBancorp/IL	8.7	114.4	32¾	¼
14¾	9¾	NorthSideFn/IN	9.0	171.5	14¾	¼
11¾	6¾	SovereignFn/PA	10.9	180.2	11¾	¼
14¾	8¾	SouthFstFnl/SC	9.3	116.2	14¾	¼
39¾	17¾	StandardFed/IL-MI	8.2	126.6	26¾	¼
39¾	17¾	StandardFed/IL-MI	8.2	126.6	26¾	¼
29¾	17¾	SyracuseBcp/NY	11.5	101.7	29¾	¼
29	23¾	WashingtonFed/WI	11.3	308.5	29¾	¼
29¾	23¾	WashingtonFed/WI	11.3	308.5	29¾	¼

Bank Stock Table Explained: The table lists in alphabetical order daily composite stock prices at 4:30 p.m. (unless otherwise noted) for the 225 largest publicly traded commercial banking firms and the 25 largest publicly traded thrifts as measured by the market value of all common shares outstanding as of June 30, 1993, the market value cutoff for banks was $75.09 mil, and for thrifts $18.1 mil. **PE** is the ratio of the stock price to the latest 12 months' earnings per share for the stock. **PE**, the latest 12 months' earnings per share for the stock. **PE** is the ratio of the stock price to the latest 12 months' earnings per share for the stock. **PE** is the ratio of the stock price divided by the trailing four-quarter earnings per share, adjusted for latest announced earnings. The ratio is also not used for companies with less than four quarters of data. **Mkt. Cap.** is the market value of the company's stock price to the stock's latest closing price, reported as a percentage change from the previous announced earnings and dividends. **Last** The price at which the stock last traded. **Chg.** is the change in % scales for the day, the latest bid. **52 Wk. Hi** and **Lo** is the highest and lowest price the stock has traded at during the past 52 weeks, not including the most recent trading day. **Highlights** show largest percent gainers/loses in price and two volume leaders. **Most Shares Traded** lists the most active stocks. **Volume as %** compares shares traded on the past day to the average of average shares traded over the past 20 days.

Data Sources: SNL Securities, Charlottesville, Va. 804-977-1600, produced the tables. Financial News Network, Vienna, Va. provides ISIs. All the data comes.

New Bank and Thrift Securities

Most recent offerings listed in order of offering date

Issuer Manager	Offer Date	Amount ($ Mil)	Sec. Type	Offer Price	Offer Yield	Maturity Date
HF Ahmanson & Co. First Boston	7/29/93	250.0	CCPFD	50.000	6.000	
Toronto Dominion Bank Morgan Stanley	7/26/93	150.0	SUBFLN	Market	Floats	8/4/03
Chase Manhattan Salomon Brothes	7/29/93	100.0	SUBFLN	50.000	6.000	
Victoria Bancshares Keefe, Bruyette & Woods	7/28/93	9.1	COM	22.750	1.758	
Mountain Parks Fin'l Corp. Dain Bosworth	7/26/93	7.4	COM	9.250		

Sec. Type: Type of security issued. **CCPFD**—Cum. Convertable Preferred; **COM**—Common Shares; **SUBFLN**—Subordinate Float Rate Notes

Data Source: *Securities Data Company, Newark, N.J. (201) 622-3100*

Key Rates

(July 30, 1993)

	7/30	7/29	7/23	7/30/92
Federal Funds domestic range:	3-3⅛	3-3⅛	2⅞-3	3¼-3⅜
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit*				
3 Month Posted	2.78	2.78	2.78	2.90
6 Month Posted	2.97	3.02	3.02	3.15
1 Year Posted	3.25	3.30	3.30	3.25
Eurodollar deposits*				
3 Month	3⅛-⅛	3⅛-⅛	3⅛-⅛	3⅛-⅛
6 Month	3⅛	3⅛	3⅛-⅛	3⅛
1 Year	3⅛	3⅛	3⅛	3⅛-⅛
Dealer Commercial Paper*				
1 Month	3.15	3.12	3.16	3.35
3 Month	3.15	3.15	3.22	3.37
6 Month	3.22	3.23	3.30	3.48

(*)— Late afternoon quotes, New York market. (**)— Highest offering rates (annual % yield) at selected NYC money center banks. (†)— Late London bid. (††)— AA rating or the equivalent.

STOCKS

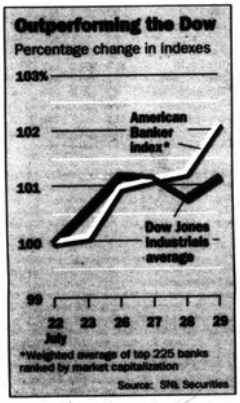
For Once, Profit News Failed to Depress Shares

Continued from *page* 1

trades around 17.

Bank stocks last week were aided by a rallying bond market and a slew of merger announcements, which fueled speculation of other takeovers.

Nearly half of last week's gain in the bank index came Thursday, when the bond market surged. On Friday, bank stocks were off slightly, while the Dow plummeted 27.95 points, to close at 3,539.47.



Banks have locked in solid growth in earnings for at least the rest of the year, according to many analysts. The source: falling credit costs, including loan-loss provisions, and lower expenses in general.

Turnaround Stories

Banks that can benefit the most from those declining costs, so-called turnaround stories, were among last week's best performing banks. Also doing well were the two big trading banks, J.P. Morgan & Co. and Bankers Trust New York Co.

The turnarounds were led by Citicorp and Wells Fargo & Co. – the two bank stocks that analysts either embrace or disdain. Citicorp's shares jumped 3.9%, to $33 on Friday. Wells' shares rose 4%, to $115.75.

J.P. Morgan and Bankers Trust both had record revenues from trading last quarter. Both have the potential for bigger gains in the future. While trading revenue may be unpredictable, those two banks have track records for investors to bet on.

Morgan's shares soared 5%, to $72.75. Morgan shares are now above where they traded at year-end 1991. Bankers Trust shares jumped 3.2%, to $77.625.

Many of the so-called quality banks – those with strong capital and low levels of bad loans – drifted last week. NBD Bancorp and SunTrust Banks, for example, posted little or no gain.

That's no accident, said Thomas Brown, an analyst with Donaldson, Lufkin & Jenrette Securities Co.

"I think this week is indicative of what we will seeing going forward," said Mr. Brown. "A rising tide isn't going to raise all boats."

Mr. Brown believes that for the rest of the year the best-performing stocks will be the turnaround names. These banks will be able to improve earnings, regardless of whether there's a pickup in lending. Citicorp and Wells, along with Bank of Boston Corp. and Shawmut National Corp., are the best bets, he said.

Deal by Norwest

Merger activity came roaring back last week, highlighting the industry's beneficial trend toward consolidation. Norwest Corp. announced a deal to buy First United Bank in New Mexico. PNC bought First Eastern. NationsBank announced a deal to buy $2.3 billion in receivables from a subsidiary of US West.

Speculators are trying to sniff out the next target, boosting shares prices of some small banks.

One example of speculators' attention is Pacific Western Bancshares in San Jose, Calif. Comerica Inc. told money managers last week that it wants to buy a bank in Northern California. Pacific's shares jumped $2, to $9 Thursday. In late afternoon trading Friday, the shares retreated 50 cents.

The recent Texas acquisitions, including First Amarillo by Boatmen's Bancshares, helped spur movement in the share prices of other Texas banks.

Cullen/Frost Bancshares, long thought to be a takeover target, rose $2.25 during the week, to $37.50 Friday afternoon on heavier-than-average volume. Friday, shares of Charter Bancshares in Houston started to rise, gaining 50 cents to $13.

Two takeover targets in New Jersey received attention, Constellation and UJB Financial.

Constellation shares traded at 10.25, up 50 cents late Friday afternoon on heavy volume. As recently as June 28, it was at $8.50.

UJB's shares rose 5.9% last week, to 26.875, on average volume. □

Colonial Buys 2 Offices of Failed Alabama S&L

PHENIX CITY, Ala. — Colonial Bancgroup has purchased two Phenix City locations of First Federal Savings and Loan Association of Russell County from the Resolution Trust Corp.

Montgomery-based Colonial said it assumed about $55 million in deposits and holds an option to purchase about $50 million in loans from the Russell County thrift, which was taken over by the RTC last year.

— Dow Jones

CAPITAL

UST Sells Equity to European Investors

By YVETTE D. KANTROW

European offerings are somewhat in vogue for medium-size banks.

UST Corp., a Boston-based holding company with $2 billion of assets, said it is selling 2.87 million shares of common stock to European investors.

The company said the sale will raise about $22 million, at $8.125 a share, upon completion. UST shares were trading at $9.375 Friday afternoon, down 12.5 cents.

UST, which lost $24.9 million in its second quarter, said the stock was being sold to more than 60 investors. When the deal is completed, UST will have 17.23 million shares of stock outstanding.

European offerings are somewhat in vogue for medium-size banks these days. Both First Eastern Corp., the Wilkes-Barre, Pa., company that recently agreed to be acquired by PNC Bank Corp., and Midlantic Corp., the recovering New Jersey bank company, have tapped foreign markets in the past year.

Neal F. Finnegan, UST's recently appointed president and chief executive, said European deals are often quicker and less expensive than domestic transactions because Securities and Exchange Commission requirements are avoided.

"When you look at all your choices of how you can raise capital, it's a very attractive vehicle," Mr. Finnegan said.

Turnaround Plan

Last month, Mr. Finnegan announced an aggressive plan to return UST to profitability. In addition to raising capital, the program included a drive to put its real estate-related loan problems behind it.

UST took a $42.7 million loan-loss provision in the second quarter – up 36% from the first quarter. The company's reserve at June 30 stood at $74.9 million, or 122.6% of its nonaccruing loans. □

H.F. Ahmanson Issues $250 Million in Preferred

By DAVID SIEGEL

The proceeds may be used for acquisitions.

H.F. Ahmanson & Co. issued $250 million in convertible preferred stock Friday.

The California-based thrift holding company sold five million depositary shares representing series D cumulative convertible preferred stock. Ahmanson may use the additional equity for acquisitions. (See article on page 8.)

6% Dividend Yield

The preferred stock's dividend yield is 6%, and the shares are convertible into common stock at $24.335 per share, a 24% premium over the last sale price of the company's common stock.

The preferred shares are noncallable for five years. First Boston Corp. was lead manager of the offering, which is rated Baa3 by Moody's Investors Service and BBB-minus by Standard & Poor's Corp.

Separately, Colonial National Bank USA, a subsidiary of Advanta, issued $50 million of 10-year subordinated debt Friday through First Boston Corp. The issue was priced to yield 7.11%, 130 basis points over the 10-year U.S. Treasury note. It is rated BBB-minus by Standard & Poor's and Baa3 by Moody's.

Wachovia Bank of North Carolina, a Wachovia Corp. unit, priced $175 million of 4.30% bank notes due Aug. 7, 1995, at par. Goldman, Sachs & Co. was sole manager. The notes yield 17 basis points over comparable U.S. Treasury securities.

The issue is rated Aa2 by Moody's and AA-plus by Standard and Poor's. □

Ex-Banker Settles Insider Trading Suit

Reuters

WASHINGTON — A former group vice president of Procter & Gamble Corp. and a former officer of Star Bank Corp.'s lead bank have settled insider-trading charges stemming from Procter & Gamble's acquisition of Noxell Corp. in 1989.

Malcolm Jozoff, 54, and Ellen Millman, 50, who was vice president at Star Bank in Cincinnati, settled without admitting or denying the charges.

In a civil complaint, the SEC said Mr. Jozoff, head of Procter & Gamble's health and beauty care divisions, disclosed nonpublic information about merger talks to Ms. Millman between May and September 1989.

In several transactions over that period, Ms. Millman allegedly bought a total of 2,700 Noxell shares, earning a profit estimated by the SEC of $23,178 after the merger was announced Sept. 25, 1989. □

Bank of Boston in Credit to Capacitor Firm

NORTH DARTMOUTH, Mass. — Aerovox Inc. said it signed a $15 million revolving credit agreement with the Bank of Boston that expires May 31, 1996.

The credit line, which will finance growth, is at the prime rate and replaces a $9 million demand loan, said Ronald F. Murphy, senior vice president and treasurer of the electrical capacitor manufacturer.

Aerovox also has a term line of credit of $10 million with an equipment financing company. □

Footnotes in History



After consulting his generals, his wife, his brother-in-law, his barber, and his soothsayer, Custer follows his astrologer's advice (What could it hurt?) about marching to the Little Big Horn.

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AMERICAN BANKER'S

August 2, 1993

MANAGEMENT STRATEGIES

USING INFORMATION TO INCREASE PROFITS

Adaptable Systems Oil 1st of America's Growth

BY BRIAN HELLAUER

FOR MORE THAN two decades, acquisitions have been the name of the game for First of America Bank Corp.

The Kalamazoo-based company began gobbling up banks long before merger mania struck the rest of the industry. It has acquired more than 100 since 1971, when it was chartered as the first multibank holding company in Michigan.

THE BACK OFFICE: SYSTEMS

In the process, it has attempted to stay close to its community banking roots, even while growing from $300 million in assets to more than $20 billion. In addition to its home state, First of America has added banks in Illinois and Indiana.

"We've gone as far as we care to go in Michigan, with one or two exceptions," Richard F. Chormann, president and chief operating officer, said during a recent interview.

First of America's plain-folks approach is evidenced by the building where its top executives work. Instead of an ornate office tower, Mr. Chormann and other managers work out of a compact building whose classical appearance belies its prior life as a YWCA.

"Community banking, I think, is a matter of philosophy, an approach to the marketplace," said Mr. Chormann, 55. "We've centralized most of the functional areas in order to free the bankers and local boards of directors, and have them focused on selling and servicing the customer."

Concerns for both marketing and efficiency have driven First of America's recent consolidation efforts, Mr. Chormann said. The company's efficiency ratio, or noninterest expense as a percentage of revenue, has hovered around 65%, higher than many of its peers.

Stung by some one-time accounting charges, First of America also saw a drop in net income in 1992 to $147.5 million, or $2.46 per share. However, the strong performance of the bank's continuing operation's continued in the first quarter of 1993, when it reported net income of $60 million, or $1 per share, with a return on assets of 1.17% and a return on equity of 17.16%.

Mr. Chormann said First of America's bulging network of more than 550 branches accounts in large part for the company's high efficiency ratio, but he still believes costs can be driven downward, calling a ratio in the mid-50s "doable."

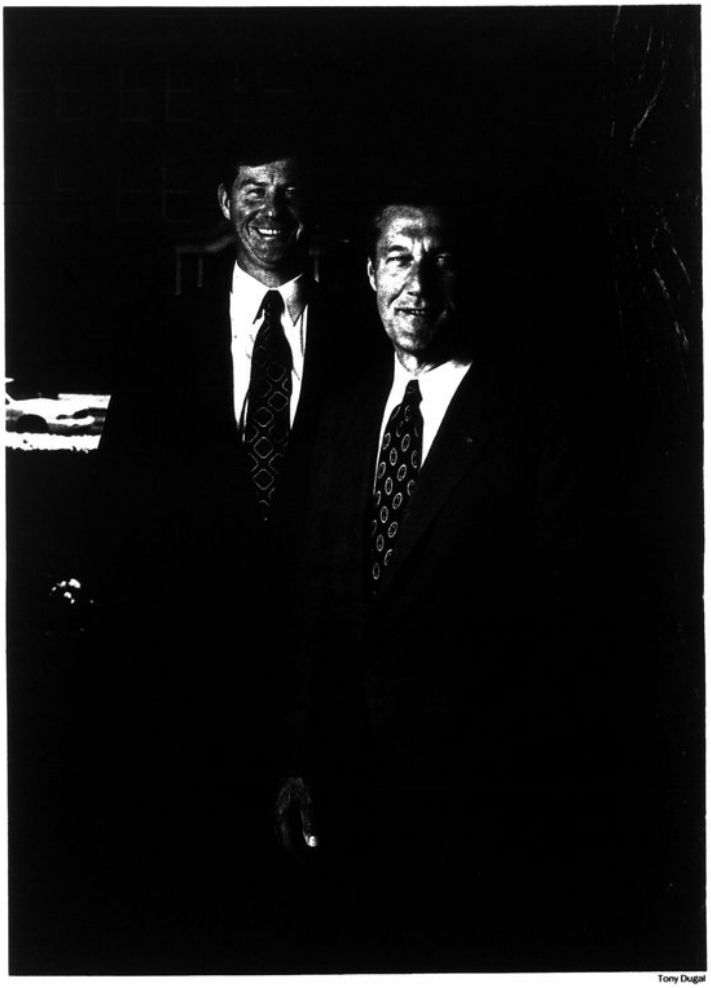
To achieve that sort of improvement would be "a big stretch," said Joseph Stieven, an analyst at Stifel, Nicolaus & Co., St. Louis.

However, Mr. Stieven said First of America could probably bring its efficiency ratio under 60%, which he said would place it in the top 25% of the regional banks he follows.

Mr. Stieven said the bank is "not yet done" realizing the cost savings from two of its most recent acquisitions, Illinois' Champion Federal Savings and Loan in late 1991, and Security Bancorp in 1992.

Another acquisition initially triggered the bank's transition to common systems. At one

Continued on page 10A



Tony Dugal

ROOT REMINDER: The converted YWCA they work in helps president Richard F. Chormann, right, and technology chief Donald J. Kenney keep a community bank perspective at burgeoning First of America.

INSIDE



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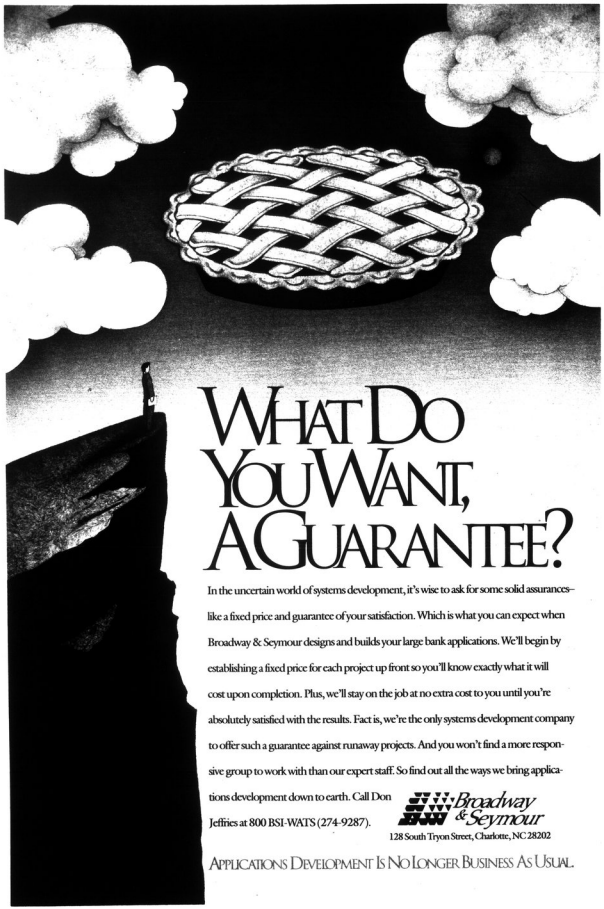


First Commercial's Payment Service a Big Hit with Little Guy

BY WILLIAM PESEX JR.

WHEN OFFERING cash management services to local businesses, First Commercial Bank believes that bigger is not necessary better.

The Sacramento, Calif.-based bank is targeting a largely untapped segment of the market – small businesses.

With fee income all the rage these days, many banks are chasing after the large-market and middle-market bastions of corporate America in the hope of producing huge transaction volumes. But this quest has caused many to pass over an important chunk of the market.

First Commercial, with $335 million in assets, has found a way to go after the little guys. The bank offers a cash management product that, among other features, provides small companies with access to automated clearing house services.

"We found a niche in the market with small businesses," said Rebecca A. Reynolds, vice president, senior operations administrator, and compliance officer.

First Commercial is using Maxx-Banker, a complete PC-based cash management product line, which the bank also offers its clients. Marketed by San Francisco-based Maxxus Inc., the system affords small businesses many of the same types of services provided by money-center banks, but at a lower cost.

When First Commercial first opened its cash management program to mom-and-pop shops two years ago, it found the cost prohibitive in light of the meager potential for fee income.

"The cash management service we were offering was expensive and we could only offer it to larger customers with large transaction numbers," Ms. Reynolds said. "We were charging them $1,200 to $1,500 per month."

Today, First Commercial is able to design and offer cash management services to small businesses for as little as $49 per month.

The bank is focusing on solidifying its customer base and shoring up profitability. Hit hard by the weak West Coast economy and problem real estate, the bank posted a $327,000 loss in 1992, and has placed increased emphasis on serving its customers.

"We've given our customers their own bank branch at their desk," Ms. Reynolds said. "The system allows us to provide our small to medium-sized customers with services normally provided to the biggest firms; to manage their business portfolio and see how much they have on a daily basis."

The cash management system is modular in design. Modules include balance reporting, account reconciliation, stop payments, book transfers, and electronic mail.

The key component for many of First Commercial's small-businesses clients is the MAXX-ACH module. The microcomputer-based unit allows banks to offer automated clearing house origination capabilities to a broad customer base. It gives clients access to a full range of cash management tools, from payroll to more sophisticated strategies, while sparing the bank the high cost of developing hardware and software.

"It's opened a new market for banks and small businesses that they haven't had opened to them before," said Blake Williams, vice president at J.D. Carreker and Associates Inc., a payment systems consultancy in Dallas.

That's certainly true for the bank. First Commercial gets access to new fee income and account relationships.

"It allows us to get our foot in the door with companies," Ms. Reynolds said. "It's a domino effect. We help companies out with direct deposit and we get access to their customers, market share, and fee income."

So far First Commercial has signed up 45 local companies for its automated clearing house services, which includes employee expense reimbursement, electronic payment of taxes, automated collection of payroll processing fees, and collection of payments, fees, and dues.

For small businesses, offering ACH helps to develop and strengthen customer relationships by providing cost effective solutions for their customers' funds transfer and cash management needs.

Furthermore, smaller companies – many of whom could not offer ACH services before – no longer have to turn away customers and can compete with larger companies.

"It's made [our customers] more competitive," said Monica Darling, assistant manager of the California Pacific Federal Credit Union.

The credit union, based in Pleasant Hill, Calif., provides direct deposit of payroll for two dozen service stations and their 1,300 employees.

"To our customers paperwork is a real problem and ACH cuts out another chore for them," Ms. Darling added.

With $2 million in assets and a small staff, Pacific Federal lacks the resources to support its own automated delinquency notification system and previously had to track accounts manually.

But with MaxxBanker, the credit union is able to automatically download account balance and activity records. Therefore, the system saves Ms. Darling and her staff valuable time and energy while reducing risk.

The bank designs and offers cash management services to small businesses for as little as $49 a month

"ACH is cheaper for firms to use and much safer," Carreker's Mr. Williams said. "If a company can take in less checks and automate the payment collection process they can avoid risk."

Another user is Life Inc., a nonprofit social services agency based in Sacramento. It administers social security payments for 450 individuals who are unable to manage their own money. Life and its three employees depend on First Commercial's cash management offering to serve their customer base.

"For a company our size, having a way to move and account for money without dealing with checks has been a lifesaver," said Tracy M. Stein, director of financial services for the agency. MAXX-Banker has saved Life a healthy chunk of money. Without automated clearing house capabilities, the agency would have to cut and distribute about 3,000 checks per month. Armed with the ability to transfer funds electronically, Life is able to keep staffing and costs to a minimum. The system also enables Ms. Stein to download account information onto the PC, significantly reducing the amount of time it takes her to maintain records.

Ms. Stein has also found the balance reporting module useful. MAXX-Banker includes a wide variety of on-line inquiry and reporting options.

First Commercial is currently setting up its cash management services in eight new member companies and negotiating deals with several others.

"We're giving our customers what they want, regardless of their size," Ms. Reynolds said. Sometimes good things come in small packages. □



Shirley Burman, Richard Steinheimer

THINKING SMALL: First Commercial has signed up 45 local companies for its automated clearing house service. "It allows us to get our foot in the door with companies," says VP Rebecca A. Reynolds.

At a Glance

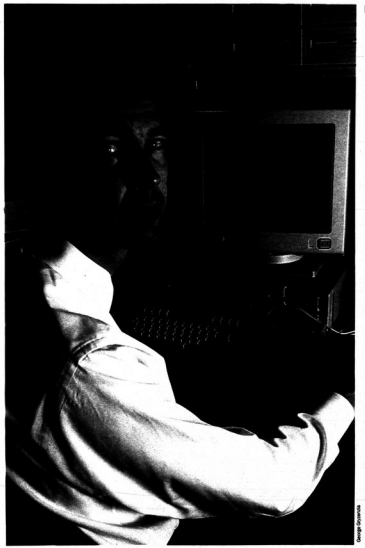
First Commercial Bank

Assets:
$335 million

Employees:
203

ACH services offered:
- Payroll direct deposit
- Employee expense reimbursements
- Collection of payments, fees, and dues
- Cash concentration
- Corporate trade payments
- Tax payments

Consumer Banking: Data Base Marketing



George D'Amore

New Weapon Puts Old Kent on Target

BY BRIAN HELLAUER

SCOTT D. NELSON doesn't look like a guerrilla.

Actually he looks like a banker, more precisely the vice president of market research at $9.1 billion Old Kent Financial Corp., Grand Rapids, Mich.

Still, Mr. Nelson lists guerrilla marketing as part of the support his department provides to Old Kent's network of 213 retail branches in Michigan and Illinois.

His preferred weapon: a comprehensive data base that seeks out attractive targets for direct marketing campaigns. Old Kent relies on these campaigns to maintain its customer base and add to its retail lending portfolio.

"Technology is the great equalizer," he said. "Whether it's in Chicago, where we're a gnat on the back of First Chicago, or in Gaylord [Mich.], where we have a 70% market share, I can use my technology to be smarter, faster, and more precise than they are."

Old Kent also has become something of a direct mail guerrilla, judging from its heavy volume. The bank's direct mail count went from zero in 1991 to more than one million pieces in 1992.

"Most financial institutions realized about five years ago that marketing is more than punch and cookies," said John Landgraf, president of Spatial Decision Management, a Windermere, Fla., firm that specializes in data base marketing.

That realization, Mr. Landgraf added, coincided with the rise of bank marketing systems that ran on personal computers.

"These systems do most of the marketing that banks need," he said. "The biggest problem now is coping with the staggering amounts of data, both internal and external, that are available."

As in many other businesses, bankers often have a lot of information about their customers, but no way to conveniently collate it and put it to use.

Take mortgage applications. "You bare your financial soul to the bank, they deign to give you this mortgage, then they take the application and throw it in a box," Mr. Nelson said. "Well, you just told them most of your significant financial assets and liabilities. It's a gold mine for marketing."

Old Kent recruited Mr. Nelson from Household International, a financial services firm renowned for its marketing prowess, to open such untapped veins. One of his mandates at Old Kent was to update its customer data base, commonly called a marketing customer information system .

In 1992, the bank scrapped its existing system, replacing it with one from Harte-Hanks Data Technologies, Billerica, Mass. "We switched because of their back-room expertise," said Mr. Nelson.

BOTTOM LINE WARY: Old Kent Financial Corp. market research VP Scott D. Nelson says he wants "to make sure I don't tank the profitability of a product because of the work I'm doing."

When updating the customer information system, the bank provides Harte-Hanks with a copy of its entire customer data base. The company extracts the relevant marketing information, formats it, and forwards the data to Old Kent on a digital audio tape, which can store more than two gigabytes of data.

The tapes update the customer information system, which runs on a Sun Microsystems Computer Corp. SparcserverTM. Marketing department users access the system over a local area network.

Complementing the information system is a broader demographic data base from Claritas/NPDC, Alexandria, Va. These data assist in identifying gaps in Old Kent's market penetration.

The research staff then performs what Mr. Nelson calls "the slicing and dicing, to find out what's really going on," alluding to standard statistical methods of analysis.

Old Kent merges its segmented customer information with the products it wishes to push. This information is placed on a matrix, which serves as the basis for mailings.

"Right now we're in a loan acquisition mode, so the matrix is skewed towards loan products," said Mr. Nelson.

For a home equity line of credit promotion, for example, the bank may choose to mail to homeowners older than 35 who have an existing loan relationship.

When reviewing the results of the promotion, the bank may find that "over 35 doesn't seem to predictive of anything, so that'll drop," Mr. Nelson said. "But the presence of two or more children does seem to make a difference."

In that fashion, mailings can be more finely targeted to groups that will respond.

"There was some concern that we were going to inundate our customers with junk mail," Mr. Nelson explained. "So we take it one step at a time."

Each mailing, he says, must pass through 149 steps before it reaches the post office. It also must be approved by a direct-marketing quality team, which includes employees from the branches and the affiliates.

Once a mailing is approved, the data is electronically forwarded to the bank's direct mail house in Virginia, which maintains its own copy of Old Kent's data base. It then completes the mailing using Michigan and Illinois postmarks to create a local feel.

With each campaign, the researchers also provide lists to branch managers for voluntary telephone follow-up. "The smart managers will call," Mr. Nelson said. "We've found very good response to customers' being contacted by their branch people. On some pieces, we double the lift [success] rate by doing telemarketing."

Response rates aren't as important to Old Kent and Mr. Nelson as acquisition costs.

"Different products have different acquisition costs," Mr. Nelson explained. "I want to make sure I don't tank the profitability of a product because of the work I'm doing."

The rule of the thumb for Old Kent is that the cost of acquiring customers for a given product should not exceed one-third of the first year's incremental profit of that product.

That equation is clearly realized in large markets. In cities like Chicago, "I can use my guerrilla marketing through matrix mail to come in at a much lower cost, without spending beaucoup bucks on WGN-TV and the Chicago Tribune," said Mr. Nelson.

The bank's direct mail count went from zero to more than one million pieces in one year

He also said Old Kent's approach can be effective against the reckless pricing that occurs when competition becomes heated. "It's almost a counter-stupidity strategy," Mr. Nelson noted. "We're not going to compete with them on the basis they're competing [price], but use our system to get into these households and retain those relationships."

While data bases such as the one Old Kent uses are intended for larger institutions, smaller banks are not shut out. Mr. Landgraf, the consultant, said that marketing customer information systems and geographic information systems designed for PCs are both inexpensive and effective.

With technology continuing to act as the great equalizer, it's clear that future marketing skirmishes will be fought door-to-door. □

At a Glance

Old Kent Financial Corp.

[redacted]
$9.1 billion
[redacted]
4,370
Direct marketing system:
Sun Microsystems Computer Corp. SparcServer
Harte-Hanks Data Technologies customer information system
Claritas/NPDC Infomark

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Jay C. Lent
Exec. Vice President & Chief Financial Officer
The New Milford Bank & Trust Company
New Milford, Connecticut



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Consumer Banking: Mortgages

GE Capital Program Helps Small Bank Compete in Mortgages

BY WILLIAM PESEK JR.

IT TOOK 65 YEARS of writing home mortgages, but Union National Bank of Texas, San Antonio, has finally found a way to move into the secondary market.

The $257 million-asset bank recently joined a national online network that helps smaller banks compete in home mortgage lending.

The program, called Residential Express, allows Union National to offer competitive fixed-rate home mortgages along with more than a dozen other financing options.

A division of GE Capital Mortgage Services Inc., Residential Express has opened up opportunities at Union National.

"The program allows us to offer products that for a bank our size would otherwise be unavailable," said S. Bradford Sledge, senior executive vice president.

Through Residential Express, Union National offers more than a dozen types of mortgages

Union National's $40 million mortgage portfolio is composed primarily of adjustable-rate mortgages and short-term loan products. This mix leaves the bank relatively well insulated against a rise in interest rates, but ill-positioned to offer fixed-rate loans.

By participating in Residential Express, the bank can originate long-term, fixed-rate mortgage loans at competitive rates, at the same time limiting risk by selling the loans on the secondary market. GE retains servicing rights on all loans originated through the program.

"There's a need for programs like this in smaller banks because most cannot afford to carry any significant amount of fixed-rate mortgages on their books," said Suzanne F. Donner, a principal at Donner & Associates, Atlanta. The financial services consulting firm specializes in consumer banking.

"Most community banks and smaller thrifts have a limited amount of mortgages they can offer. This program gives them the capacity to offer a much broader range of mortgage products," Ms. Donner said.

Through Residential Express, Union National offers more than a dozen types of mortgages, from simple fixed-rate mortgages to adjustable-rate mortgages to balloon mortgages, with a variety of terms.

GE Mortgage provides the underwriting and document preparation and provides the up-to-the-minute computer online system used by the bank.

The software allows mortgage counselors to visualize a wide variety of scenarios for customers

Union National's customer service representatives accept the mortgage applications, then transmit them electronically to be processed and underwritten.

At the heart of the program is sophisticated loan origination software.

Residential Express' proprietary loan origination software provides the bank's customer service representatives with loan prequalification and application analysis and supplies immediate feedback about underwriting considerations.

The software's graphic capabilities let Union National's mortgage counselors visualize a wide variety of mortgage scenarios for its customers, including rates, points, down payments, and repayment schedules, thus making loan origination easier.

"The software speeds the loan process and gives banks greater accessibility," said Ray Sims, president of Residential Express. "Banks can dial in 24 hours a day and get the status of a loan."

Within three months of introducing the program, Union National had approved 200 more loans than it normally would have, said Mr. Sledge.

Mr. Sims said the program was set up to provide community- and minority-owned banks a better means of serving their customers, since the high costs of operating a mortgage department that sells to the secondary market are often prohibitive. As a result, these institutions tend to offer products with shorter maturities, adjustable rates, or higher down payments.

"Most of these lenders require 20% or 30% down," Mr. Sims said.

Such shortcomings can send some regular customers to other lenders that offer the gamut of mortgage products.

"But with Residential Express, they are qualified for GE's national insurance. With as little as 5% down they're putting people into homes," said Mr. Sims.

This was certainly part of Union National's decision to join the mortgage program. When the bank started Residential Express in March, its intention was to ride an upswing in the housing market. With both new home construction and existing home sales growing in the area and mortgage rates at historically low levels, the bank hoped Residential Express would help it grab a bigger piece of the lending pie.

"The home mortgage market is more important than ever now, and we're ready to serve both new home buyers and homeowners who want to refinance with whatever mortgage package is right for their needs," Mr. Sledge said.

As he sees it, the program makes Union National more competitive because it can provide the best product based on the needs of the customer at an attractive price.

"We can change the variables of the mortgage, and then [customers] can 95% qualify for a loan on the spot," Mr. Sledge said.

Union National is also saving money. Aside from eliminating some of the interest rate risk and liquidity problems inherent in offering residential mortgages, the program allows the bank to actively participate in home lending without adding tremendous staff and overhead to its mortgage department.

For GE Capital, the payoff comes from new relationships. "Our profitability is in the servicing of mortgages. Adding more accounts is economically favorable for us," Mr. Sims said.

For the customer, there is no fee required to prequalify for a particular mortgage type and size. However, there is a single $350 application fee, which covers the cost of credit checks, appraisals, and origination fees.

Customers pressed for time can also apply over the telephone. A mortgage counselor at Union National asks for specific information about income, debt load, and type of loan required in order to first prequalify the customer for the size of loan he would be eligible for. This process can be completed in minutes.

If the customer has a specific property in mind or wants to refinance a current mortgage, the customer service representative can then proceed with the loan application, credit check, appraisal, and other steps involved in approving the loan.

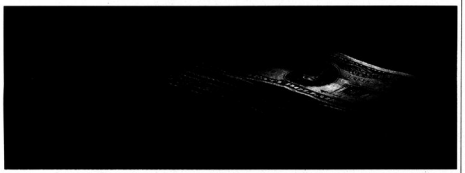
As Mr. Sledge sees it, Union National and its 167 employees have finally perfected the art of offering competitive mortgages to the customer base it has serviced since 1928.

"We're now offering them the best loans they can get anywhere," he said. □

BRADFORD SLEDGE said Union National wrote 200 more mortgages than usual in the first three months of the program.


Oscar Williams

An ATM performance guarantee should be worth more than the paper it's written on.



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At a Glance
Union National Bank of Texas
[illegible]
ATM
i 57
hardware:
•IBM-compatible 486-based PC
software:
•GE mortgage software

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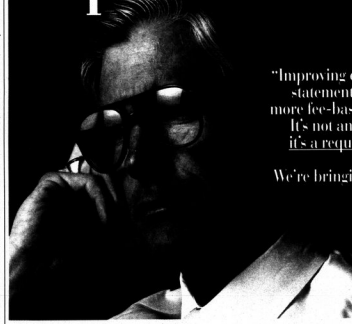

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Trust and Investments: International Trade

Trader Workstation Propels Barnett onto Global Stage

BY WILLIAM PESEK JR.

BECOMING A BIG player on the international banking scene is no small feat.

But for Barnett Banks Inc., it was simply a matter of moving over to a new platform.

Last May, the Jacksonville, Fla.-based bank holding company implemented a trade services platform to help it react faster to the demands of its international trade customers.

Barnett is using its new client-server platform, called MicroTradeLine, to process all letters of credit and international collections for its 33 affiliate banks.

The system will reduce processing time and allow Barnett to target a greater variety of international trade customers.

Developed by Arlington, Va.-based American Management Systems Inc., the microcomputer-based system provides the same functionality as its mainframe counterparts with the added benefits of a workstation environment.

"We invested money in the project to become a major player in the international market," said Charles Piazza, vice president and manager of international operations at the $38 billion-asset bank. "We sensed a vacuum in the market and we saw the opportunity to expand into it."

For Barnett, the system integrates and automates all phases of the bank's trade services, including receipt of incoming international funds transfer (SWIFT) messages, customer applications for these services, back-office accounting and processing, and transmission of outgoing documents and messages.

Before converting to the new system, Barnett used a standalone, PC-based product and churned out letters of credit in about 24 hours. Now, Barnett is routinely generating letters of credit in less than two hours.

Industry observers agree that moving from a host-based system to intelligent workstations can make all the difference when trying to compete for a chunk of the international trade market.

"The volume and velocity of change in host-based systems is paralleling what's happening with PCs," said William M. Arnold, a principal at Towers Perrin, Atlanta. "They put an amazing amount of processing power and control on someone's desk. That's a change that has been nothing less than dramatic."

Barnett continued to build on its strong capital ratio in the first half of 1993. The bank posted net income of $104.2 million in the second quarter of 1993, as compared to a $275 million gain for all of 1992. Second quarter earnings represented a 1.11% return on average assets and a 15.51% return on average shareholders' equity.

The system will reduce processing time and allow Barnett to target a greater variety of international trade customers

Barnett should be able to continue its strong performance, due to advances in technology and the resulting quicker delivery of products and services.

Perhaps the most important benefit of the new system is that it allows Barnett to target companies of all sizes. Now the bank's trade customers run the gamut from giant pharmaceutical and commodities firms to shrimp fishermen.

"Our focus is from small businesses all the way up to the big guys, but it's the small business that we really need to service," said Mr. Piazza, who oversees credit, collections, cash letters, foreign exchange, and notes processing, as well as back office support.

By allowing Barnett to process letters of credit and collections faster, addressing the concerns of smaller customers has been simplified – not to mention profitable.

"The net effect for a customer must be positive," Mr. Piazza said. "This is a fee-based business and to convince customers to pay our fees we have to provide them with great service."



Barnett Banks Inc.

OFF PAPER: "This system will eventually allow me to work in a paperless environment," Barnett Banks International operations VP Charles Piazza says of MicroTradeLine.

Besides making money, the system also saves it. With MicroTradeLine, Barnett avoids the overhead involved in supporting a mainframe system and allows the bank to operate without relying on paper.

"We're moving toward a system that has little or no operator intervention," Mr. Piazza said. "This system will eventually allow me to work in a paperless environment with electronically sent messages."

MicroTradeLine has two major components: a letter of credit system and a collection processing system.

The letter of credit component of the system automates all transmissions associated with commercial and standby letters of credit, reimbursements, and bankers' acceptances. The system has ultimately enabled Barnett to tailor trade services products to individual customer needs, improve operational control, and reduce cost.

The collection processing system provides support for inward and outward presentation of collections and direct sends. It supports the collection process whether a bank is the remitting, collecting, or presenting institution.

Barnett has also found MicroTradeLine to be a powerful marketing resource.

"We invite our customers in and we provide a demonstration of the new system. An exporter can come in and look at what we have and see the value," Mr. Piazza said. "Any time you save your customer time and money, he's going to be happy."

Barnett's system, a fully distributed client-server application for processing letters of credit and international collections, runs on an OS/2 local area network in Jacksonville, and supports operations centers there, as well as in Miami and Tampa, Fla.

MicroTradeLine can operate on any IBM-compatible PC in the OS/2 operating system. The mainframe portion of the system operates on IBM 3090 and larger machines.

Mr. Piazza looks forward to the day when his new trade services platform is armed with imaging capabilities. American Management Systems is trying to come up with a way for banks and their customers to scan documents, thus creating a true paperless trade culture, said Kurt E. Cavano, senior principal.

Mr. Arnold at Towers Perrin is also of the thinking that more is yet to come from trade-savvy banks.

"Putting power at the point of decision is very powerful and will forever change the landscape of trade," he said.

Looking ahead, Barnett Banks believes that customer service and operational efficiency will make it world class in international trade.

"Our new platform has made us a bigger bank and a more important one on a world scale," said Mr. Piazza. □

At a Glance

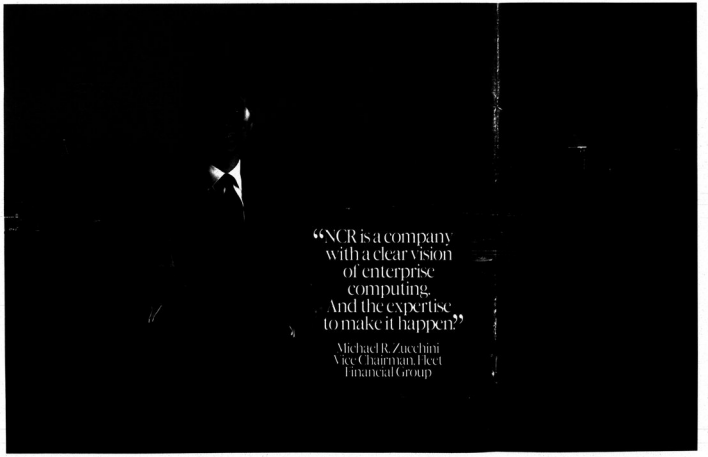
Barnett Banks Inc.

Hardware
IBM PS/2 PCs

Software
IBM OS/2 operating system
American Management Systems Inc.
MicroTradeLine software

NCR's Financial Enterprise Architecture.

Delivering Business Solutions Across The Enterprise.



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MANAGEMENT STRATEGIES
A biweekly supplement to American Banker

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The Back Office: Systems

Centralized Systems Help to Smooth First of America's Growth

Continued from page 1A

time, Mr. Chormann said, "common data processing won't really an issue," because priority was given to more basic operational tasks such as restructuring pricing schemes and standardizing loan policies and audit techniques.

As it continued to acquire banks, First of America decided to give them "the capabilities we had developed, namely products," Mr. Chormann added.

That approach was solidified when the company acquired New Century Bancorp in 1986.

"It was an interesting partnership since as the acquiring bank, we were adopting . . . primarily the systems of the acquired organization," said Peter Purcell, a senior vice president at First of America Services, the company's technology arm.

From a systems standpoint, the centerpiece of that acquisition was New Century's deposit accounting system, which was developed by Hogan Systems Inc., Dallas.

At the time, First of America had been pondering whether to standardize on the Hogan system or another package. The acquisition swayed things in Hogan's favor.

"We got a lot of bang for the buck as well as a jump start by taking the Hogan approach," said Mr. Purcell.

Prior to the acquisition, First of America was running six deposit accounting applications, as well as maintaining service bureau relationships for a number of its affiliate banks. By standardizing on a single system, Mr. Purcell said, the bank was able to reduce its maintenance costs while significantly increasing the number of products it offered to customers.

Former New Century employees worked on First of America's conversion to the new system. Then the services unit created two distinct programming staffs, one for standard systems and programming and another for conversion development.

This configuration, said Mr. Purcell, helped First of America maintain an even keel during a spate of successively larger acquisitions that continued through 1992.

"We said, 'let's track the number of hours to do a conversion and the number of hours we spend post-conversion fixing problems,'" Mr. Purcell recalled. "Just by managing this process, we were able to dramatically decrease these numbers." Conversions are now perceived within the organization "as a nonevent."

Although the Hogan deposit system had a reputation as a software only for the biggest banks, First of America found it supported the demands of its community banking structure.

"Even though we have common systems, the community bank environment requires different pricing," said Donald J. Kenney, senior vice president of the holding company and chairman of the technology unit. "Some banks with a centralized structure have an approach to common systems of developing one product and getting it in plain vanilla fashion."

With First of America's accounting and delivery systems, Mr. Kenney added, "we may put the product out, but when it hits the street, it may have five or six different flavors, depending on how the local bankers want to present it and price it." He added that the system can support as many as three separate pricing scenarios for different branches within a given affiliate bank.

After more than five years of conversion efforts, the streamlining culminated with the consolidation of First of America's data processing functions in a new data and operations center, which opened last year.

Affiliate banks within Michigan and Illinois now look like single entities to their customers – meaning a Kalamazoo First of America customer can cash checks and obtain account information in Detroit.

With all of its acquired banks now running on the same core processing systems, the bank estimates it has created $50 million in improved operating efficiencies and customer service opportunities.

"I think now we have the foundation of the company solidly in place," Mr. Chormann said. "Now we're in a position to convert any future acquisitions quickly."

With that task completed, "we're starting to look at being able to leverage the capabilities of the standard systems we have in place," Mr. Purcell said.

Mr. Purcell said that rather than modifying purchased software such as the Hogan system, First of America tries "to add value around those core systems."

For instance, the bank has given considerable attention to its branch automation system, which uses a combination of personal computers as workstations, connected over a local area network to NCR Corp. computers running the Unix operating system.

"We put that branch automation system out there several years ago knowing that there was going to be a second development of software," said Mr. Kenney. In the first phase, the bank acclimated branch workers to the new hardware and to using the system as a selling tool.

> First of America's efficiency ratio has hovered around 65%, higher than those of many of its peers

The first version, introduced in the late 1980s, "was a sales assistant. The new version incorporates product delivery but also controls the sales process," Mr. Kenney added.

"We've learned that what you need to look at is a more natural sales flow," said Mr. Purcell. "You collect the information and integrate that into the sales lead-throughs." In other words, branch personnel no longer need to follow a fixed script when working with a customer, but can use the system as needed.

The fine tuning of the branch automation system dovetails with First of America's "focus on selling the customer and servicing the customer," according to Mr. Chormann. "You don't maintain a long-term advantage with products alone, because this is a copycat business."

The bank has adopted a number of programs for training and tracking its efforts in sales and service. Such programs are attended by non-sales types, as well as branch and marketing workers.

Those employees are also looking for more products to sell. Like many banks, First of America is looking to augment its menu of financial services. Its Parkstone family of 14 mutual funds, introduced in 1988, were among the first proprietary mutual funds to be offered by banks. The company is currently the nation's sixth largest provider of proprietaries. It also added $600 million to its credit card portfolio in the Security Bancorp acquisition.

"We just have to be able to vend more products through our stores," Mr. Chormann explained. "By the end of this decade, I think the balance sheet and income statement of the typical community bank is going to look a lot different."

Technology is going to drive the product delivery more efficiently than we are doing it today," he added.

With movement on the M&A front quieted for the time being, First of America Services has turned its attention to cutting costs and investigating areas for future development.

"There's been a renewed focus on information technologies," as the backlog of conversions was completed, Mr. Purcell said. Those technologies include such applications as electronic mail, profitability analysis, and executive information systems.

Mr. Purcell said another challenge within the technology unit has been to keep a lid on core production expenses during a period when mainframe computing requirements continue to grow at a rate of 20% to 30% annually.

The possibility of off-loading applications from the mainframes is being evaluated. The bank currently outsources its mortgage and credit card processing, as do many others. It has also developed a client/server-based trust application, using the OS/2 operating system of International Business Machines Corp.

Despite his roots as a hard-core technologist – he began programming professionally at the age of 16, when he was hired by Mr. Kenney at the Federal Reserve Bank of Boston – Mr. Purcell is no fan of technology for its own sake.

First of America's latest version of its branch automation system eschews the graphics-oriented, point-and-click user interface of the latest PC operating systems like Microsoft Corp.'s Windows in favor of a more traditional approach. The reason: The hand-eye coordination needed to control a mouse can interfere with the eye contact needed to sell a customer.

"We try to stay away from the flashy stuff," Mr. Purcell explained. "You're on lunch hour, opening a checking account, you don't want to watch cartoons.

"Too many things are done because of technology fever," he added.

Given its deliberate approach, First of America probably doesn't have to worry about that malady sweeping through its organization in the foreseeable future. □



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Fiserv

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At a Glance

First of America Bank Corp.

Ann Arbor, Mich.

Assets: $9.2 billion

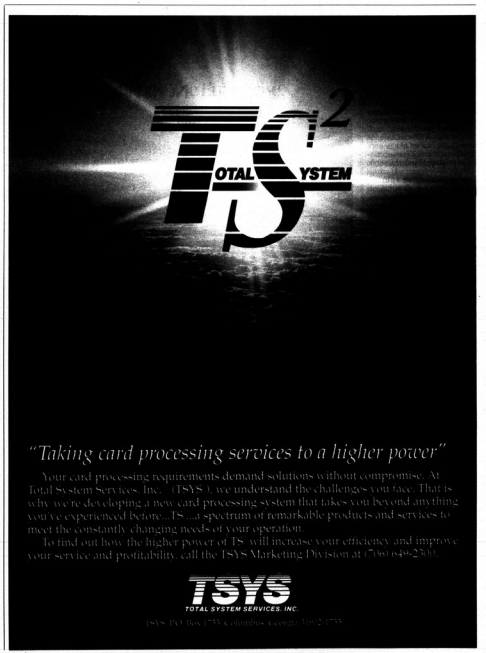
Efficiency ratio:

1990: 67.4%

1991: 67.2%

1992: 68.6%

10 1993: 62.3%



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Legacy Systems: The Tireless Workhorses of an Industry

EXECUTIVE VIEW

By Diogo Teixeira

LEGACY SYSTEMS are a vital but maligned component of bank technology. They are responsible for most of the industry's transaction processing, the maintenance of core accounts, and possibly 90% of debit and credit posting.

Cumulative investment in legacy systems probably exceeds $100 billion. Decades of features built by tens of thousands of programmers have made these systems the repository of knowledge on how to process banking transactions.

At the same time, legacy systems are far more costly, more inflexible, and less useful than they would be if they were rebuilt using new technologies. Yet progress in converting legacy systems to more modern technologies has been agonizingly slow. Less than 0.1% of the industry's mainframe systems have been "downsized," one high-potential approach to converting a legacy system.

Several well-known examples of attempts to modernize have failed spectacularly, such as Westpac's $100-million-plus investment in a set of new core banking systems. Even successful examples of modernization, such as State Street's Horizon system, have not spurred movement in this direction.

No wonder the subject creates such frustration.

We define a legacy system in terms of function. If it is a very important system to the bank and is difficult to work with and change, then it is a legacy system. In practice, most are older and likely to be mainframe-based. Many are written in older languages (generally COBOL, but in some cases assembly language) and run on IBM mainframes. They are usually large systems and often have millions of lines of code.

Specific problems with legacy systems include:

- There is a lack of documentation because the system has been changed and enhanced many times over the years. Usually no one has kept track of all the changes.
- The original design has degenerated from one that was elegant or at least sensible to one that no longer makes sense.
- The architecture may be 25 years old and wildly out of sync with today's environment.
- There is a long backlog of system enhancement requests. There may even be an "invisible backlog," which is an accumulation of user needs that have not yet been turned into requests.
- Adequate functionality may be lacking, and because of the cost and time delays, may not be restored anytime soon.

For example, one major bank has a wholesale business that is completely dependent on a very large legacy system. The system was purchased six years ago. The original vendor's financial difficulties have severely reduced its ability to provide promised enhancements. The user has consequently paid millions each year to an outside systems integrator to enhance the system.

Despite the problems, legacy systems offer benefits too. The principal ones include:

- They already exist. At the end of the day, this is the reason why we continue to use them.
- They may have a lot of functionality with numerous options, lots of reports, high configurability, built-in controls, industrial-strength standards, and high security levels.
- They can be very sophisticated in servicing the value-added business needs that derive from today's complex financial banking world.
- They can generally handle high volumes efficiently, a business requirement that in some cases would argue against conversion to a smaller platform with less throughput.
- They have generally been proven to work, through years of experience and testing. Moreover, the interfacing of each legacy system to that bank's other systems (including other legacy systems) is already accomplished.

Legacy systems can be extremely valuable, and many banks depend heavily on them. And some vendors' systems with legacy attributes are doing very well in the marketplace.

Computer Power Inc., for example, is essentially one high-throughput mainframe system with extensive functionality. About 42% of the country's one- to four-family mortgages are processed on this system. The system has been well-maintained, since it is such a valuable investment, and may or may not be considered a legacy system.

Yet, it is a COBOL system, with very old roots. It is hardly new technology. Begun in 1969 for a very modest investment, this system – and its customer base – was last sold in 1991 for $300 million.

The 15-year-old Hogan system is another example. As a package, it has some of the attributes of a legacy system, such as being written in assembler and COBOL, with a mainframe orientation and confidsparability. Yet Hogan is doing better today than ever. Profits were up 100% in its latest fiscal year, and the company had no debt.

Hogan's IDS package for demand and time deposit accounts has 110 licensees worldwide and is a leader in the bigger bank marketplace. In short, maturity does not necessarily negate value.

The banking industry must learn to live with its legacy systems. Progress in eliminating them through various methods has been agonizingly slow. About 3% to 4% of the total number of legacy systems can be "resolved" yearly. By "resolve" we mean either the complete elimination of the system or a porting, conversion, or reinvestment in the system so that it is much easier to deal with and maintain and therefore no longer deserves to be called a legacy system.

At the same time, some legacy systems are becoming larger and are doing more of the industry's work. They may even become, like the CPI system, irreplaceable industry assets.

Nevertheless, we predict that the number of legacy systems will decline. The following reasons are leading to this decline:

- Acquisitions. Generally, an acquired bank loses its technology and any legacy systems it has. However, the acquiring bank's legacy systems usually just absorb the workload of the resolved systems.
- Conversions. Purchases of packages (like Hogan) or conversions to third-party processors (like CPI) to replace an in-house legacy system generally mean that more accounts are being concentrated in fewer legacy systems.
- Restructuring technologies. Software and methodologies are available today that, in theory, allow older code to be "restructured." Depending on the circumstances, the benefits could range from documenting the old code to actually generating new code that is more efficient and maintainable. Generally, usage by banks has been low because these techniques haven't been proved effective with large transaction processing systems.
- Client-server technologies. Distributed platforms like Unix, OS/2, or Windows NT will improve with time and should become more capable of replacing legacy systems.
- Reinvestment. An increased rate of reinvestment in new systems, fueled by higher industry profitability, will also help.

Thus, we estimate that the number of legacy systems will decrease because of these factors at an accelerating rate into the next century. Today there are about 5,000 legacy systems in use in U.S. commercial banks. We predict that by 1995, that number will be reduced to 4,650 and by the year 2000, U.S. commercial banks will have only 3,410 legacy systems. In the year 2005, there will be 2,010 legacy systems; in the year 2010, that number will drop to 1,030; and by the year 2015, there will only be 480 legacy systems still in use in U.S. commercial banks.

It is worth noting that many of today's newer systems may be completely outmoded by the year 2015 and may well be considered "legacy" under the standards of the future. We are used to saying that all new systems are obsolete the day they are built. But perhaps the moral of the story is that technical obsolescence, in the form of today's legacy systems, does not mean of no value.

Banks must therefore plan a future for their legacy systems. The first step is to determine, as part of the strategic technology planning process, which of a bank's legacy systems are destined for survival. The objective is to rank and prioritize them.

The second step is to install both front and back ends around the legacy systems that are earmarked for survival. Many legacy systems are worst in their inquiry function and their inability to give bankers cross-customer data drawn from multiple systems. The front ends, built using networking technologies, isolate the legacy system and greatly improve the ability to keep using it. The back ends allow better manipulation of decision-making data.

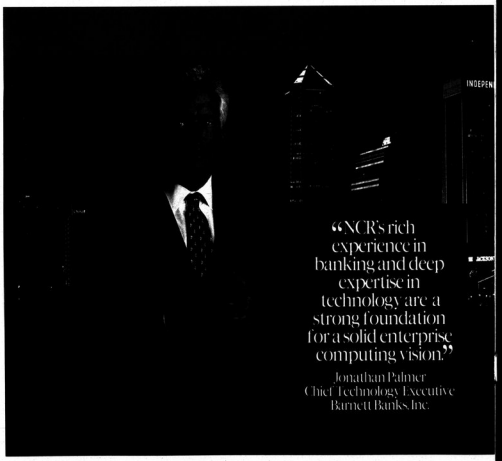
The third step is to carefully add new products or services to the surviving legacy systems. These additions must be driven by the needs of the business and be capable of sustaining reinvestment.

Eventually, the legacy system can be ported to a client-server technology, even though this may not occur until well into the next century.

The bottom line is to move carefully. Planning for the future is essential and this planning should be neither utopian (get rid of all the legacy systems) nor myopic (they'll last forever). The key, as usual, is informed evaluation and decision-making. □

Mr. Teixeira is president of the Tower Group, a consulting firm in Dover, Mass.

NCR's Financial Enterprise Architecture.



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The Back Office: Systems

WHAT DO YOU TAKE INTO CONSIDERATION when purchasing and upgrading office automation equipment?



JANE ELLEN RAWDON
Vice president
Community Bank of Germantown
Germantown, Tenn.

THE OFFICE AUTOMATION SOFTWARE we use needs to be user-friendly. We have tried to establish a standard so that everyone in the bank is using the same software. That makes it easier if an employee moves to a different position.

We have 120 employees at eight locations.

Although we do not deal with software manufacturers directly, we have two or three vendors that we use a lot and when software is upgraded, we will work out a deal where we will buy a number of copies of an upgrade at a reduced price. In some cases, we may choose not to upgrade.

We were a DOS-only operation, but now that Windows has gotten so popular, we are rethinking that standard. I don't know if we'll be moving entirely to Windows as a standard. Eventually, I expect we probably will change our standard to either Windows or OS/2. ■



JOHN L. COOPER
Senior vice president
Liberty Bank
Oklahoma City

WE LOOKED AT HOW THE SOFTWARE integrated into our overall technology and information strategy. We looked at how it fit into our client-server technology, how it interfaced with our common graphic interface, how it worked on our network.

We use a whole array of office automation products from Microsoft: Microsoft Word, Excel, Powerpoint.

We operate in a Windows environment. We are getting as far away from DOS as possible. We think Windows is more user-friendly, requires less training, and now the tools and products are being developed to support Windows.

We also have a product that distributes upgrades on all this software to all of the PCs on our network automatically. ■



PATRICK RIELLY
Division manager
Key Services Corp.
Albany, N.Y.

WE'VE APPROACHED IT FROM TWO different angles. We look at cost, but we also look at how the office automation software will fit in with other, bank-specific software that we use.

For example, in our 900 branches, where they use both branch automation software and office automation software, we pick the best branch automation software first, and then we choose office automation software that will be easily integrated.

In the [corporate] offices, we structure our selection process toward work groups. Accounting may have a different package than secretaries, depending on each group's needs.

We make sure the E-mail is compatible with all the systems throughout the bank, so that is another consideration as well. ■



KEVIN M. TIERNEY
Senior vice president
Salem (Mass.) Five Cents Savings

WE ACQUIRE SHRINK-WRAPPED office automation products. When we decide which off-the-shelf program to buy, we look at ease of use and functionality as our primary considerations.

The more sophisticated applications often come with less ease of use and we have found that some of our employees simply won't learn or use the more advanced functions, so we really watch that the software is user-friendly.

We have just over 300 employees in 20 branches. We choose the applications centrally and then install them throughout the bank. For example, Lotus 1-2-3 is our standard spreadsheet program, although Microsoft Excel is used in one department because of their specific needs. Since it is exportable to Lotus, we agreed to allow that exception to the standard. ■



WILLIAM CALLAGHAN
Vice president
California Bancshares
Alameda

WE HAVE CORPORATE STANDARDS for our office automation software. We mostly use Lotus 1-2-3 and dBase. To establish these standards, we went out and asked everybody – all the users – what they wanted and we made our decision based on those wants and needs. We have about 185 microcomputers in use in 25 different locations. Probably 90% of our offices are DOS-based. We have some Windows users and that's fine until there's a problem. I prefer DOS-based computing because it's easier to fix problems on DOS.

I keep reports that show where all the software packages are installed. When upgrades are released, we purchase them in bulk and use our own systems people to install them. ■



MICHAEL MOZDEAN
Vice president
National Westminster Bancorp
Jersey City

WE HAVE CENTRALIZED THE SUPPORT of bank-wide LANs and PCs. Going forward, we will be providing centralized management and the software will reside on the PC. This should help us save money since we will no longer need all the stand-alone copies. We plan to standardize on a Microsoft Windows platform with a full suite of software from Microsoft.

We chose the Windows platform because the users believe that [a system with] icons and point-and-click is easier to use. From our standpoint in the technology area, we see a lot more companies writing software for Windows. We want to make sure the direction that the bank is taking is in sync with the direction the technology is taking. We are watching Windows NT very closely, and that will probably be the approach we will be taking in the future. ■



MICHAEL SIMMONS
Executive vice president
Bank of Boston

WE HAVE A LIST OF APPROVED products that we tested. We chose these products because they interacted well with our other systems and because we can support them.

We limit the choices, but provide the function our users need. If there's a special request for a product that's not on the list, we will investigate it to make sure it does interact with the other products we use.

When an upgrade is announced, we send out a notice that it's available and then, if users want it, they can order it through our centralized purchasing department. ■

New Products

Information Resource Offers Encoding Choices

Using encryption technology, Information Resource Engineering Inc. has introduced a line of low-cost products aimed to reduce risks in electronic funds transfers.

Because electronic services vary from bank to bank, security for such transfers is often complex. These new products allow banks and their clients a range of choices – encryption, message authentication, and user authentication – depending on the level of security needed.

For those requiring rigorous security, the AX500 – priced at $995 – uses all three forms. The system automatically manages different encryption keys for each bank and corporate client.

The AX200 ($295) uses data encryption to provide medium-level security for clients with moderate transaction or dollar volumes.

The AX100 ($225) uses encryption technology to identify and authenticate those seeking access to the host computer from remote sites so that only authorized users are accepted.

Information Resource Engineering is based in Baltimore. Its clients include Citibank, J.P. Morgan, and the U.S. Internal Revenue Service.

Sendero Unveils Pricing System

A funds transfer pricing system that values the sources and uses of bank funds was released by Sendero Corporation, Scottsdale, Ariz. The PC-based system lets the user define the method for pricing instruments and portfolios. Other features include individual account pricing, multiple transfer methods, and a Windows interface.

The product will be beta tested at the Farm Credit Bank of Spokane, Wash., a $2.9 billion-asset cooperative. The bank hopes to use the information to raise managers' awareness of the actual cost of funds and of which products produce higher margins.

Sendero Corporation is a wholly owned subsidiary of Milwaukee-based Fiserv Inc.

BankLink Updates Reporting System

BankLink Inc. has released the latest version of its PC-based MicroLink, a reporting and transaction system for cash management. Version 3.7 includes enhancements to the product's reporting functions, which include automated payments and collections, depository transfer services, and controlled disbursement.

BankLink is a subsidiary of Chemical Banking Corp., New York.

Alert Update Adds Custodian Banks

A new version of the Alert data base from Thomson Financial Services adds custodian banks to its network. The previous version allowed institutions to electronically communicate trade settlement information to broker. Now with version 2.0, each subscriber (institution, broker, custodian bank) will be able to send and receive account delivery instructions. Other new features include report writing capabilities, an electronic mail feature, and custom print formats. The new version is expected to be released in the fall.

Alert is a unit of Thomson Financial Services, Boston.

Bosch Offering A Tape Library

Bosch Storage Systems, Bridgeman, Mich., has entered the mainframe data storage market with an automated tape library. Using open architecture, the library can accommodate tape drives from many vendors, including IBM, Hitachi, and Memorex. It is also adaptable to the 5¼-inch optical disk format. The system can accommodate from 360 to 184,320 cartridges.

Bosch Storage Systems is a wholly owned subsidiary of Robert Bosch GmbH, Stuttgart, Germany.

Ampersand Software For Sales Support

A new Windows-based product from Ampersand is designed to automate the sales and delivery of retail products.

Dubbed Sellstation, it provides sales-support functions such as presentation, information, comparison, cross-sell, and calculations.

For example, it will help personnel retrieve existing customer information from local or remote data bases, determine customer needs and match them to products, present product information, and suggest additional complementary or associated products.

It automates the delivery flow, including data entry, data validation, and forms printing. It will also deliver required disclosures or disclaimers.

Ampersand is based in York, Pa. □

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Contracts

Wausau Financial to Sell Cincinnati Bell's Imaging

In an attempt to attract community banks, Cincinnati Bell Information Systems Inc. gave Wausau Financial Systems Inc. the exclusive right to repackage and sell its image application software. The software will be sold with the NCR Series 3000, Unix-based computers, and the NCR 7780 image capture platform.

Based in Schofield, Wis., Wausau Financial Systems resells NCR products in the financial industry. Targeting small to midsize banks with less than $2 billion in assets, the company plans to incorporate these products into its Imageworks application group under the name ImageBanc 3000.

CBIS also signed a contract to provide a retail brokerage system to Barnett Technologies Inc., Jacksonville, Fla. Work has already started on the project, which is expected to be completed in the third quarter.

CBIS will provide Barnett Securities with the Invest-Source System, which was jointly developed with National City Corp., Cleveland. The $28 billion-asset bank holding company has been using the system for two years. It uses client-server architecture and open-systems technology to accommodate software from a variety of vendors.

Barnett Technologies provides operating and information systems services for Barnett Banks Inc. and its affiliates.

Chemical Offices To Get NCR Peculiar

As part of its consolidation efforts, Chemical Banking Corp. will buy $32 million worth of self-service terminals and branch automation systems to upgrade and standardize its branches. NCR Corp. will supply the new systems.

The contract includes automated teller machines with touch-sensitive screens, self-service terminals for inside banking lobbies, and about 6,600 workstations for tellers and platform personnel. The touch-screen units should be installed by yearend.

The platform automation system utilizes NCR's system 3000 series of open computers to allow Chemical to integrate software and hardware from a number of vendors. Each branch is equipped with NCR teller and platform workstations connected to the system server via a token-ring local area network.

The branch LAN is also linked to a host mainframe at Chemical's processing center in Delaware for centralized processing.

With more than $130 billion in assets, Chemical operates 700 retail branches throughout New York, New Jersey, and Texas.

NCR Corp. is based in Dayton, Ohio.

Fiserv Signs Up Handful of Banks

Fiserv Inc., Milwaukee, clinched a number of deals in June.

Union Federal Savings Bank of Brea, Calif., expanded it current service relationship to include complete item processing services. The bank will be using the Fiserv centers in Los Angeles and Seattle. With assets of $1.6 billion, Union Federal currently uses the Fresno center for its data processing.

Foothill Community Bank of Brownsville, Calif., and Mount Diablo National Bank of Danville, Calif., have both selected the company's data processing center in Los Angeles. The banks' own software systems will be operated at the Fiserv data center. Foothill Community Bank has $15 million in assets and Mount Diablo National Bank is a start-up.

The Bluebonnet Savings Bank, Dallas, renewed its contract for item processing services with the San Antonio center and has expanded its relationship through the addition of eight recently acquired locations. Fiserv will also provide Bluebonnet Savings with on-line file processing services. The file processing conversion will be consolidated from two different processors for the $3.1 billion-asset institution.

With $8 million in assets, Regent Thrift and Loan in San Francisco will outsource financial data processing to Fiserv.

Buffalo Federal Savings and Loan of Buffalo, Wyo., with $33 million in assets, will outsource its data processing to a Fiserv center in Seattle.

Snow Bank, Dillon, Colo., expanded its relationship with Fiserv to use its full-service check and remittance processing services in the Denver center. Snow Bank, with assets of $24 million, already has a relationship with Fiserv's data center in Arlington Heights, Ill.

Tri-Counties Bank, Chico, Calif., will install the Fiserv comprehensive banking system on its IBM AS/400. Tri-Counties Bank has assets of $500 million. □

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AMERICAN BANKER

VOL. CLVIII NO. 147 | Tuesday, August 3, 1993 | 158th year

Shrinking Spread Highlights Need For Loan Growth

By STEVE KLINKERMAN

The second quarter raised an important question about the banking industry: Will sufficient loan growth emerge to offset the now visible declines in net interest margins?

That question won't be answered until next year. But short-run prospects for continued robust profits should make the wait fairly painless.

Many of the nation's largest banking companies reached turning points in the second quarter as net interest margins began long-anticipated descents. According to statistics compiled by *American Banker*, the average net interest margin of the 25 largest banking companies sank 9 basis points from the first-quarter level, to 4.29%. (See table on page 4.)

NEWS ANALYSIS

That is a modest slide, to be sure. But from this point forward, some experts contend, loan growth will be increasingly necessary to sustain profitability at many banks.

Linked with the maturation of higher-yielding securities, moreover, is a dwindling potential for gains from securities sales, deflating a cushion that has provided crucial support for numerous reviving banking companies over the past two years.

Credit Quality Improves

Amply offsetting these concerns in the short run, however, is widespread improvement in credit quality – a swing factor in earnings.

During the second quarter, the top 25 banks shed $4.44 billion of problem loans and foreclosed properties, slashing their backlog by 9.8% to $41 billion, according to *Americah Banker* statistics. The concentration of nonperforming assets plunged by 31 basis points, to 2.29% of total assets.

And revenues from equity and foreign exchange trading have proved more extensive and sustainable than previously imagined, providing a hefty earnings supplement for a cadre of the largest banks.

This provides breathing room for the banking industry as it stretches for loan growth.

Signs of Life

By booking instead of selling newly originated residential mortgages, boosting card loans, and refinancing consumers, a number of banks are delivering palpable portfolio growth.

But some experts want to see

See **NARROWED** *page* **4**

INSIDE NEWS

WASHINGTON

REGULATORS announced they will hold a public hearing next week to discuss reforming the Community Reinvestment Act. *Page 2*

REGIONAL BANKING

FIRST FIDELITY Bancorp., continuing to expand northward, said it will buy Greenwich Financial Corp., a thrift holding company in Connecticut's affluent Fairfield County. *Page 5*

COMMUNITY BANKING

MERCHANTS BANK of New York has seen it all since opening its doors in 1881. And through the years, the $1 billion-asset institution has stubbornly remained a prudent middle-market bank. *Page 6*

MORTGAGES

DESPITE A RISE in interest rates, refinance mania shows no signs of letting up. Lenders say the rise in 30-year fixed mortgage rates – by 11 basis points – barely affected loan demand. *Page 8*

INVESTMENT PRODUCTS

ANNUITIES SALES by national banks could get an unexpected boost in the wake of a recent federal court ruling on insurance sales by banks. *Page 10*

CREDIT / DEBIT / ATMs

EQUIFAX INC., the consumer credit reporting company, has agreed to acquire Integratec Inc., which performs debt collection and other back-office functions for credit card issuers and other lenders. *Page 12*

FINANCE

SALLIE MAE's shares jumped in active trading as investors apparently decided that final plans by the government to restructure the college loan program were not as bad as expected. *Back page*

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Fiserv to Buy Outsourcers From Mellon

By JEANNE IIDA

Fiserv Inc., a Milwaukee-based data processing company, has agreed to buy two outsourcing units from Mellon Bank Corp. for $70 million in cash.

The transaction, announced Monday, stems from Mellon's decision earlier this year to exit the bank outsourcing business, under which it provides data processing services to other banks. The Pittsburgh-based company concluded that the outsourcing business was peripheral to its strategy and had limited future growth.

For Fiserv, one of the nation's largest outsourcers, the deal provided an opportunity to boost its core business.

'A Good Deal'

The units it acquired provide basic banking services, such as savings and checking account processing, plus mortgage services. Mellon's trust outsourcing unit, which was also put up for sale in March, was not included in the deal and remains on the block.

"Overall, Fiserv got a good deal," said Lawrence A. Willis, consultant with First Manhattan Consulting Group.

The price tag was equal to the two units' annual revenues of $70 million, whereas similar processing businesses are typically sold for up to 1.5 times revenue, Mr. Willis said.

Fiserv's stock was up $1 to

See **FISERV** *page* **3**

CoreStates Acquiring Constellation of N.J.

By KAREN GULLO

Boosting its presence in neighboring New Jersey, CoreStates Financial Corp. of Philadelphia agreed Monday to buy Constellation Bancorp in a stock swap valued at $312 million.

Constellation, which has $2.3 billion in assets and 49 branches in central New Jersey, had been the subject of takeover rumors for months.

The price tag was equal to two times Constellation's book value, a stiff premium for a company saddled with problem loans.

Constellation had $177.8 million of nonperforming assets at June 30, equal to 9.78% of loans plus foreclosures. Most of the problem credits involve commercial real estate.

The Partners At a Glance

	CoreStates	Constellation
Headquarters	Philadelphia	Elizabeth, N.J.
Branches	280	49
Assets	$22.9 billion	$2.3 billion
Net Income*	$156.6 million	$5.75 million
ROA*	1.39%	0.49%
Tier 1 Capital**	8.99%	9.07%
Employees	3,782	1,102

*First-half 1993
**At June 30

'We Feel Comfortable'

CoreStates chairman Terrence A. Larsen said that "though nonperforming assets are high, we feel comfortable that the overall risks are manageable."

The deal, scheduled to be completed in the first quarter next year, is expected to dilute CoreStates' earnings by less than 1% in 1994 and increase profits slightly in 1995.

CoreStates' shares closed down $1.50, at $55.625, on the New York Stock Exchange on Monday, while the overall market rallied.

Takeover Premium Built In

Constellation closed unchanged, at $10.375. The fact that its price did not rise, as is typical for acquired companies, reflected the fact that a takeover premium had already been built into Constellation's price.

Analysts said the acquisition is strategically important for CoreStates. "It's certainly not inexpensive for a franchise that has significant asset quality problems," said Jeffrey Naschek, an analyst at Salomon Brothers Inc. "But now they are well positioned in the state."

The deal would make CoreStates the fourth-largest banking organization in state, with $6.5 billion in assets. Overall, the banking company has $23.5 billion of assets.

Constellation is CoreStates' third acquisition in New Jersey

See **CORESTATES** *page* **5**

The Man In Line To Head The RTC

PRESIDENT CLINTON'S choice of real estate developer Stanley G. Tate seems unusual. After all, Mr. Tate is a Republican. But his nomination is drawing bipartisan support.

See story on page 13



Barbara Rios

NEWS *briefs*

NationsBank Leading Credit for Genesco

NASHVILLE — Genesco Inc. said it has entered into a three-year credit agreement with seven banks, led by NationsBank of North Carolina as agent.

Also in the lending group are First National Bank of Chicago as co-agent, First American National Bank, Candian Imperial Bank of Commerce, Third National Bank in Nashville, First Union Bank of Tennessee, and Hongkong and Shanghai Banking Corp.

The agreement replaces a $45 million revolving credit and $25 million letter of credit facility. It gives Genesco, a Nashville-based consumer products company, up to $100 million of revolving loans or letters of credit.

First Security Buys B of A Deposits in Utah

SALT LAKE CITY — First Security Bank of Utah has completed the acquisition of about $8 million of deposits formerly held by Bank of America Arizona at its two branches in Utah.

Terms of the cash transaction were not disclosed.

First Security is a subsidiary of the $8.2 billion-asset First Security Corp., which operates offices in Utah, Idaho, Oregon, and Wyoming. The company has pending deals to enter Nevada and New Mexico.

B of A Donates to Conservation Groups

SAN FRANCISCO — Bank of America has announced the donation of $1.1 million of its $6 million pledge of developing-country loans to conservation organizations working on preserving rain forests in Mexico, Central America, and South America.

The bank also announced a donation of $250,000 in developing-country loans to the International Foundation for Education and Self Help.

The largest part of the $1.1 million donation consists of $750,000 of developing-country debt going to Conservation International. A donation of $250,000 of developing-country debt will be made to the World Wildlife Fund, and $100,000 of debt will go to the Smithsonian Institution, which is advising the bank on applications for donations.

Profit Surges at Seattle Home Loan Bank

SEATTLE — The Federal Home Loan Bank of Seattle reported net income of $61.7 million for the quarter ended June 30, compared with $21.5 million for the same period in 1992.

Prepayment fees accounted for the sharp rise in income, the bank said Thursday. Net income adjusted for prepayments totaled $38 million in the second quarter, up 75% from the $22 million net of the 1992 period.

The bank, which has $12.2 billion in assets, paid an annualized stock dividend of 15.28% for the quarter, up from 10.25% for the second quarter of last year.

Wells Grants Credit Line to Gottschalks

FRESNO, Calif. — Gottschalks Inc. said it has reached an agreement with Wells Fargo & Co. and Teachers Insurance and Annuity Association for a new line of credit that will satisfy the cash needs of the company through June 30, 1994.

Gottschalks said the agreement, which will remove all current loan defaults, is subject to final documentation. All parties expect final documentation to take place prior to Aug. 6, Gottschalks said. The company did not immediately elaborate.

The briefs were compiled from staff and wire reports.

Regulators Set Hearing on Reform Of the Community Reinvestment Act

By CLAUDIA CUMMINS

WASHINGTON — Bank and thrift regulators announced Monday they will hold a public hearing next week to discuss reforming the Community Reinvestment Act.

Next Tuesday, bankers, community activists, and others concerned about banks' responsibilities to their neighborhoods will sound off before Comptroller Eugene A. Ludwig, Federal Reserve Board governor Lawrence Lindsey, Federal Deposit Insurance Corp. acting Chairman Andrew Hove, and Office of Thrift Supervision Jonathan Fiechter, acting director.

The meeting will be held from 1 p.m. to 7 p.m. at the OTS's Washington headquarters.

Hearings Around the Country

The forum will be the first of a series of hearings to be August and September around the country. Prior to these public meetings, these regulators plan private, separate meetings with banking trade groups and consumer groups. The banking leaders are scheduled to meet with the four top regulators Aug. 5 and the consumer group officials Aug. 6.

These meetings mark the first phase of the agencies' initiative to reform CRA, as directed by President Clinton last month.

Mr. Clinton gave the regulators until Jan. 1 to rewrite the rules, and told them to consult with the public before making any changes.

Regulators want ideas on improving CRA to make it clearer and more objective. They also are interested in whether differences between banks and thrifts should be taken into account in measuring CRA performance. Another concern is increasing the volume of banking services to residents of low- and moderate-income neighborhoods.

The regulators have asked anyone interested in participating in the Washington hearing to call the OCC's Pamela Mount at 202-874-4446 by Friday. □

Lending Up 19.2% at Home Loan Banks

By ROBYN MEREDITH

WASHINGTON — Borrowing from the Federal Home Loan Bank system at the end of June was up 19.2% from the same period a year ago.

According to the Federal Housing Finance Board, which regulates the system, demand rose because it is tailoring the terms of more and more loans to the needs of its commercial bank customers.

Rates Are Better than Market's

But sources said banks and thrifts also are borrowing more because a steep rise in deposit insurance premiums has made deposits less attractive.

Thrifts and banks had $93 billion in loans outstanding from the Federal Home Loan Bank system at the end of last month. At the end of the June 1992 quarter, $77.8 billion was outstanding.

Members' Advantages

Daniel F. Evans, Jr., chairman of the system's regulator, the Federal Housing Finance Board, denied that institutions are joining the system specifically to avoid paying higher deposit insurance premiums. It's just that "the bank system's rates are better than the market," he said. Because the system is a government sponsored enterprise, it is able to raise funds just above the rate on Treasury borrowings.

Banks and thrifts can use the system's advances to fund long-term loans.

Thrifts have always been required to belong to the home loan bank system, but commercial banks were allowed to join starting in 1989. Since then, 1,675 banks have joined the system, amounting to 42% of the membership. □

COMPANY *index*

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Unisys to Upgrade Check Processing

Unisys Corp. said it plans to upgrade its check processing system to work better with software sold by J.D. Carreker and Associates of Dallas.

The upgrade is expected to make it easier for banks that use Unisys check sorting equipment and software to participate in the Electronic Check Clearing House Organization, an association of 38 banks that hope to speed check clearance and reduce fraud losses by sending check data to each other electronically.

J.D. Carreker is a consultant to Ecchs, and also sells software called CheckLink that nearly two dozen banks in the association use to send and receive check data.

Four of these banks – the Bank of California, Barnett Banks Inc., Comerica Inc., and Citicorp – also use Unisys' Item Processing System, which is mainframe software that operates Unisys check sorters.

Barton Crockett

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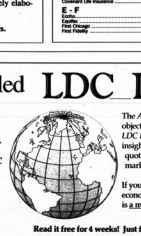
Emerging Markets are risky, notoriously inefficient, known for changing rules and limited public disclosure. Knowing what's really going on spells the difference between opportunity and loss.



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Fiserv to Buy Outsourcers from Mellon

Continued from page 1

$21 in afternoon trading in the over-the-counter market.

But by completing the sale, Mellon achieved its overall goal, leaving the business at a reasonable price. "This was a sensible strategic move for Mellon," said Dennis Shea, a banking analyst with Morgan Stanley. "Growth [in Mellon's business] had slowed significantly, and it wasn't likely to pick up."

Mellon said the deal will give it an after-tax gain of about $15 million, and said it expects to complete the transaction by the fourth quarter. Mellon's shares were down ¼ to $55.75 in afternoon trading on the New York Stock Exchange.

The unit that provides basic banking services, commonly called Data Center, contributes about $60 million annual revenue, Mellon said.

The mortgage unit, called Data Link, generates about $10 million in annual revenue.

Expanding Customer Base

With the systems come more than 200 bank customers, about 40 of which have more than $1.5 billion in assets.

The deal will expand Fiserv's customer base to include larger banks than the vendor typically serves.

Fiserv has grown rapidly over the past decade, acquiring about 40 companies. Two of its largest recent deals involved a Citicorp data processing unit and Basis Information Technologies Inc., an Atlanta-based outsourcing company.

"Fiserv is the one with the best track record" in acquiring other outsourcing operations, said Arthur Gillis, president of Computer Based Solutions Inc., New Orleans.

With the Mellon units, Fiserv

Mellon's growth had slowed significantly.

said it will follow custom and leave the management and systems largely intact.

As part of the agreement, Fiserv will hire all 710 employees of the two business units, which operate in Pittsburgh, South Bend, Ind., and other locations.

Fiserv will also take over Mellon's Philadelphia data center, which employs about 85 people. Fiserv said it intends to retain most if not all of those employees as well. Fiserv said it plans to keep the data center in Philadelphia.

The deal ends months of speculation over which outsourcing vendor would ultimately acquire the units.

Customer Defections

During that time, at least two banking customers left Mellon for Milwaukee-based M&I Data Services Inc., an M&I official confirmed. Fiserv will need to act quickly to stave off further customer defections.

"We'll meet with customers before the month is out, and tell them: We're not here to convert you, and we're not here to raise your prices," said George D. Dalton, chairman and chief executive officer of Fiserv.

Mellon put the units up for sale publicly after talks with M&I floundered early this year, according to banking sources.

Subsequently, both EDS Corp., a unit of General Motors; and Systematics Information Services Inc., a unit of Alltel Co., were said to have discussed buying the units with Mellon. □

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Narrowed Spread Points to Need for Growth

Continued from *page 1*

more signs of life in the moribund commercial and industrial lending market.

"We have few swallows, but not a full Capistrano in terms of loan growth," said George Salem, a banking analyst with Prudache Securities.

"Still, the industry is looking healthy."

Falling credit costs fueled many earnings revivals, and progress was evident in most parts of the country.

In Los Angeles, First Interstate Bancorp slashed its loss provision 43% from the first-quarter level, delivering a 13.5% increase in pretax income. In Jacksonville, Fla., Barnett Banks Inc. lowered its provision 20% and posted an 11.4% earnings increase. And in Cleveland, Society Corp. cut its provision by 23.3% while boosting net income from an already-high first quarter by 2.1%.

NEWS ANALYSIS

The average net interest margin sank 9 basis points in the quarter.

Trading Gains

Far more compelling for certain banks was a bonanza of revenues from foreign exchange and equity trading.

Citicorp engineered a colossal $572 million of trading revenues, up 25% from the first quarter. Bankers Trust New York Corp. posted a 17% increase, to $405 million. And First Chicago Corp.'s trading revenues skyrocketed by 68% from the first quarter, to $91.6 million.

Analysts have been hesitant about impounding trading revenues into bank stock prices, arguing that such gains are not sustainable. But top officers of the banking companies reaping trading rewards insist the trend has room to run.

At the least, experts say, trading gains will help recovering banks such as Citicorp cope with portfolio cleanup costs.

Rights' Value Slides

One sour note surfacing in the second quarter was deterioration in the value of purchased mortgage servicing rights, provoked as refinancing customers paid off residential mortgages earlier than envisioned.

Bank of Boston Corp. took $20 million of accelerated servicing write-downs in the second quarter.

First Union Corp., Charlotte, N.C., took a $23 million charge. Michigan National Corp., Farmington Hills, took a $21.6 million amortization charge.

And Fleet Financial Group, Providence, R.I., took a whopping special charge of $100 million for accelerated amortization.

Retail Strength

On the whole, however, consumers were good to the banking industry in the second quarter, sparking much of the loan demand recorded during the period.

Tapping its 1,340 banking offices, Columbus, Ohio-based Banc One Corp. mustered a quarter was at Bank of Boston, analysts said. Its $700 million increase in average loans represented an annual expansion rate of 13%.

The company credits market-share gains for much of the progress.

$499 million, or 5.29%, increase in average residential mortgages during the second quarter, accompanied by an increase of $348 million, or 17.7%, in consumer loans.

And NationsBank Corp. in Charlotte said consumer lending largely was responsible for a $2.8 billion loan expansion in the second quarter, for a 16% annual growth rate.

One emerging story of well-balanced growth in the second

Post-Merger Blues

Growth remains a touchy question for some banking companies, however — particularly those coming off mergers premised on efficiency gains that soon will run their course.

In San Francisco, for example, BankAmerica Corp. reported a roughly $2 billion contraction in average loans from the first quarter to the second — results attributed to the weak California economy.

Consolidation Benefits

In Pittsburgh, for example, PNC Bank Corp. posted a snappy $169.1 million of earnings — for an ROA of 1.39% — that did not hinge on special gains from sales of securities and operations, as in past periods.

Similarly, other institutions showed improved second-quarter results on the strength of merger assimilations.

Consolidations in Indiana helped Cleveland-based National City Corp. deliver a 1.45% ROA in the second quarter, up from 1.38% in the first.

Similar progress helped Detroit-based NBD Bancorp boost its ROA to 1.23%, from 1.17%. □

At the same time, some large banking companies are winning converts simply by virtue of their return to normal, healthy results.

Top 25 Bank Holding Companies

Based on total assets on June 30, compared with March 31 (dollar amounts in millions)

Asset Rank 6/93	3/93		Total Assets 6/30/93	% Change	Asset Rank 6/92	Net Income 2Q 93	Net Interest Margin 2Q 93	1Q 93	Nonperforming Assets as a % of Net Loans 6/30/93	3/31/93
1	1	Citicorp, New York	$216,285	-0.40%	$446.0	$143.0	3.78	3.82	5.97‡	6.15
2	2	BankAmerica Corp., San Francisco	195,482	0.69	459.0	240.0	4.76	4.76	2.61	3.06
3	3	Chemical Banking Corp., New York	145,522	-1.34	381.0	240.0	3.76	3.82	3.34	3.67
4	4	J.P. Morgan & Co., Inc., New York	132,532	2.88	431.0	386.0*	1.46	1.64	0.22	0.24
5	5	NationsBank Corp., Charlotte, N.C.	103,796	1.93	306.0	251.0	4.16	4.26	1.36	1.58
6	6	Chase Manhattan Corp., New York	99,085	5.38	233.0	152.0	4.10	4.54	2.32	3.83
7	7	Bankers Trust New York Corp.	83,987	5.69	251.0	209.0*	1.61	1.79	2.01	2.30
8	8	Banc One Corp., Columbus, Ohio	75,466	8.26	281.0	181.3*	5.30	5.57	0.86	1.15
9	9	First Union Corp., Charlotte, N.C.	71,959	14.31	228.0	125.4*	4.82	5.00	1.77	2.01
10	11	PNC Bank Corp., Pittsburgh	53,818	5.27	169.1	129.8	3.95	4.14	1.25	1.45
11	10	Wells Fargo & Co., San Francisco	51,529	0.34	149.0	82.0	5.71	5.90	4.52	4.91
12	13	Keycorp, Albany, N.Y.	49,936	3.49	169.5	86.2*	2.66	2.92	0.68	0.75
13	12	First Interstate Bancorp, Los Angeles	49,488	0.99	136.0	64.5	4.99	4.89	1.15	1.36
14	14	Norwest Corp., Minneapolis	47,700	5.03	161.1	127.9	5.65	5.77	0.62	0.70
15	15	Fleet Financial Group Inc., Providence, R.I.	44,841	-0.12	119.0	70.5	5.09	5.04	1.00	1.58
16	17	Bank of New York Co., Inc.	41,045	2.49	130.0	87.0	3.76	3.69	1.75	2.15
17	16	NBD Bancorp, Detroit	40,389	0.84	122.6	82.7*	4.52	4.47	0.84	0.94
18	19	SunTrust Banks, Inc., Atlanta	37,938	0.28	118.7	103.3*	4.87	4.99	1.35	1.46
19	18	Barnett Banks, Inc., Jacksonville, Fla.	37,255	-2.21	104.2	54.1*	5.10	5.12	1.84	2.08
20	20	Republic New York Corp.	36,205	4.13	74.9	63.9	2.58	2.41	0.46	0.53
21	24	Mellon Bank Corp., Pittsburgh	36,169	17.05	98.0	90.0*	4.30	4.65	1.32	1.72
22	22	Wachovia Corp., Winston-Salem, N.C.	33,248	0.95	123.1	108.6	4.78	4.75	0.68	0.82
23	23	Bank of Boston Corp.	32,785	3.72	65.5	44.7*	4.31	4.22	2.35	2.67
24	29	First Fidelity Bancorp., Lawrenceville, N.J.	32,524	5.82	97.9	76.3	4.92	4.87	2.06	2.10
25	22	KeyCorp, Albany, N.Y.	32,049	0.41	99.8	59.0*	5.36	5.38	1.14	1.25
		Total and Averages for the top 25	$1,700,342	2.6%	$4,983	$3,237	4.29%	4.38%	2.25%	2.67%

Data Sources: The data were compiled by Americas Banker from the earnings releases of the nation's top banking companies. Unless otherwise noted, net income for previous quarters are as originally reported and have not been restated for mergers or changes in accounting principles. % Change is the percentage change in total assets from March 31 to June 30. Net income is income after taxes, minority interest and changes in accounting principles, but before preferred dividends and extraordinary items. Net interest margin is tax-equivalent net interest income as a percentage of gross interest-bearing financial assets. Nonperforming assets are the sum of nonaccrual loans, restructured loans, and other real estate owned, net of reserves. For the top 25 as a group, the nonperforming assets ratio is a weighted average. ‡(-) = An American Banker estimate based on information from bank analysts. (*) = Restated for changes in accounting principles; net income was $325 million. (**) = Restated for changes in accounting principles; net income was $186 million. (***) = Restated for mergers; net income was $242.9 million. (†) = Restated for mergers; net income was $130.5 million. (%) = Restated for changes in accounting principles; net income was $34.5 million. (^) = Restated for mergers; net income was $81.3 million. (^^) = Restated for mergers; net income was $109.8 million. (^^^) = Restated for mergers; net income was $82.2million. (^^^^) = Restated for mergers; net income was $17.8 million. *trace/very lem, utilization of prior years' tax benefit carryforwards.* (**) = Restated for mergers; net income was $75.6 million.

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Narrowed Spread Points to Need for Growth

Continued from *page 1*

in the last year. Last September the bank acquired First People's Financial Corp., a $1.1 billion-asset institution.

Last month the bank announced its intention to acquire Inter Community Bancorp., a $125.7 million-asset holding company.

Constellation has $2.3 billion of assets and 49 branches.

30% Staff Cut Planned

CoreStates will consolidate Constellation's branch network with the 100 branches of CoreStates' New Jersey National Bank and close 12 overlapping offices, bank officials told analysts yesterday. The overlapping branches will include some CoreStates branches, they said.

The closings, as well as consolidation of back-office operations and a 30% staff reduction, will reduce Constellations operating costs by about $35 million, said Mr. Larsen.

CoreStates said that when the deal is closed, it would add $107 million to loan-loss reserves and take a $38 million charge related Constellation's foreclosures.

The company said it also plans to set aside $50 million to $100 million of Constellation's problem assets for bulk sale.

Constellation's president and chief executive, George Zoffinger, would become chairman of the merged New Jersey National Bank. Thomas A. Bracken would remain as president and chief executive of the subsidiary. □

CoreStates to Acquire Constellation Of New Jersey in $312 Million Deal

Tuesday, August 3, 1993 AMERICAN BANKER 5

How CoreStates Stacks Up in Mid-Atlantic

Top players in Pennsylvania
Based on assets in PA-based bank subsidiaries on March 31

	Assets ($ billions)
PNC Pittsburgh	37.0
Mellon Pittsburgh	29.7
CoreStates Philadelphia	18.0
Integra Pittsburgh	13.3
Meridian Reading	10.6
First Fidelity Lawrenceville, N.J.	10.3

Top players in New Jersey
Based on assets in NJ-based bank subsidiaries on March 31

	Assets ($ billions)
First Fidelity Lawrenceville	20.3
UJB Princeton	11.9
Midlantic Edison	10.0
CoreStates* Philadelphia	6.5
National Westminster Jersey City	6.4
Chemical New York	5.5

* Includes pending deals

Sources: Ferguson & Co., American Banker

First Fidelity To Buy Thrift In Connecticut

By YVETTE D. KANTROW

Continuing to expand northward, First Fidelity Bancorp. on Monday said it will buy Greenwich Financial Corp., a thrift holding company with $412 million of assets based in Connecticut's affluent Fairfield County.

First Fidelity, New Jersey's largest banking company, said it would pay $41.9 million in cash, or 1.26 times book value, for Greenwich Financial. The thrift's lead subsidiary, Greenwich Federal Savings and Loan, operates seven offices in and around Greenwich and Stamford.

The deal will add girth to First Fidelity's newly acquired Connecticut franchise, the Union Trust Co. of Stamford. First Fidelity gained Union Trust through its recent purchase of Northeast Bancorp., a troubled company with 68 branches in Fairfield.

'A Reasonable Way'

That transaction gave First Fidelity a strong presence in northern Fairfield County. The Greenwich Financial deal will add 22,000 deposit accounts in southern Fairfield County.

"The Union Trust franchise probably needs some beefing up, and this seems like a reasonable way to do it," said Dennis Shea, an analyst at Morgan Stanley & Co. The area also abuts Westchester County, New York, another area with several affluent communities where First Fidelity is expanding.

In April, First Fidelity announced a deal to buy Peoples Westchester Savings Bank, a $1.8 billion-asset thrift in Hawthorne, N.Y. It is also buying Village Financial Services Ltd., a Westchester thrift with nine branches.

First Fidelity, which has $32.3 billion of assets, said it expects the Greenwich Financial purchase to close in the fourth quarter and to contribute to its earnings by next year.



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After 112 Years, Merchants Bank of N.Y. Remains Committed to Middle Market

By PHIL ZAHODIAKIN

On Broadway a block north of Canal Street, amid textile outlets, Chinese shops of rampant variety, and sidewalks teeming with pedestrians, sits the staid marble headquarters of Merchants Bank of New York.

This is the office from which chairman Spencer B. Witty helps preserve the traditions of a bank that's seen it all.

Since opening for business in 1881, the Manhattan bank has severed ties with its offshore parent, survived the Great Depression, weathered transformations in its service area, and added a dimension demanded by regulators.

Through it all, $1 billion-asset Merchants has stubbornly remained a prudent middle-market bank. Its earnings, along with the businesses it serves, have taken hits. But the bank is fundamentally healthy and, having just turned itself into a holding company – Merchants New York Bancorp – has set the stage for an out-of-state expansion.

Founding the Pavement

Not suprisingly, Mr. Witty says any takeover in Connecticut or New Jersey would have to be positioned where the bank already has a core of customers. Not an adventuresome strategy – but then, Mr. Witty never pursues business in unfamiliar territory.

Well, almost never.

In 1990, Federal Reserve examiners slapped the bank with a "needs to improve" rating for Community Reinvestment Act compliance.

The problem was that most of the area served by its offices on 93 Canal St. and 434 Broadway – once part of Manhattan's Little Italy – had been engulfed by Chinatown. Merchants had not industriously pursued business among the new neighbors, or at least not industriously enough to satisfy the Fed.

So Mr. Witty, 78, went out and knocked on doors.

"Every lunch hour when I didn't have an appointment I'd stop in a few shops and talk to proprietors," he says. "I said I'd have a lending officer stop by if we could help.

But his Chinatown neighbors "were reluctant to talk," Mr. Witty says. "They're not used to seeing Occidentals in their shops. They thought I was IRS or FBI."

Mr. Witty was determined, however. "With a smile and a bit of encouragement, we got them out of their shells," he says. "Our percentage of loans in Chinatown is still very small, but it's growing."

The efforts have paid off with the Fed's latest CRA rating – "satisfactory." It was issued just last month.

But Merchants isn't just a Chinatown bank. It has five other offices in mid-Manhattan, where various blocks are known as the city's capitals of such wholesale and retail businesses as toys, handbags, and Oriental rugs.

These are the middle-market business – those with annual sales in the $3 million to $100 million range – that Merchants historically has sought for assets. Now it would like to see those assets picking up.

With its loan-to-deposit ratio at 33%, Merchants has $250 million available for that market. The ratio had been nearly 50% in last November, when the bank purchased the deposits and one branch of First New York Bank for Business, formerly First Women's Bank, from the Federal Deposit Insurance Corp.

Mr. Witty would like to bring the ratio up 40%, but that's not always easy for a bank that studies borrowers as closely as Merchants.

"We like to visit the facilities and lift a few boxes," says CEO and president James G. Lawrence, "just to make sure they're filled."

Moreover, when Merchants' loan committee meets there can be as many as 30 people at the table, Mr. Lawrence added. Junior lending officers as well as the borrower's accountant, attorney, and bookkeeper all are likely to be present.

"The bookkeeper's especially important," Mr. Lawrence says. "Many of your quality middle-market businesses have bookkeepers who have been there a long time, and he or she probably has a significant say in the day-to-day operations of the business."

The businesses served by Merchants are varied, to say the least. "We try to do everything New York does," Mr. Witty says. That includes textile imports and exports, hardware and hardware imports, lingerie and lingerie exports, white goods, sportswear, jewelry, rug imports, handbags, shoe imports, publishing, printing, and specialty chemicals.

Nonperformers Low

Merchants' scrutiny of the borrowers in these industries has resulted in a note file whose nonperformers make up just one-third of 1% of the total.

"It's not the return on the money" that counts, Mr. Witty says, "it's the return of the money."

Slumps of varying degrees among Merchants' borrowers have hurt the bank's net income, which was $10.4 million in 1989, $8 million in 1990, and $6.5 million in 1991 and again last year.

The slumps, along with Merchants' effort to flush out with repricing about half of First New York's deposits, also have pressured Merchants' return on assets, which fell from 1.64% in 1989 to 1.25% in 1990, 1% in 1991, and 0.89% last year.

The numbers gaining ground so far this year, however. At the end of the second quarter, Merchants posted earnings of $2.3 million, 20% more than in the same period last year. Earnings for the six months ended June 30 totaled $4.6 million, an 18.2% rise.

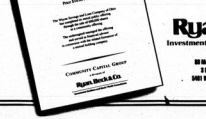
Mr. Witty points out that, even after the First New York purchase, the bank's risk-based capital ratio was 17.82% – well in excess of the 8% federal minimum. The risk ratio, Mr. Witty

See next page



Gary Spencer

HANDS-ON EXECS: Chairman Spencer Witty, left, pounded Chinatown doors to drum up business. CEO James Lawrence says, "We like to visit and lift a few boxes, just to make sure they're filled."



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COMMUNITY BANKING

For Urban Niche Banks, CRA Trouble Can Be Chronic

By PHIL ZAHODIAKIN

Most urban banks have seen their service areas, or fringes of them, transformed over the years – and many have since been assailed for Community Reinvestment Act shortfalls.

Efforts by Merchants Bank of New York to fix its rating have ended in success – but urban niche banks frequently can be susceptible to CRA problems.

Lack of Relevance Seen

Warren Traiger, a New York City attorney who advises banks on CRA issues, says: "Notwithstanding the fact that CRA was originally an antiredlining law, it just doesn't have a lot of relevance for banks like Merchants."

Because the bank offers few retail products, it did not have any traditional solutions to the problem of a bad rating. Nor did it have any ties to Chinatown, whose growth led to the "needs to improve" grade issued by the Federal Reserve.

Mr. Traiger, who was retained to advise Merchants, says: "Almost everyone agrees that Chinatown is overbanked. There are 12 or more Chinese banks, and just about all the money centers have significant branches there."

States 'Closer to Reality'?

The key to Merchants' success, Mr. Traiger says, was the "hands-on" culture at the bank. "Once I delivered the message, there was no problem involving the senior people."

Mr. Traiger adds that Merchants' executives might have been justified had they protested. After all, the state of New York already had rated Merchants "satisfactory."

Mr. Traiger hopes to see CRA compliance options.

Showing Their Plans

"It may be, and not just with CRA, that states are closer to reality. To be sure, New York reminded Merchants that there's an affirmative responsibility to ascertain and address the needs of all segments within its delineated communities. But, the state knows full well that Chinatown is overbanked, and it saw fit to use persuasion, while the Fed interpreted CRA literally."

For banks like Merchants, Mr. Traiger hopes Congress eventually will provide CRA compliance options.

In lieu of them, Jim Carras, president of Carras Community Investment Inc. in Fort Lauderdale, Fla., says banks should structure their business plans to show the regulators how they will meet the community's needs even though the idea "is anathema to a lot of longtime CEOs."

He adds, "If you're not a mortgage lender, but you're making a few here and there, it does open you up to criticism. I've seen it often. But CRA says you have to make your mortgages available to a community, and market them. If they're not that important to you, you might want to drop them altogether."

Continued from page 6

says, helps explain why deposits have risen 5% this year – and why Merchants' stock is trading at $55, nearly twice its $30 book value.

Safety and Soundness

"We don't have ATMs, and we don't try to compete with the Citis and the Chemicals for retail accounts. But people like to put there money here, because we have a reputation for safety and soundness."

In fact, the bank once turned down a request by a major retailer for Merchants to handle its payroll account.

Merchants was founded back in 1881 as Market Brothers Private Bankers, an offshoot of a German institution. At the outbreak of World War I, the Canal Street office broke off from the German parent. The bank's service area at the time was mostly cotton warehouses.

The bank went public as Merchants in 1926. It paid its first dividend in 1933, and Mr. Witty points out that it has been paying them without a single reduction for 240 quarters in a row.

The waterfront and the rest of the garment industry moved north, to midtown, but Merchants never lost its commercial character. As of March 31, it had $300 million in loans in commercial loans and $6.1 million in commercial realty. The rest of its assets, about $4 million, are in residential mortgages.

The mortgage is issued as a courtesy to Merchants' top customers. Some of them are businessmen who "many years back got a loan for just a few thousand dollars," Mr. Witty says. "Now the have the run of the place."

Sympathetic Leaders

"We like to bring along and work with small businesses," says Mr. Lawrence, "and we let them down gently if we turn them down. We explain why, and we explain what they have to do to qualify with us.

"Eventually they're back, with stronger financials."

Mr. Witty notes that the minimum amount of a small-business loan is $25,000. He argues that a big bank would treat a loan that size, and probably up to $50,000, as an installment loan.

But at Merchants, which boasts that it's been lending to small businesses since the days of clipper ships, installments are out and character is in. □

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SHORT TAKES

Countrywide Opening Texas Servicing Office

By PHIL ROOSEVELT

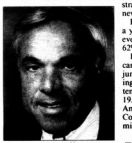
Countrywide Credit Industries, angling to become the largest mortgage servicer in America, is opening a servicing facility on 18 acres in Plano, Tex.

The California company said it has bought a 253,000-square-foot office building there from Franklin Life, a unit of American Brands, for $19.25 million.

Countrywide plans to divide its servicing between California and the new site, partly to hedge against earthquakes and other natural disasters in California.

Nearing No. 1 Ranked Fleet

Countrywide was servicing $66.5 billion of mortgages as of



Angelo Mozilo
Will divide servicing

June 30, up 33% just since the beginning of the year. That put it within striking distance of No. 1 ranked Fleet Mortgage Group, which owns $68.2 billion.

Countrywide, already the nation's largest mortgage originator, is expected to produce nearly $50 billion of loans this year.

Countrywide was drawn to Texas by its business climate and pool of available workers, said vice chairman Angelo Mozilo.

* * *

Profits Remain Below Mortgage Originations

Anyone who thinks the mortgage originations boom is being matched by profit gains should take a look at second-quarter earnings at the nation's publicly traded mortgage banks.

"Across the board, earnings were up a lot less than originations," says Sy Jacobs, an analyst at Alex. Brown & Sons.

Fleet Mortgage Group, the most glaring example, more than doubled its loan production from the second quarter of 1992, to $10.7 billion. But the unit of Fleet Financial Group posted a loss of $35.4 billion for the quarter, due to a writedown of servicing assets tied to refinancings.

Some other companies, such as Plaza Home Mortgage Corp., saw their profit growth restrained by aggressive pricing in new markets, Mr. Jacobs said.

Plaza's earnings fell 11% from a year earlier, to $3.3 million – even though originations soared 67%, to $2.3 billion.

In other results, North American Mortgage Co. posted a 62% jump in second-quarter earnings, to $13.1 million. Margarten Financial Corp. was up 19.4%, to $7.5 million, and American Residential Holding Corp. was up 110%, to $7.7 million.

* * *

Freddie Mac Installs Second Supercomputer

Freddie Mac has installed its second Cray supercomputer, backing up one that it bought last year.

The Federal Home Loan Mortgage Corp. was the first financial services firm to buy a supercomputer. It has used the computer to analyze and price mortgage securities and manage its portfolio of securities and loans.

Calculations that used to take several days require less than an hour on a supercomputer, said Jim Thompson at Freddie Mac.

Freddie Mac will also use the second computer to test new financial models.

— **Snigdha Prakash**

Pulse of the Market

Prepayment Rates*

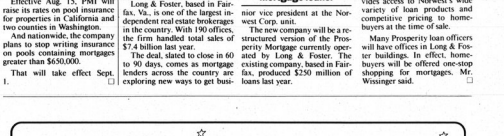
HIGHEST	Milwaukee	34.53%
	Detroit	33.35
	Grand Rapids, Mich.	33.39
	Denver	30.42
	Spokane, Wash.	30.41
	San Jose, Calif.	29.87
	Indianapolis	29.79
	St. Louis	29.67
	Chicago	29.18
	Louisville, Ky.	28.80
	National Average	24.37
LOWEST	San Antonio	20.22
	Riverside, Calif.	19.85
	Tampa/St. Pete, Fla.	19.79
	Scranton, Pa.	19.68
	Orlando	19.31
	Syracuse	19.19
	Oklahoma City	18.19
	Orange Co., N.Y.	18.90
	Long Island, N.Y.	17.50
	New York	14.38

*Portions of mortgages that will prepay over a year, based on past six months.

Interest Rates



Application Volume Indexes



Sources: HSH Associates, Mortgage Bankers Association of America, Mortgage Information Corp.

Upswing in Interest Rates Fails to Dampen The 18-Month-Old Refinancing Boom

By CHRISTOPHER NOBLE

Despite a recent rise in interest rates, refinance mania shows no signs of letting up.

"For the last 45 to 60 days, we've been very strong – as strong as last fall," said Dennis Meroney, director of mortgage banking at First National Bank of Gainesville, Ga.

Last week, rates on 30-year fixed mortgages climbed 11 basis points, to 7.31%, marking the first significant rise since mid-May, according to HSH Associates, Butler, N.J.

Rate Decline Expected

But lenders say the rise barely affected loan demand. And many observers, citing a rally in the bond market late last week, say they expect mortgage rates to fall this week.

"I think the next interest rate reading we see will be flat or down a bit," said Warren Lasko, executive vice president of the Mortgage Bankers Association of America.

Meanwhile, the trade group's index of refinancing has reached the highest level since March. The index now stands at 1,406, after rising 15% during the week ended July 23, the last week for which it was calculated. An index value of 100 corresponds with the level of March 1990.

Rates on 30-year fixed loans climbed 11 basis points, to 7.31%.

The refinance boom has kept mortgage originations at or near record levels for more than 18 months.

Boom Seen Continuing

Mark Lynch, vice president for retail loan production at Centerbank Mortgage Corp. in Waterbury, Conn., said he expects strong production for the remainder of the year.

"I think we're in for a relatively flat interest rate environment," he said.

Though lenders have been raking in origination fees, the refinancing boom carries clear pitfalls. As homeowners pay off their loans to take out new ones, mortgage bankers can suffer serious declines in their servicing portfolios.

City Leading in Refinancings

The American city with the highest prepayments is Milwaukee, according to data provided by the Mortgage Information Corp. In that city, the firm found, 34.13% of all mortgages are prepaying annually, based on trends of the past six months. New York City posted the lowest prepayment rate, an annualized 14.38%. □

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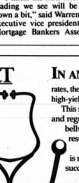

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PMI, an Insurer, Faces Increased Competition

By JAMES H. SAPT

On face of it, Jim Wagner is cruising down Easy Street.

He is vice president of Capital Markets for PMI Mortgage Insurance, responsible for the company's booming business of insuring loans that back privately issued mortgage securities.

PMI wrote $12.5 billion of this "pool" insurance last year, up from $5.2 billion in 1991. That has left the company with nearly 50% of the market.

But PMI, based in San Francisco, is facing a big threat from an alternative form of credit enhancement for mortgage securities.

Dividing the Deals

Lenders and other private issuers have increasingly been winning investment-grade ratings for their securities by dividing the deals into senior and subordinated classes.

An alternative form of credit enhancement could cut into PMI's booming business.

The subordinated classes, which represent a small portion of the issues, are the first to absorb any credit losses.

That allows the senior paper to get high credit ratings.

"Right now, we see senior/subordinated as the biggest competitor," Mr. Wagner says.

Low Interest Rates Cause Lift

Indeed, 60% of the private mortgage securities issued in the first quarter of this year used the senior/subordinated structure, up from 48% in 1992, according to PMI.

Much of the increase, analysts say, stems from the low interest rates of the past two years. Yield-hungry investors have been drawn increasingly to the subordinated classes, making the deals attractive for issuers.

"The use of senior/subordinated has become more viable because of the development of a market for the subordinated debt," said Alex Zabik, an analyst with Fitch Investor Services.

Brisk Business

When demand for subordinated classes was weaker, issuers often were forced to hold the subordinated classes themselves, Mr. Zabik said.

So what's the prognosis for pool insurance?

Mr. Wagner of PMI maintains that the market will see pool insurance in a new light if investors begin to take significant hits on subordinated classes.

Raising Rates

In the meantime, PMI is still doing brisk business in pool insurance, as the refinancing boom lifts the overall mortgage market to record levels.

Certainly the company isn't resorting to cutting its credit standards. To the contrary, PMI has decided to tighten underwriting criteria in California and parts of Washington, responding to increased losses in those areas, Mr. Wagner said.

Effective Aug. 15, PMI will raise its rates on pool insurance for properties in California and two counties in Washington.

And nationwide, the company plans to stop writing insurance on pools containing mortgages greater than $650,000.

That will take effect Sept. 1. □

Norwest Joining Long & Foster in Venture

By CHRISTOPHER NOBLE

Norwest Mortgage Inc. and Long & Foster Realty are banding together in a venture to capture mortgage business generated by the real estate company.

The venture, called Prosperity Mortgage, is expected to handle mortgages for a significant portion of Long & Foster's customers, Norwest executives said.

Long & Foster, based in Fairfax, Va., is one of the largest independent real-estate brokerages in the country. With 190 offices, the firm handled total sales of $7.4 billion last year.

The deal, slated to close in 60 to 90 days, comes as mortgage lenders across the country are exploring new ways to get business from realty brokers.

Norwest Mortgage, the nation's third largest originator, views the venture as "another extension of our retail business," said Pete Wissinger, a senior vice president at the Norwest Corp. unit.

Norwest will get a captive source of mortgage loans.

The new company will be a restructured version of the Prosperity Mortgage currently operated by Long & Foster. The existing company, based in Fairfax, produced $250 million of loans last year.

Financial details on the venture were not disclosed, but Norwest and Long & Foster will reportedly be equal partners.

Source of Loans

The advantage to Norwest is a captive source of mortgage loans from a well-known and respected real estate firm. For Long & Foster, the arrangement provides access to Norwest's wide variety of loan products and competitive pricing to homebuyers at the time of sale.

Many Prosperity loan officers will have offices in Long & Foster buildings. In effect, homebuyers will be offered one-stop shopping for mortgages, Mr. Wissinger said. □

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TEL REV BDS
Series: ***1993*** — *Issue Amount:* ***9,000,000***
Sale Date: ***08/24/93*** — *Dated Date:* ***09/01/83***

Cusip	Coupon	Maturity	Redeemed Amount	Type	Date	Price
033267B53	10.250	09/01/99	$1,050,000	Prerefunded	09/01/93	102.00
033267JZ7	9.700	09/01/94	$260,000	Prerefunded	09/01/93	102.00
033267JK4	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
033267JL2	9.700	09/01/96	$315,000	Prerefunded	09/01/93	102.00
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Ruling on Bank Insurance Sales Seen Clearing Path for Annuities

By KAREN TALLEY

Annuities sales by national banks could get an unexpected boost in the wake of a recent federal court ruling.

The decision, handed down last month by the U.S. Court of Appeals for the District of Columbia Circuit, affirmed that national banks in towns of fewer than 5,000 people may market insurance nationwide.

The ruling has received wide attention, with observers saying it will open the door for banks to sell life insurance. But some experts say its immediate effect has been to provide a clear path for banks to sell annuities.

Immunity from State Bans Seen

The appellate ruling gives national banks some immunity from state prohibitions on using their employees to sell annuities, said Melanie Fein, a partner with the Washington law firm of Arnold & Porter.

Banks could set up insurance subsidiaries in towns with populations of less than 5,000 and use employees of those units to sell annuities throughout their branch systems, Ms. Fein said.

Kenneth Kehrer, president of a Princeton, N.J., consulting firm that tracks the annuities business, said he is aware of 17 states that prohibit bank employees from offering annuities.

Annuities are insurance contracts that invest in a pool of securities or mutual funds to provide a steady stream of income to investors.

Earnings Tax-Deferred

The earnings on annuity investments are tax-deferred until the funds are tapped. That has made annuities one of the most popular investment products for retirement planning.

Last year, $12.2 billion of fixed and variable annuities were sold through banks. This year, sales should top $15 billion, Mr. Kehrer said.

Having their own employees sell these products would enable banks to hold onto more fee income. Currently, many banks get around the state restrictions by contracting with nonbank marketing companies to sell annuities in bank offices. The tradeoff is that the banks have to share profits with their partners.

Foresees Challenges by States

A top executive of one such firm said he doesn't think many banks will sever their ties to marketing companies.



Melanie Fein
Sees immunity from state bans

"There will still be a need for people to provide access to the products and training for employees," said Michael McCoy, senior vice president at Holden Group, a California marketer of investment products.

"Some state insurance commissioners are bound to challenge banks, no matter what."

For years, banks have faced challenges in offering annuities and other insurance products, fighting wars with insurance agents who don't want to see their turf invaded.

'Solid Fallback Position'

But with the additional firepower of the appeals court ruling, banks could have more confidence about the go-ahead from the Office of the Comptroller of the Currency to set up small-town insurance subsidiaries, Ms. Fein said.

The ruling also would give national banks "a solid fallback position" if the Comptroller's office loses another court case, one specifically involving annuities, she added.

In this case, insurance industry groups are suing the Comptroller's office over its 1990 decision to allow annuity sales by NCNB National Bank of North Carolina, predecessor of NationsBank.

Tough on Banks
States with the most-restrictive insurance rules for banks



Source: Kenneth Kehrer Associates

DOSSIER by MICHAEL O'D. MOORE



HANS P. ZIEGLER
Stein Roe & Farnham

After years of catering to affluent clients at a commercial banks, Hans P. Ziegler is moving to one of the nation's oldest money management firms.

Mr. Ziegler was recently named president of Stein Roe & Farnham Investment Counsel, a unit of Stein Roe & Farnham that specializes in investment management for wealthy individuals.

Until joining the Chicago-based firm about two weeks ago, Mr. Ziegler was president and CEO of Pitcairn Financial Management Group in Jenkintown, Pa.

The company announced last year that its elite Pitcairn Trust subsidiary would begin shifting its book of business to First Fidelity Bancorp., Lawrenceville, N.J.

Why the move?
Mr. Ziegler will be in charge of building Stein Roe's high-net-worth business. Such accounts now make up $6.8 billion, or 23% of the $29 billion Stein Roe manages, and the company is aiming higher.

Career track:
Worked in private banking at Boston Co., Chase Manhattan Bank, and Manufacturers Hanover Trust Co.

Vital statistics:
Education: B.S. from Georgetown University, 1963; M.B.A from New York University, 1971
Age: 52
Family: Wife Ann and four children in their 20s
Home: Looking for a house in downtown Chicago
Hobbies: "I play a terrible round of golf, but under my son's tutelage I've improved significantly." Also reads biographies, and enjoys music and gardening
Current reading: Walter Isaacson's "Kissinger"

Liberty Financial Unit Better Known For Funds than for Investment Advice

By MICHAEL O'D. MOORE

Managing money for affluent customers is an important part of Stein Roe & Farnham's business, but the company is best known in banking circles for its mutual funds.

That's because the Chicago-based money-management firm is a unit of Liberty Financial Cos. of Boston, specialists in setting up investment-product sales programs for banks.

Stein Roe, founded in 1932, became a subsidiary of Liberty in 1986. It has nearly $29 billion in assets under management. The biggest chunk of Stein Roe's business is institutional investment management, which accounts for $16.7 billion of assets.

The company's investment-counseling business, which caters to affluent clients, is next in size, with $6.8 billion in assets under management. This is the segment overseen by Hans P. Ziegler (see dossier above).

Finally, the company manages 15 no-load SteinRoe mutual funds, with combined assets of $5.2 billion.

SteinRoe funds, mostly marketed directly, are sold through banks by Liberty. They are also marketed by Charles Schwab & Co. and Fidelity to specific groups of brokerage customers. Stein Roe has regional offices in Cleveland, Fort Lauderdale, Fla., Minneapolis, New York, Scottsdale, Ariz., and Puerto Rico. □

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INVESTMENT PRODUCTS

How S&P Will Weigh Funds Holding Unrated Municipals

By RUSSELL E. LONG
Standard & Poors Corp.
New York

A growing number of banks are managing mutual funds that invest in tax-exempt municipal bonds.

Standard & Poor's Corp. recently revised its guidelines for rating funds that invest in small-er issues. The following article was excerpted from S&P's CreditWeek.

Standard & Poor's Corp. has expanded its tax-exempt fund ratings to accommodate funds that invest in unrated municipal paper and municipal paper with a single rating other than from S&P.

Verbatim

The municipal sector differs from other sectors in that for some funds, particularly single-state funds, much of the debt issued is either unrated or rated by a single nationally recognized statistical rating organization (NRSRO).

In assigning ratings to tax-exempt money market and bond funds, S&P has considered analytical scope to factor in all such ratings assigned to individual securities. This policy change allows S&P to take a broad-based portfolio approach to analyzing all tax-exempt mutual funds.

Credit Research

In order to rate tax-exempt mutual funds that hold securities S&P has not rated, S&P must be able to assess the funds' credit evaluation methods.

Therefore, in conjunction with all ratings assigned to tax-exempt funds (both current and future), S&P will conduct a detailed review of each fund's credit analysis procedures. This will entail an in-person meeting with each fund's credit research staff to examine its analytical practices, policies, and methodologies.

Each fund's credit analysis procedures will be reviewed in detail.

The examination will cover security evaluation, market analysis, security selection, asset dispersion, diversification, pricing, ongoing monitoring of credits, sources of secondary credit information, response to distressed credit situations, resource dedication, and staff qualifications.

Included will be a review of credit files for specific securities in several sectors, to get a strong sense of the analytical process.

Where appropriate, S&P also will sample securities it has not rated to assess their credit quality using S&P's rating services and portfolio assessment service.

Discussion also will focus on the use of NRSRO ratings, any internal rating system used, and the process in which the fund's approved list of securities is presented to and reviewed by the fund's board of directors.

Additionally, secondary market factors – such as size of issues, liquidity, and marketability – will be examined.

Securities rated by nationally recognized organizations other than S&P are eligible investments in S&P-rated funds. Unrated securities also are eligible on a case-by-case basis.

S&P may discount ratings by other organizations based on where each security would likely be classified under S&P's rating scale.

In most cases, such a discount would involve no more than a one rating-category drop. But in some sectors, where S&P believes other organizations may depart significantly from S&P's rating standards, discounts may be more than one category.

Generally, S&P will deem such a security to be of lesser quality if:

- The security is within a sector or category of municipal securities where there tend to be material differences in the ratings assigned to like securities by the various nationally recognized organizations, or
- The security is within a sector or category of municipal securities in which the organizationrating the security has limited market presence.

S&P's rating guidelines state that for a money market fund to be rated AAAm, at least 75% of the securities held by the fund should be rated either SP-1 or A1-plus (S&P level 1). The remainder of the securities should be rated SP-1 or A1 (S&P level 2).

In considering other rating scales, S&P will make the following distinctions.

1. Securities not rated by S&P that have been assigned the highest short-term rating by another nationally recognized statistical rating organization typically will be considered S&P level 2, except as noted in items 2, 3 and 4 below.

2. Securities not rated by S&P that have been assigned the highest short-term rating by another nationally recognized organizations and have a long-term rating comparable to S&P's AA or better generally will be considered S&P level 1.

3. Securities not rated by S&P that have been assigned the highest short-term rating by another NRSRO by virtue of credit support from an entity rated A1-plus by S&P will be considered S&P level 1.

4. General-obligation debt not rated by S&P and issued by a municipality that has an SP1-plus short-term unsecured debt rating will be considered S&P level 1. □

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Equifax to Buy Integratec, a Debt Collector

By JEFFREY KUTLER

Equifax Inc., the consumer credit reporting company, has agreed to acquire Integratec Inc., which performs debt collection and other back-office functions for credit card issuers and other lenders.

Equifax announced the agreement in principle last week but gave no details about the price or other terms of the deal. The Atlanta-based company also did not allow senior executives to discuss the purchase.

But it is clear that Integratec, also based in Atlanta, would represent a sizable expansion, adding almost 1,000 employees to Equifax's 12,000.

Sophisticated 'Teleservicers'

Industry observers see Equifax and Integratec as a potent match.

Both companies have sophisticated "teleservicing" back offices that make and receive large volumes of phone calls. There are opportunities for synergy, for example, between Integratec's collections and telemarketing businesses and Equifax's Telecredit card-processing operation.

Equifax released a written statement that Integratec fits its strategy of providing "a total solution to [customers'] risk management needs by delivering more innovative information-based products and services."

Integratec, founded in 1987, was a trailblazer in the business of "prechargeoff collections." Integratec found that by contacting lapsed borrowers at an early stage of delinquency, many chargeoffs could be avoided. This was attractive to many credit card banks that had found the traditional collection process unwieldy and expensive.

Branching Out

The privately held company later entered the post-chargeoff recovery business by acquiring DCI, a major Houston-based collection agency, and a smaller operation in Buffalo that has grown to 165 employees, said Donald K. Griffin, president of Integratec.

"Eighteen months ago we started teleservicing, using our resources to help banks acquire customers, prevent attrition, activate cardholders' accounts, and cross-sell services," Mr. Griffin said.

He added that some bank clients buy the complete range of services, thus outsourcing much of their back-office work to Integratec.

In starting Integratec, Mr. Griffin had financial backing from the investment bank Welsh, Carson, Anderson & Stowe and two former partners– A. Wayne Johnson and Jack Gilbride.

Mr. Johnson, a former consultant and former executive of Visa U.S.A. and First Interstate Bancorp, founded a customer-service outsourcing company in 1991 called Qualitech. It was acquired last November by First Data Corp.

He had retained a small stake in Integratec and said he was elated by the acquisition news.

"This is confirmation that our ideas and approach to risk management had real merit," Mr. Johnson said.

"When most people think about Integratec it's about collections, but it's a much more interesting story than that," said James B. Shanahan of Business Dynamics, a White Plains, N.Y., consulting firm that has done some work for Integratec.

"For banks in the credit card business, the alternatives used to be either do everything yourself or be an agent" for another issuer, he said.

"Integratec created a middle ground, where a bank can keep the relationship and take advantage of economies of scale without the hassle of doing its own operational support."

Equifax, having diversified well beyond the credit bureau business, reported a 4% revenue increase last year, to $1.1 billion. Revenue for the second quarter – led by high-margin activities in credit services – was a record $298.5 million, while net income was $23.2 million. Each figure was up 8%.

Net income has been hobbled by losses at High Integrity Systems Inc., a subsidiary providing lottery services, which is in a breach-of-contract dispute with California. □

Diversified Equifax
1992 income data, in millions

	Revenue	Operating income (loss)
Credit information	$436	$123
Payment services	197	50
Insurance information	398	20
Business services	103	(8)

*Includes check authorization and credit card processing

Source: Equifax annual report

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Senate Vote Is Just First Hurdle for RTC Pick

By ROBYN MEREDITH

WASHINGTON — Deputy Treasury Secretary Roger Altman, who has temporarily assumed the thankless task of overseeing the savings and loan bailout, had a few words of warning for Stanley G. Tate, his likely successor as head of the Resolution Trust Corp.

Mr. Altman spoke recently of April 13, 1945, when Eleanor Roosevelt broke the news to Vice President Harry Truman that her husband , President Franklin Delano Roosevelt, had died. After a long pause, Mr. Truman finally asked, "Is there anything I can do for you?"

Mrs. Roosevelt replied, "Mr. President, the question is, is there anything we can do for you, for you are the one in trouble now."

Mr. Tate would take on the unforgiving job of selling off the assets of the nation's failed thrifts – and that's only if he succeeds in cajoling Congress into approving funding for the agency. Mr. Clinton nominated the Miami real estate developer for the RTC post on July 13, and the Senate has not yet scheduled confirmation hearings.

Claims Bipartisan Support

"I really feel strongly that I can bring a level of experience that really has not been there," Mr. Tate said. "The administration must have thought enough of my credentials, because I am a Republican," he said.

"They were looking for someone extremely qualified in banking and real estate, and particularly problem real estate."

Mr. Tate, 65, said his nomination has received bipartisan support, and he is confident that his background in the real estate industry will serve him well.

But Mr. Tate's nomination raises paradoxes seldom seen in Washington.

First, it is unusual that a Democratic president would nominate a man who, according to the Federal Election Commission, has given more than $55,000 to Republican candidates since 1991.

Switched to GOP in 1987

Mr. Tate said he used to be a Democrat, but switched parties in 1987 to support his friend Bob Martinez when he ran for governor of Florida.

And most members of the congressional black caucus have lined up in support of Mr. Tate, who is white. One Democrat in that group said the nomination has persuaded him to vote for RTC funding because he appreciates Mr. Tate's support of African-American causes in Miami.

Florida Rep. Alcee L. Hastings said he was considering voting against continued RTC funding before Mr. Tate was faced as a candidate for the job.

"Because he has received the nomination, I think I can live with it," Rep. Hastings said. "I intend to vote for the funding."

"If I had my druthers, would I prefer a black Democrat for the job? Damn right," the congressman said. But he has known of Mr. Tate's work for 15 years. "I know him as a public servant and a good one for African-Americans in southern Florida," Rep. Hastings said.

Since 1990, Mr. Tate has served as a member of the RTC's East Coast region advisory board, one of six regional boards that counsels the agency on the disposal of its real estate. For the past six months, Mr. Tate has served as the board's acting chairman.

'He's a Great Choice'

Peter H. Monroe, who until June was president of the Thrift Depositor Protection Oversight Board – which sets policy for the RTC – has known Mr. Tate for years and worked with him when he chaired the regional board.

"He's a great choice," Mr. Monroe said of the nomination. "He knows real estate as well or better than anyone I know – He's done bankruptcy and receivership. He understands liquidation."

The nominee owns Tate Enterprises, a Miami-based company that had gross revenue of about $40 million in 1992. Tate Enterprises is a holding company for Mr. Tate's construction, investments, and real estate development and management businesses as well as his consulting and receivership activities.

He also donates 50% of his time to public service, working for local charities, hospitals, and community projects – activities he says he would severely limit if confirmed.

Agrees with Bentsen Agenda

Mr. Tate said he would not discuss his plans for the RTC until his confirmation.

He would only say he agreed with Treasury Secretary Lloyd Bentsen's March 16 pledge to improve the agency's operations by strengthening internal controls and contractor oversight, expanding opportunities for women and minorities, and setting up a comprehensive business plan for selling the nation's largest cache of real estate.

He added that if he is confirmed his first priority will be to visit each RTC field office to introduce himself to employees.

"I think it is very important that they know who I am, that they have a comfort level," said Mr. Tate, a slim, 6-footer with thinning light brown hair who wears gold-rimmed glasses. "It is important for them to know me so they can be on my team."

"I have my own management style and it has been successful for me," said Mr. Tate. Several sources said he is likely to keep extremely long hours at the agency. "I am as hard a worker as any man who has been working for the RTC," he said. Mr. Tate said he never goes to bed before 2 a.m.

'Very Strong Ideas'

"I intend to bring some very strong ideas," Mr. Tate said. He wants RTC employees "to respect me and to like me, but I'm not looking for anyone to stroke me." Mr. Tate insists that he is a "people person," and that he will "have no problem with people so long as they do what they are supposed to do."

Mr. Tate admits to having a strong ego. "I think people who do not think highly of their own abilities are not successful," he said.

Mr. Tate owns three Florida office buildings, four shopping centers in the Southeast, two apartment buildings, a condominium development, a subdivision, and the Villa del Ray golf club in Delray Beach, Fla.

He manages six Florida properties, and has recently served as a court-appointed receiver for 50 Florida properties – including everything from a gas station to apartment buildings. He was even chosen by a court to review the accounts of the rap group 2 Live Crew.

Proud of Work with HUD

He manages several properties for the RTC and the Federal Deposit Insurance Corp., but said he plans to stop doing so should he be approved for the RTC job.

Mr. Tate said he is most proud of his work as chairman of the Dade County regional oversight board for the Department of Housing and Urban Development.

He helped turn around 12,500 HUD-owned apartments scattered across Dade county. "We put in day care, we put in police substations," Mr. Tate said. "We got rid of the drugs," he said, and made the apartments pleasant places to live again.

The nominee serves as chairman of the Florida Prepaid College Foundation, under which parents may buy a policy that will guarantee to pay the cost of tuition to any college in the state when their child grows up. There are 215,000 children currently enrolled, about 9,000 of them attending college.

It is the only outside activity he said he hopes to keep up if the Senate approves his appointment. Mr. Tate said he got involved with the program because, "I wanted to make an education both attainable and affordable."

He is a director of the Intercontinental Bank in Miami, and a former officer and director for several other Florida banks. He also serves as a director of several Florida charities, including the Miami City Ballet, the Miami Jewish Home and Hospital for the Aged, the Miami Heart Institute, and the Dade County unit of the American Cancer Society.

A Bank Director

He was a mayor of a small Miami suburb for four years, but he insists, "I am not a politician. The Mayor of Bay Harbor does not qualify me as a politician," Mr. Tate said.

Mr. Tate said that Joni, his wife of 44 years, told him the RTC job is his "last hurrah." The Tates have three children, all of whom are married, and six grandchildren with a seventh on the way.

It is a close-knit family. "I talk to my children every day."

Seeking Support on Hill

He has spent the last two weeks visiting Capitol Hill, seeking support for his nomination. He said he has many friends there. And election commission records show he made dozens of donations to the campaigns of Republican congressional candidates – from Alaska and Hawaii to Pennsylvania and Florida.

No date has yet been set for his Senate confirmation hearing, and it is not clear whether it will take place before Congress' fall recess. But Mr. Tate is eager to get started. What can people expect to see from him?

"I am a very strong person. I've been around a long time and I've been successful," said Mr. Tate. "I am what I am." □



Barbara Rios

LIQUIDATION ASSET: Stanley G. Tate thinks his experience in problem real estate gave him an edge over other candidates to head the RTC.

AMERICAN BANKER

Opinion

Comment

By Steven P. Williams

Risk Management in Banking: Rationality or Reregulation?

It is truly ironic. After absorbing the profound impact of the banking legislation of the 1989 and 1991, the industry has supposedly embraced a renewed emphasis on risk management.

Yet in the midst of this process, neither bankers nor lawmakers and regulators have mastered the concept of risk clearly enough to prevent future debacles.

As an industry, we have taken false comfort in the latest arsenal of risk management tools and have allowed political and regulatory forces to skew the rational relationship between risk and return.

A dramatic example of this can been seen in banks' being urged to abandon secured, cash-flow lending and bring back the old-fashioned "character loan."

It sounds great, but in reality, the "character loan" will end up

LAWMAKERS, *regulators, and bankers have not mastered the concept of risk clearly enough to prevent future debacles.*

being an excuse for bankers to ignore, underprice, and mismanage risk. Loan volumes would increase, business activity would heat up, and things would start to "feel good" again.

But before it's over, banks will have used insured deposits to take high, venture-capital risk for low, debtlike returns. With liberal bankruptcy laws, one questions how much "character" will be around to repay these loans. It could get ugly.

Closer Look at Risk

Does this mean we need to keep the board of restrictive regulations currently in place? Hardly. It means that the banking industry needs to increase its understanding of risk and that our government needs to increase its appreciation for capitalism.

Webster defines risk as the "possibility of loss or injury." Ironically, our industry has continued to address this broad and infinite concept with "cookie cutter" measurement and management techniques. This line of thinking reached its pinnacle with the passage of the Federal Corporation Improvement Act in late 1991.

While the banking industry has loudly protested the act and the regulatory community has been loathe to implement its provisions, we have, nonetheless, witnessed an unconscious acceptance of the act's rigid approach to risk management.

Unfortunately, many are beginning to equate risk management with regulatory compliance, and therein lies our industry's greatest threat.

Seeking 'Quick Fixes'

The irrational perceptions created by regulatory compliance can be seen everywhere. The FDIC improvement act purports that a bank's capital level is the sole indicator of its risk exposure.

Risk-based capital standards ignore interest rate risk and oversimplify credit risk to the point of absurdity (e.g., a well-structured commercial loan is 200% more risky than a poorly underwritten mortgage loan). The Federal Reserve recently had to offer a conditional surrender after attempting to create a standardized methodology for measuring interest rate risk.

The overall conclusion is simple: no regulation, contract, guideline, nor amount of oversight can address the infinite number and combinations of risk that a free-market economy will deliver.

As an industry, we need to stop searching for illusory "quick fixes" to operating volatility and instead become comfortable with the ongoing analysis, reflection, and debate which should accompany the proper management of risk.

Growing Complexity

Over the past few decades, the banking industry has become much more complex and, therefore, much more risky. Will this trend continue?

When one considers the explosion of derivative instruments, the rapid growth of secondary asset markets, the Federal Reserve's diminished influence on interest rates, and the increased volatility that businesses and consumers will face in a global economy, the answer is a resounding "Yes!"

How will the banking industry handle this profound change? Not with laws like the improvement act. Instead, the entire industry — its owners, managers, regulators, and lawmakers — will need to develop a deeper understanding of risk and capitalism. We will need to ready a set of core values and universal tools to manage risk in any situation.

Core Values

The core values which must be present in any risk management strategy are leadership, ethics, and debate.

WE HAVE TAKEN *false comfort in the latest arsenal of risk management tools and have allowed political and regulatory forces to skew the rational relationship between risk and return.*

Leadership is essential if risk management is to be viewed by the entire organization as a top priority and if the core values of ethics and debate are to be instilled.

Bank managers must view themselves as Socratic investigators, who do not blindly rely on the opinions of their line managers and staff specialists, but rather lead an ongoing investigation with the aid of these individuals.

Ethics is an obvious prerequisite for risk management to work. As bankers, we should constantly remind ourselves what is at stake when we manage risk. Risk management should be viewed as a "moral" obligation to the bank's stakeholders.

This obligation is not fulfilled by simply refraining from fraud or conflicts of interest. It is fulfilled by putting hard thought into each action and decision and by having the courage to speak out when this obligation is not being fulfilled by others.

Acceptance of Questioning

Debate must not only be allowed in a banking organization,

MANY ARE *beginning to equate risk management with regulatory compliance.*

it must be encouraged. In the past, banks have seen improper risk-taking when an egotistical leader or even an unchecked specialist began to feel immortal.

The main problem: neither the professional training nor the corporate cultures of most banks have adequately encouraged employees or board members to question the powerful executive or the exalted expert.

Board members and subordinates need not duplicate the role of senior managers, but a constant atmosphere of questioning and debate must be present for banks to build strong risk cultures.

The universal tools of risk management are the traditional tools of capitalism, beginning with strategic planning: a well-



thought-out, detailed, and written plan that identifies areas of weakness and disciplines management to develop the competencies, systems, and controls necessary to mitigate threats.

Transfer of Responsibility

An institution's primary risk is its inability to meet the cash obligations necessary to continue operations as a financial intermediary. Maintaining ample amounts of liquidity is certainly a deterrent to risk; however, excessive liquidity carries opportunity costs.

Therefore, banks must optimize liquidity by striking a balance among earnings, liquidity risk, and the "safety value" that the market assigns to the bank for maintaining this liquidity.

Banks must also continue to seek sources of contingent liquidity beyond cash and marketable securities. Conscious efforts to effectively underwrite, document, and maintain detailed information systems on the banks' loan portfolios will facilitate asset sales if the need arises.

Bank capitalization levels have declined dramatically since the implementation of deposit insurance. In effect, deposit insurance has been substituted for capital as a buffer against loss to depositors, and the ultimate responsibility for ensuring "safety and soundness" has been transferred from bank owners to the insurers/regulators.

Agency Theory is Critical

Contrary to the improvement act, the appropriate level of capital depends on the risk profile, management expertise, and market environment of each banking institution. However, one cannot overemphasize how strongly "at-risk" capital will affect the risk management practices of an organization.

The threat of losing money has always mobilized more character and action in people than the opportunity of riches; it is a quirk of human nature that should be recognized and incorporated into any risk management strategy.

Strong capitalization is a primary risk management tool; however, this equity will be useless if the goals and incentives of the bank's management and owners are not closely aligned.

Agency theory refers to the contractual relationships that exist between principals (owners) and agents (management). Several academic studies have proven that companies run by strong owner/managers have outperformed those run by pro-

See **RISK** *next page*

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Comment

By Steven P. Williams

Risk Management in Banking

Continued from *page 14*

fessional managers.

A keen appreciation for agency theory is critical in banking for two reasons: management has unlimited opportunities to subject the institution to devastating risk; and, the complexity of embedded risk within banking organizations allows management to downplay problems for some period of time — often until it is too late.

Optimally, bank managers should "act like owners" by actually being long-term shareholders with significant equity positions.

The Human Factor

In risk management, people make the difference. Although management will typically pay 20% more for an outstanding employee, a skilled credit officer may be 100% more valuable than a marginal credit officer.

A "skilled" risk manager should be defined as one who knows when, how, and why to take risk, not one who categorically avoids risk.

For all employees, ongoing training and education is key to

NO REGULATION, *contract, guideline, or oversight can address all the combinations of risk.*

creating a rational, inquisitive risk management culture. Banks need to develop more "teeth" in their training programs by placing greater emphasis on financial analysis, investment analysis, and credit analysis.

Great strides will be made over the next decade in the technological and analytical tools that support risk management.

Banks that correctly see the economic value of risk information and invest wisely in this intangible asset will make better business decisions, will be subject to less stringent oversight, and will see their stock price increase because of diminished "black box" fears from the market. To effectively utilize risk information, management must improve its capabilities to distinguish data from information.

Data is essentially the raw material for information. Many banks are currently wasting their efforts by generating mountains of computer printouts without analyzing their true information needs or developing adequate methodologies to apply this information to decisions.

Using Measurements

The old saying, "You cannot manage what you cannot measure" applies strongly to risk management. For risk information to be used properly, bank managers and board members must receive clear, concise reporting measurements that are closely aligned with the strategic objectives of the bank. Acceptance criteria should also be established for each critical measurement.

Risk measurements and acceptance criteria are important tools, but management and boards should not fall prey to "cookie cutter" decision-making. The results of most quantitative models are highly sensitive to a few input variables.

MANAGEMENT MUST *improve its capabilities to distinguish data from information.*

Before making decisions, management and boards should understand these sensitivities and either accept or modify the key assumptions that drive the model. When used properly, risk measurements will provide questions to begin discussions, not answers to complete decisions.

The Push to Securitize

Risk must be thought of as a commodity that can be packaged, bought, and sold. The insurance industry is living proof of this. As the banking industry becomes more disaggregated, bankers must continually search for opportunities to sell their risk. Securitization is the prime example.

Banks can earn income from the origination and servicing of these assets and unload the credit and interest-rate risk when the market price implies a higher economic return than that of holding the risk in portfolios.

To sell risk without destroying shareholder value, banks must become more adept at their ability to measure and price risk. □



Who says bankers don't get excited?

Editor's Note

In a commentary published Friday, Edward L. Morris contended that overzealous government lawyers were bringing unnecessary lawsuits against thrift officers and directors.

The commentary should have noted that Mr. Morris, the president of Fortune Group, a St. Louis investment banking firm, faces federal charges of mail and wire fraud in connection with the collapse of Germania Bank of Alton, Ill.

Mr. Morris has pleaded not guilty to the charges.

A federal trial is scheduled to begin later this year.

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Lien Sale 8/10/93 9:00AM 1900 Jerome Ave Bx 81 Mazda #JM1GB221170523048 Re: F. Diaz. Pub 7/29 & 8/3/93.

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The annual report of THE HENRICK AND ODOM OURIAN EDUCATIONAL FOUNDATION for the calendar year ended December 31, 1992 is available at its principal office located at c/o H. Nalbandian, 395 Riverside Drive, New York, NY 10025. (212) 662-4327 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Hag Nalbandian.

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Candidates must have successful experience in senior bank management, minority/disadvantaged community relations and community development (economic, not social service). Proven entrepreneurial, leadership and presentation skills are essential. We are seeking a CEO interested in a long term commitment to our bank and its community development effort.

If interested, please submit your complete resume to our search consultants: The Pringle Company, One S.W. Columbia, Suite 1050, Portland, OR 97258. *E. O. E.*

Project Managers sought for rapidly expanding PC/LAN based financial software firm. One position requires operations background in check processing-experience in check research and adjustments preferred. Familiarity with PCs and LANs and strong background in coordinating implementation of system projects from requirement analysis through testing and training required. Second position requires greater technical project management experience (including familiarity with host systems and LAN interfaces) with operations exposure a plus.

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D.McKenna DCA#860054 sells on 8-19-93 at 9:00AM at 1655 E. 233 St. Bronx, NY; '78 Ford Subn #E15HBAG5663 Re: G.Rosario; '84 Dodge Omni #1B3BJ74C-9ED237028 Re: K.A. Foster; at 10:00AM at 4131 Park Ave Bronx, NY; '87 GMC Van #1GDDM15Z6HB358188 Re: R. E. Morriere; at 10:30AM at 1509 Jerome Ave Bronx, NY; '90 Chev 2dsd #1G1LJ14-AXLY156931 Re: Exercise Inc. Co.; '84 Buick Auto #WAUGB0443EA048807 Re: P. Simms; '84 Nissan 300ZX #JN2TN18Z1-4S4E302732 Re: Victor Yamil Rivera; '81 Toyota Celica #JT2RA64C1C6040366 Re: L.M. Torres; at 10:45AM at 1504 Jerome Ave. Bronx, NY; '83 Cadi Sedn de/Vil #1G6CD6980E4317816 Re: J.A. Torres; at 12:00Noon at 408 W. 57 St. New York, NY; '70 Plym Roadrunner #RM23-N0A238627 Re: M. Flores; '81 Lincoln Town Car #1LNBP96F9BY628713 Re: M. Lunas; '79 Ford Mustang #9F02Y256962 Re: F. Mojer; at 1:00 PM at 2276 First Ave New York, NY; '84 Chrys 4dsd #1C3BT5-4G5EC332643 Re: F.K. Avila; at 2:00PM at 1416 Inwood Av Bronx, NY; '72 VW 2dsd #1125245091 Re: J. Argelander. '81 Audi 5000 #WAUGB0AC8BN005117 Re: M.A. Garcia; '85 Buick Riviera #1G4-EA6448N209117 Re: S. Phillips & ITT Consumer Financial Corp; Beneficial New York Inc.; The Chase Manhattan Bank NA PUBLISHED 8-3-93 & 8-10-93.

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BOARDROOM *changes*

Jill M. Considine Elected To Atlantic Mutual Posts

Jill M. Considine has been elected a trustee of **Atlantic Mutual Insurance Co.** and a director of **Centennial Insurance Co.** and **Atlantic Reinsurance Co.**, New York, units of the **Atlantic Mutual Cos.**

Ms. Considine is president of the New York Clearing House Association, which facilitates the clearing of checks and electronic wire transactions by New York banks.


Jill M. Considine

She formerly was managing director and chief administrative officer of American Express Bank Ltd., New York.

Ms. Considine, whose banking career spans more than 20 years, also has been New York state superintendent of banks, president and chief executive of First Women's Bank of New York, and a vice president at Bankers Trust Co. and Chase Manhattan Bank.

— Franklin Smith

NEW ENGLAND

Lawrence K. Fish, chairman and chief executive of **Citizens Financial Group**, Providence, R.I., has been elected to the board of directors of **John Hancock Financial Services.**

MIDWEST

NATIONAL CITY BANK, Northwest, Toledo, Ohio, has appointed three new directors.

They are **Paul A. Ormond**, chairman of the board, president, and chief executive of **Health Care and Retirement Corp.**, Toledo; **James H. Smythe**, a partner in a venture capital group that makes security company acquisitions in Ohio, Michigan, and Indiana, and **John C. Bates**, president and chief executive of Heidtman Steel Products Inc., Erie, Mich., and chairman of the board of Centaur Inc.

WEST ONE BANCORP, Boise, Idaho, said its West One Bank, Utah, affiliate has elected **C.A. Bailey** to serve on its board of directors.

Mr. Bailey has been president of Bailey Construction Co., a commercial and industrial construction company, for 33 years.

NEW ENGLAND

STAR BANC CORP., Cincinnati, said **Thomas J. Klinedinst Jr.** has been named to the bank holding company's board of directors.

Additionally, Mr. Klinedinst was appointed to the board of directors of Star Bank, the largest subsidiary of the corporation.

He is president of Thomas E. Wood Inc., a general insurance agency in Cincinnati.

MIDDLE ATLANTIC

Robert D. Hunter, executive vice president of **Chase Manhattan Bank**, New York, has been named to the board of trustees of Manhattan College, in the Riverdale section of the Bronx.

NATIONAL Cooperative Bank, Washington, has elected **Jeremiah J. Foley** to a two-year chairmanship of its board of directors. He is vice president of the **Cooperative Central Bank** in Boston.

Mr. Foley was first elected to the bank's board in 1988 and had been vice chairman since 1991. He is chairman of the executive committee and a former member of the finance, planning, and audit committees. He also is on the board of NCB Capital Corp. and NCB Investment Advisors Inc.

FRANKFORD CORP., Horsham, Pa., has elected **Robert W. Kloss a director** of the bank holding company and its principal subsidiary, Frankford Bank.


Robert W. Kloss

Mr. Kloss is president and chief executive officer of **Covenant Life Insurance Co.** He has been with the company since 1984.

GREAT VALLEY Savings Bank, Reading, Pa., has appointed **Thomas E. Beeman** and **Thomas M. McMahon** to the board of directors.


Thomas E. Beeman

Mr. Beeman is president and chief executive officer of St. Joseph Hospital, Reading.

Since he joined the hospital in 1990, he has increased the facility's financial position and standing in the community.


T. M. McMahon

Mr. McMahon is president of Reading-based Entech Engineering Inc., which he founded in 1980. The company provides engineering and design services for municipal, institutional, and industrial clients in the eastern United States.

CITIZENS BANCORP, Laurel, Md., said **Susan O'Malley**, president of the Washington Builders Association, Washington, and **Freeman A. Hrabowski 3d**, president of the University of Maryland Baltimore County, have been appointed directors of the bank holding company.

SOUTHEAST

FORT BROOKE BANK, Tampa, Fla., has appointed **H. Rex Etheridge** to the bank's board of directors. He is executive director of Brandon Hospital.

BANK CALL NOTICE

CONSOLIDATED REPORT OF CONDITION

GOTHAM BANK OF NEW YORK

of New York

Pursuant to instructions and regulations of a member of the Federal Reserve System, at the close of business on June 30, 1993, a report of condition in accordance with a call made by the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and noninterest balances	
Currency and coin	$ 2,495
Depository institutions	52
Securities	30,754
Federal funds sold	2,000
Loans and lease financing receivables:	
Loans and leases, net of unearned income	45,582
LESS: allowance for loan and lease losses	1,139
Loans and leases, net of unearned income and allowance	44,454
Premises and fixed assets	1,000
Other assets	1,098
TOTAL ASSETS	$ 82,775
LIABILITIES	
Deposits:	
In Domestic Office	$ 67,802
Noninterest-bearing 17,530	
Interest-bearing 50,272	
Other liabilities	$ 10,005
TOTAL LIABILITIES	$ 77,807
EQUITY CAPITAL	
Common stock	$ 3,042
Surplus	2,000
Undivided profits and capital reserves	3,102
TOTAL EQUITY CAPITAL	$ 10,754
TOTAL LIABILITIES AND EQUITY CAPITAL	$ 88,119

I, Rosemarie Kaufmann, Cashier, of the above-named Bank do hereby declare that this Report of Condition is true to the best of my knowledge and belief. Corrections issued by the Board of Governors of the Federal Reserve System and the State Banking Authority and is true to the best of my knowledge and belief.

ROSEMARIE KAUFMANN

We, the undersigned directors, attest the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and the State Banking Authority and is true and correct.

LAURENCE I. MACKINNON, JR.
MICHAEL SCHUBERT
HARRY BRANDSTEIN

Directors

Brazil and Lead Creditors Agree To Reduction in Debt Collateral

Reuters

NEW YORK — Brazil and a steering committee of its commercial creditor banks have agreed to reduce the amount of collateral needed to underpin a huge debt accord signed last year.

A statement issued by the bank advisory committee, which is headed by Citicorp, said that the collateral requirement has been reduced to $2.8 billion from $3.2 billion and that all of Brazil's creditors had been advised of the change.

According to the statement, Brazilian Finance Minister Fernando Henrique Cardoso said the cut was being made because the stock of debt to be treated is less than originally estimated.

Banking sources said the restructuring, initially estimated to cover $40 billion of debt, actually covers $35 billion, according to Brazilian calculations.

Because of the change in the amount of collateral, creditor banks now have the right to reallocate by Sept. 9 the bond options they have chosen under the financing plan, the statement said.

However, they must still keep their choices within the government's guidelines of no more than 40% par bonds, and no less than 35% discount bonds.

Analysts of the Latin American debt market expected Brazil to seek a reduction in the amount of collateral.

Some speculated, however, that this was because Brazil appears to be having problems reaching a stand-by agreement with the International Monetary Fund.

Mr. Cardoso has said in Brazil that the government may be unable to clinch an IMF accord in time for the November closing of its agreement with private creditor banks and he asked for special consideration from the monetary fund.

A large part of the $7.8 billion in collateral is supposed to be funded by the IMF and other multilateral lending agencies.

Onbancorp's Merger with Franklin Advances

SYRACUSE, N.Y. — Onbancorp and Franklin First Financial Corp. reported that the Federal Reserve Bank of New York has approved their applications to merge.

The merger had been approved by the shareholders of both companies at special meetings held on May 25, 1993.

The closing of the acquisition is still contingent on approval by the New York State and Pennsylvania Banking Departments and certain conditions in the merger agreement.

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Member NASD, SIA, SIPC

Santa Monica CEO Retiring

SANTA MONICA, Calif. — Santa Monica Bank said that Joe Walling will retire as chief executive, effective Sept. 30.

Walling, a 42-year veteran of the bank, will retain the office of chairman, which he has held since 1988.

No successor has been named.

— Reuters

FINANCE

MARKETS

Long Bond Falls, Shorter Notes Up

The yield on the 30-year Treasury bond ended lower on Monday, while yields of shorter-maturity issues rose.

Market participants said technical factors were behind the long bond's slight fall.

The 30-year bond yield was 6.55% late Monday afternoon, down from 6.56% on Friday.

The 10-year note yield was 5.84%, up from 5.80% Friday, and the five-year note yield was 5.21%, up from 5.14% Friday.

The dollar was lower on Monday afternoon from its Friday levels. It had hit a postwar low against the Japanese yen of 104.14 before rising slightly.

Traders said the yen's strength made Japan look as a safe haven from continuing tensions in the European monetary system.

The dollar also fell to 1.70 German marks on Monday afternoon, from 1.7415 marks late Friday.

The Dow Jones industrial average rose 21.52 points, to close at 3560.99.

Stocks were buoyed by expectations of lower European interest rates.

— David Siegel

BANK AND THRIFT STOCKS

Highlights for Monday, August 2

Top 10 Gainers %

First United Corporation	12.9
Boulevard Bancorp, Inc.	7.5
Iowa National Bankshares Corp	4.0
First Merchants Corp	3.7
TrustCo Bank Corp NY	3.7
1st Source Corporation	3.6
Old Kent Financial Corporation	3.5
First Financial Bancorp	3.1
River Forest Bancorp	2.7
National Penn Bancshares, Inc.	2.7

Top 10 Losers %

City Holding Company	-6.3
National City Bancorporation	-6.0
FNB Corporation	-5.2
Jefferson Bankshares, Inc.	-4.5
Grenada Sunburst System Corp.	-4.0
AMCORE Financial, Inc.	-4.0
CBT Corporation	-4.0
Western Bank	-4.0
Peoples First Corporation	-3.8
First Commercial Corporation	-3.8

Most Shares Traded

Constellation Bancorp	3725900
Citicorp	1676200
ConnStates Financial Corp	960500
Chase Manhattan Corporation	788000
Bank of New York Company	748700

Volume as % of Average

Constellation Bancorp	1594.4
United Missouri Bancshares Inc	903.4
First Amarillo Bancorporation	889.6
NBT Bancorp	846.8
Community First Bankshares	844.1

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.61	-0.19	1.44	0.03	0.64	0.46	0.52	0.46	5.82

Top 225 Banks

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cb.	Chg.	Chg. in 4wks
26¾	19½	1stSourceCorp(ID	11.8	180.0	24¾	⅛
37¼	31¼	1stUnionCp(GA)	13.2	1,107.0	36¼	¼
17¾	8½	AlliedBnkrs GA	15.8	264.2	16¾	-¼
20¾	15¾	AmSouthBancp(AL	12.4	1,187.0	19¾	-¼
38½	30	AssociatedBanc WI	12.8	185.2	37½	⅛
35¾	27¾	BOKFinancial OK	12.1	452.8	34	⅛
27¾	12	BOKFinancial OK	12.1	243.9	26	⅛
31	21¼	BT FinCorp PA	11.4	146.4	30¾	-¼
11¾	6	BaltimoreBncp MD	13.3	111.9	10¾	⅛
31¾	24¾	BancFlorida Sav	9.3	121.7	28¾	⅛
42¼	30¾	BancOne Corp OH	14.8	723.0	54¼	⅛
52½	45¾	BancTennessee TN	13.5	145.3	49¾	⅛
40¾	27¾	BancoSantander PR	13.5	145.3	37¼	⅛
54¾	41	BankAmerica CA	10.7	1,276.5	51¾	⅛
30¾	26	BankGranite NC	17.5	216.5	29¼	⅛
30¾	24¾	BankNorthGp IL	12.7	1,276.5	29¾	⅛
30¾	24¾	BankSouthCorp FL	12.7	1,276.5	29¾	⅛
39¾	30¾	BankTrustCorp MS	25.3	99.5	38¾	-¼
38½	33¾	BankersTrustNY	10.2	1,276.5	38¼	⅛
61¾	39¾	BarnettNY NY	11.0	136.5	55¼	⅛
61¾	39¾	BarnettBanksFL	11.0	136.5	55¼	⅛
52¾	28¾	BayBanksMA	12.9	135.3	47¾	⅛
64¾	49¾	BeneficialNJ	10.2	1,276.5	61¾	⅛
21¼	13¾	BeverlyEnterprises	28.5	167.3	21½	1½
35¾	29¾	BkAmerica IL	10.8	1,276.5	35¾	⅛
35¾	30¼	BkOf Boston Cp	11.7	141.9	33	-⅛
34¾	23¾	BkOf Hawaii HI	11.8	147.3	30¾	⅛
34¾	23¾	CNB BancshsresIN	16.8	198.1	33¾	-¼
29¾	22¾	CPB Inc IL	8.5	123.4	25¾	-¼
13¾	7½	CNB FinCorp CA	9.1	153.2	12½	⅛
24¾	19¾	CalFed Bancp CA	10.2	1,276.5	23¾	⅛
24¾	13½	CathayBancorp CA	10.2	135.3	13¾	-¼
24¾	13½	CenFed Fin CA	10.2	135.3	13¾	-¼
24¾	13½	CenterBancorp NJ	9.1	171.5	23¾	⅛
24¾	13½	CentralAmerFd TX	15.1	157.0	22¾	⅛
24¾	13½	CentralBancorp CA	10.2	135.3	13¾	-¼
37¾	25	ChaseManhattan NY	8.6	97.8	32¾	⅛
37¾	25	ChaseManhattan NY	8.6	1,018.0	41	⅛
47¾	33¾	ChemicalFinCp NJ	14.2	179.8	47¾	⅛
47¾	33¾	ChemicalNY Corp	14.2	1,018.0	47¾	⅛
33¾	14¼	Citicorp NY	12.1	139.8	33¾	⅛
33¾	28¾	CitizensBancorp MD	14.1	127.9	24¾	⅛
33¾	28¾	CitizensBanking MI	13.1	142.5	24¾	⅛
7¾	2¾	CityNational CA	16.1	137.6	4¾	⅛
30	17¾	CityVestingCp WI	14.8	173.1	26	-1¼
11¾	4¾	CoastFdCorp FL	4.7	88.3	5¾	⅛
23¾	17¾	ColumbiaNatCp AL	9.1	130.3	23¾	⅛
23¾	17¾	ColumbiaNatCp GA	9.1	130.3	23¾	⅛
26¾	13¾	CommercialBcs NY	11.5	156.1	18¾	-⅛
26¾	13¾	CommercialBcs NY	11.5	156.1	18¾	-⅛
26¾	13¾	CommercialFd NY	14.8	218.0	45¼	⅛
26¾	13¾	CommercialFd PA	14.8	218.0	45¼	⅛
15¾	3¾	ConsolidationNJ	7.8	147.3	13¾	⅛
15¾	3¾	ConsolidationNJ	NM	189.3	13¾	⅛
6¾	4¾	CoreStatesFinCp	4.7	88.3	5¾	⅛
60¾	47¾	CoreStatesFinCp PA	11.1	1,180.5	55¾	-¼
60¾	47¾	CoreStatesFinCp PA	11.1	137.6	47¾	⅛
40¾	21	CulleenFrost TX	11.3	180.8	39¼	⅛
27¾	20¾	DauphinDeposit PA	12.3	165.5	25¾	⅛
35¾	25¾	DepositGuaranty MS	10.3	151.4	30¾	⅛
17¼	12¾	F & M Natl Cp VA	11.4	148.8	15	⅛
22	17¼	FAMBancorp MO	10.4	145.0	21¾	⅛
18¾	9¾	FBS Bkg Cp FL	10.4	145.0	18¾	⅛
29	24	FarmersCapital KY	15.2	130.5	28	-¼
24¾	20¾	FidelityBncp PA	10.3	151.4	24¾	⅛
40¾	31¾	FinancialInstNY	13.8	118.1	32¾	⅛
40¾	31¾	FinancialInstNY	13.8	118.1	32¾	⅛
38¾	27¾	FirstAmBncpTN	12.0	181.7	32¾	⅛
26¼	10¾	FirstAmBncpTN	7.6	206.8	25¼	-¼
26¼	10¾	FirstAmBncpTN	7.6	206.8	25¼	-¼
50¾	39¾	FirstBancorp OH	11.3	180.0	46¾	⅛
50¾	39¾	FirstBancorp OH	11.3	180.0	46¾	⅛
46¾	29¾	FirstChicagoNB	120.7	126.5	45¾	-¼
46¾	29¾	FirstChicagoNB	NM	126.5	45¾	-¼
18¾	14¾	FirstCmtrlFL	15.4	125.3	18¾	⅛
18¾	14¾	FirstCmtrlFL	15.4	194.0	18¾	⅛
75	43¾	FirstCommerce NO	10.9	182.3	75	⅛
75	43¾	FirstCommerce NO	10.9	182.3	75	⅛
31¾	25¾	FirstCommFn PA	12.4	159.9	30¾	⅛
31¾	25¾	FirstCommFn PA	12.4	159.9	30¾	⅛
157⅛	128	FirstEmpire NY	10.9	140.3	157	⅛
157⅛	128	FirstEmpire NY	11.5	161.4	157⅛	⅛
31¾	25¾	FirstFinancial IN	11.7	153.3	31¾	⅛
67¾	47¾	FirstFinancial WI	17.7	258.2	67¾	⅛
11¾	7¾	FirstFinancialCp	11.7	153.3	56	⅛
65¾	36¾	FirstHawaiian HI	10.9	140.3	57	⅛
65¾	36¾	FirstHawaiian HI	8.9	180.0	63¾	⅛
25	16	FirstHorizon TN	17.0	182.6	25	⅛
25	16	FirstHorizon TN	17.0	182.6	25	⅛
24	17	FirstIndianaCp IN	13.5	158.0	24	⅛
30¾	21¾	FirstSecurityCp KY	15.7	152.9	29¾	⅛
30¾	21¾	FirstSecurityCp NY	15.7	152.9	29¾	⅛
51¼	35¾	FirstUnionCorp NC	13.4	171.9	48¾	-⅛
51¼	35¾	FirstUnionCorp NC	13.4	171.9	48¾	-⅛
24	17	FirstUnionNC	14.6	203.9	24	⅛
24	17	FirstUnionNC	14.6	203.9	24	⅛
38¾	30	FirstVirginia VA	10.8	167.7	38¾	⅛
38¾	30	FirstVirginia VA	10.8	167.7	38¾	⅛
39	34	FirstbancorpPR	11.5	146.9	39	⅛
39¾	34¾	FirstbancorpPR	11.5	146.9	39¾	⅛
31¾	28¾	FirstfedFinCp CA	11.3	156.9	30¾	⅛
34¾	22¾	FortWayneBcpIN	13.4	172.8	40¾	⅛
34¾	22¾	FortWayneBcpIN	13.4	172.8	40¾	⅛
28	20¾	FranklinCpDe PA	10.5	151.5	28¾	⅛
31¾	28¾	FranklinFinCp TN	11.8	145.3	29	⅛
31¾	23¾	FultonFinancial PA	12.3	189.1	29¾	⅛
31¾	23¾	FultonFinancial PA	12.3	172.6	29¾	⅛
17¾	13¾	GBC Bancorp CA	8.2	135.9	16¾	-¼
30¾	24¾	GeorgiaBancorp GA	10.8	161.1	28¾	⅛
24¾	18¾	GreenvilleBkgCo MS	9.1	146.9	24¾	-¼
24¾	18¾	GreenvilleBkgCo MS	9.1	185.5	24¾	-¼
19¾	13¾	HawleyBancorp IN	11.5	154.2	17¾	⅛
19¾	13¾	HawleyBancorp IN	11.5	154.2	17¾	⅛
24¾	18¾	HiberniaCorp LA	10.6	1,276.5	24¾	⅛
24¾	18¾	HiberniaCorp LA	10.6	1,276.5	24¾	⅛
27¾	20¾	HuntingtonBcshs	11.2	1,276.5	27¾	⅛
27¾	20¾	HuntingtonBcshs	11.8	63.5	10	⅛
27¾	20¾	HuntingtonBcshs	11.2	1,276.5	27¾	⅛
27¾	20¾	HuntingtonBcshs	11.8	63.5	10	⅛
27¾	20¾	HuntingtonBcshs	11.2	1,276.5	27¾	⅛
27¾	20¾	HuntingtonBcshs	11.8	63.5	10	⅛
47	38	InvestBnkHolds NY	10.7	122.2	45¼	-⅛
47	38	InvestBnkHolds NY	10.7	2002.2	45¼	-⅛
58¾	40¾	J.P. Morgan NY	10.2	185.7	72¾	-⅛
58¾	40¾	J.P. Morgan NY	10.2	185.7	72¾	-⅛
30¾	24¾	KeyCorp NY	11.1	190.8	30¾	⅛
30¾	24¾	KeyCorp NY	11.1	190.8	30¾	⅛
24¾	19¾	LakeShore IL	13.9	187.0	22¾	-¼
24¾	19¾	LakeShore IL	8.8	146.3	22¾	-¼
28¾	20¾	LibertyBancorp OK	14.8	169.8	28¾	⅛
28¾	20¾	LibertyBancorp OK	14.8	169.8	28¾	⅛
18¾	12¾	MBC Financial CA	10.3	135.4	16¾	-¼
18¾	12¾	MBC Financial CA	10.3	135.4	16¾	-¼
30¾	17¾	MacFrugalBcsNY	11.5	114.8	18¾	⅛
30¾	17¾	MacFrugalBcsNY	13.4	192.2	18¾	⅛
25¾	20¾	MarshallMidNy WI	13.4	192.2	25¾	⅛
25¾	20¾	MarshallMidNy WI	13.4	1,662.4	25¾	⅛
62	44¾	MarshallmerNy IN	12.0	167.4	49¾	⅛
62	44¾	MarshallmerNy IN	12.0	167.4	49¾	⅛
35¾	24¾	MarshallmerNy IN	11.7	196.2	32¾	⅛

Top 225 Thrifts

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cb.	Chg.	Chg. in 4wks
64¼	42¼	MichiganNatCorp MI	NM	119.2	59¾	⅛
19¾	14¼	MidAmericaIN	13.8	135.1	19¼	⅛
25¾	18	MidlinInc.OH	12.4	176.3	25¼	⅛
24¾	13¾	MidwestCorpIN	13.3	133.4	24¾	⅛
30¾	26¾	MountaineerWV	12.8	188.7	30¼	⅛
30¾	27¾	NBD Bancorp MI	14.0	173.2	33¾	⅛
21¾	15¾	NBSC Corp SC	13.4	137.0	18¾	⅛
17¾	13¾	NBTBancorp NY	14.4	126.8	16¾	-⅛
25	21	NationalCityCp OH	11.3	187.8	25¼	⅛
39¾	19¾	NationalPenn PA	19.6	127.6	38	⅛
17¾	12¾	NationsBncs NC	9.5	152.4	16¾	-¼
55⅛	44¼	NationCorpMD AK	12.6	151.6	52¼	-1¼
55⅛	44¼	NationCorpMD AK	12.6	151.6	52¼	-1¼
17¾	14¾	NorthSideFin IL	11.4	144.6	16¾	⅛
28¼	17¾	NorwestCorp MN	16.2	255.6	26¾	-¼
28¼	17¾	NorwestCorp MN	16.2	255.6	26¾	-¼
31¼	18	OneBancorp OH	NM	156.0	27¾	⅛
31¼	18	OneBancorp OH	NM	156.0	27¾	⅛
50¼	29¼	OshkoshBancorp WI	18.5	219.8	35¾	⅛
50¼	29¼	OshkoshBancorp WI	11.1	156.4	35¾	⅛
32¼	21¾	OverlandSaveMO	13.3	165.5	29¾	⅛
32¼	21¾	PNC Bk Corp PA	8.0	152.1	29¾	⅛
69¾	39¾	PacificMercCo CA	34.4	114.1	69¼	⅛
69¾	39¾	PacificMercCo CA	34.4	114.1	69¼	⅛
31¾	24¾	PeoplesBkMT CT	13.5	158.0	28¾	-⅛
31¾	24¾	PeoplesBkMT CT	13.0	186.4	34¾	⅛
31¾	24¾	PeoplesFinCp MS	13.0	186.4	34¾	⅛
18¾	9¾	PremierBancorp LA	4.3	144.4	15¾	⅛
18¾	9¾	PremierBancorp LA	4.3	144.4	15¾	⅛
30¾	17¾	ProvidentBkcsOH	11.2	159.9	28	-⅛
30¾	17¾	ProvidentBkcsOH	18.0	78.8	15¾	⅛
13½	7¾	RepublicBancorp MI	7.6	153.9	12½	⅛
13½	7¾	RepublicBancorp MI	11.0	148.0	12½	⅛
11¾	6¾	RiggsNatlCorp DC	NM	86.4	6¾	⅛
11¾	6¾	RiggsNatlCorp DC	11.9	227.1	10¾	⅛
35¼	24	SBTBancorp PA	12.4	188.8	34¼	⅛
35¼	24	SBTBancorp PA	11.8	151.2	34¼	⅛
14¾	10¾	SecurityCapital IN	14.7	139.9	13¼	-⅛
14¾	10¾	SecurityCapital IN	14.7	139.9	13¼	-⅛
37¾	32¾	SigmaFinancial NY	11.5	176.4	37¾	⅛
37¾	32¾	SigmaFinancial NY	11.5	176.4	37¾	⅛
22¾	15¾	SouthTrustCorp AL	11.1	158.9	19¾	⅛
22¾	15¾	SouthTrustCorp AL	11.1	158.9	19¾	⅛
37	25¾	SouthwestNatCp OK	10.7	134.7	32	⅛
37	25¾	SouthwestNatCp OK	10.7	123.7	30¾	⅛
40	29¾	StateStBcsCorp MI	15.7	255.1	34¾	⅛
40	29¾	StateStBcsCorp MI	15.7	255.1	34¾	⅛
31	21	SuntrustBanks GA	7.4	79.2	30	⅛
31	21	SuntrustBanks GA	10.6	188.7	29¼	⅛
49¾	37¾	SunTrustBanks GA	13.5	203.1	45¼	⅛
49¾	37¾	SunTrustBanks GA	13.5	203.1	45¼	⅛
20¼	14¾	SynovusFinCorp GA	17.5	268.8	17¼	-¼
20¼	14¾	SynovusFinCorp GA	12.2	268.8	17¼	-¼
23¾	22¾	TCF Financial MN	13.0	1,276.5	23¾	⅛
23¾	22¾	TCF Financial MN	15.5	236.8	42¼	⅛
30¾	24¾	TheBancorp DE	11.6	145.3	26	⅛
30¾	23¾	TrustmarkCorp MS	10.2	148.3	47¼	⅛
30¾	23¾	TrustmarkCorp MS	10.2	148.3	47¼	⅛
58¾	45¼	U.S.TrustCorp NY	14.2	264.8	55	⅛
58¾	45¼	U.S.TrustCorp NY	14.2	148.8	55	⅛
20¼	20¼	USBANCORP PA	8.2	103.3	24¾	⅛
20¼	20¼	USBANCORP PA	NM	91.9	24¾	⅛
39¾	27¾	UnionBancCa	9.6	89.6	27¼	-⅛
39¾	27¾	UnionPlanters TN	10.5	148.8	37¾	⅛
25¾	19	UnitedBankcsMI	14.0	189.6	23¾	-¼

Stock Standouts

Largest price and volume changes at banks and thrifts during the week ended July 30

LARGEST PRICE GAINERS*	% Increase	7/23/93	7/30/93
First Eastern Corp.	44.509%	$17¾	$25
Pacific Western Bancshares	13.559	7¾	8¾
Baltimore Bancorp.	13.158	9¼	10½
Boulevard Bancorp., Inc.	11.111	18	20
GBC Bancorp.	10.000	15	16½
LARGEST PRICE LOSERS*	% decrease	7/23/93	7/30/93
TrustCompany Bancorp.	6.349%	$15¾	$14¾
Coast Savings Financial Inc.	4.688	19¾	18¾
Southern National Corp.	4.465	22¾	21¾
Norwest Corp.	4.110	27¾	26¾
Society Corp.	3.676	34	32¾
LARGEST CHANGES IN VOLUME†	Increase	Average	Last week
First Eastern Corp.	12,267	271,775	5,333,700
Boulevard Bancorp., Inc.	5,318	13,300	71,000
United Missouri Bancshares Inc.	5,024	29,180	146,900
First Financial Bancorp	3,980	11,140	44,400
Pacific Western Bancshares	2,667	11,500	321,100

Table described: From the 225

STOCKS

Overhaul Compromise Lifts Sallie Mae Shares

By GORDON MATTHEWS

Shares of the Student Loan Marketing Association jumped in active trading Monday as investors apparently decided that final plans by the government to restructure the college loan program were not as bad as expected.

Sallie Mae stock was up $1.625 to $49.125 at the close, with heavy volume of more than 2 million shares.

Help was provided by a rating increase to "buy" from "hold" from Eric Hemel of Morgan Stanley & Co., with a $56 target for the stock in 12 months.



Based on the congressional compromise, Mr. Hemel raised his 1994 earnings estimate to $5.40 from $4.40 and raised his five-year growth rate estimate to 10% from zero.

Banks Opposed Clinton Plan

But Sallie Mae's price is still nearly 30% below the 52-week high of $75.875 it reached before Bill Clinton's election as president.

Congressional negotiators last Friday reached a compromise to shift up to 60% of government-backed college loans to direct lending within five years.

President Clinton wanted a complete move into direct lending, but that was fiercely opposed by banks, which now originate most student loans.

Sallie Mae makes a secondary market in the loans, buying them from banks and then issuing securities with the loans as collateral.

'More Positive' than Speculated

"The proposal, as it stands, is more positive than the speculation a few weeks ago about what might be coming down the pike," said Thomas O'Donnell, an analyst at Prudential Securities Inc.

Sallie Mae shares bottomed out on June 23 at $40 -- 47.3% below their high on Sept. 14 -- as worries peaked on Wall Street about the final shape of the government direct lending plan.

Mr. O'Donnell on Monday raised his 1994 earnings estimate for Sallie Mae to $5.40 from $4.45 per share, reflecting the compromise on fees to be paid by the government-sponsored enterprise. His estimate for this year remains at $4.85.

Expresses Caution

But the analyst is extremely cautious about the stock, rating it a "hold" and recommending it only for speculative investors.

"Next year looks like the earnings peak. Beyond that, things are very cloudy, with the ultimate impact of direct lending unknown," he said.

Gary Gordon, an analyst at PaineWebber Inc., has a similar "hold" rating with a "negative bias" on the stock because of what he term a "serious cut" in revenue prospects.

Under the plan, direct student lending by the government would cover 5% of college loans for the 1994-95 academic year, jump to 40% in 1995-96, climb to 50% in each of the two succeeding years and then peak at 60% in 1998-99.

Fee of 0.30% Required

The Clinton administration believes direct lending will be cheaper than paying interest rate subsidies to banks. Critics assert the government and colleges involved will not be able to manage the program.

Under the compromise struck by Senate and House negotiators, Sallie Mae would have to pay an annual fee of 0.30% on new loans it purchases. The fee will cost the company an estimated $540 million.

While the House version imposed no fee, the compromise proposal is better from Sallie Mae's perspective than the Senate version, which levied the fee on the company's entire $46 billion loan portfolio.

"The fee is prospective as opposed to being retroactive," pointed out Mr. O'Donnell.

MONDAY'S MARKET

The major bank stocks were mixed, despite gains in the stock market overall on Monday.

In late trading, BankAmerica Corp. was off 50 cents to $44, J.P. Morgan & Co. was off 25 cents to $72.50, and Wells Fargo & Co. was down $1.625 to $114.

Among gainers, Citicorp was up 37.5 cents to $33.50, Bank of New York was up 62.5 cents to $55.125, and Wachovia Corp. was up 37.5 cents to $35.50.

Old Kent Financial Corp., up $7.5 cents to $33.50, had the biggest improvement of the day among banks. Other winners were Marshall & Ilsley Corp., which rose 50 cents to $23.25, and Shawmut National Corp., up 37.5 cents to $24.375. □

CAPITAL

Regulators to Propose Updated Rules That Reflect Market-Value Accounting

By BARBARA A. REHM

WASHINGTON — Federal regulators this week will propose changing capital and reporting requirements to bring industry rules in line with new market value accounting standards.

The banking and thrift agencies are expected to recommend that institutions add or subtract from tier one capital any unrealized gains or losses in the portion of their securities portfolio that are classified as "available for sale."

Tier 1 is one-half of risk-based capital, the tool regulators use to measure a bank's credit and offbalance sheet risk. Tier 1 is considered the tougher of the two risk-based components because it is comprised of various forms of equity capital.

Each Agency to Review Plan

The Federal Reserve Board on Wednesday is scheduled to be the first of the four federal agencies to consider the plan. The Comptroller of the Currency, the Federal Deposit Insurance Corp., and the Office of Thrift Supervision are expected to take up the issue later this month.

While no formal action yet has been taken, regulators working on the plan said the staffs at all the agencies are concurring on the changes to tier one capital. Still, the heads of the agencies may have different ideas and alter the proposal.

Once all the agencies have introduced the proposal, it will be published in the Federal Register. Comments will be accepted from interested parties for a month.

Rule Due by Yearend

The regulators must have a final rule in place by yearend because that's when the accounting rules take effect.

The Financial Accounting Standards Board set the stage for the changes when it voted in May to require banks to mark certain assets to market.

The accounting changes, called FAS 115, require banks to report at market value securities that are not in a trading account and will not be held to maturity. The changes do not affect income, but do impact capital.

Banking regulators would rather not be making these changes. They generally oppose

The Fed will be the first of four agencies to consider the plan.

market-to-market accounting on the grounds it injects too much volatility into bank capital calculations.

Limited Choice

But, they don't have much choice because, by law, bank capital standards must be at least as stringent as Generally Accepted Accounting Principles, which are dictated by the accounting standards board.

Larger banks may be affected the most because smaller banks hold more of their securities to maturity.

"Banks will likely shorten the maturities of their securities portfolio," one official writing the new regulations said.

The upside: banks will be more liquid and less susceptible to fluctuations in interest rates, one official writing the new regulations said. The downside: shorter-term securities produce less earnings.

Taking the Gain

Another regulator said that if a bank has sizeable unrealized gains, it may cash out and take the gain to avoid the risk of a market turnaround that could force a hit to capital.

Swings in capital are more important to bankers than ever because regulations adopted last year require regulators to come down hard on banks when their tier one risk-based capital falls below 4%.

These Prompt Corrective Action rules allow regulators to control everything from dividend payouts to asset growth, depending on how low capital goes. When capital drops to 2%, the regulators may seize the institution.

In addition to changing capital rules, regulators are expected to change the quarterly call report so banks can disclose changes in the value of their securities available for sale. □

July 15, 1993

MID AM, INC.
Bowling Green, Ohio

has acquired

COLONIAL FEDERAL SAVINGS BANK
Bellefontaine, Ohio

Kaplan Associates served as financial advisor to Colonial Federal Savings Bank

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Chemical to Redeem $173 Million of Debt

NEW YORK — Chemical Banking Corp. said it will redeem four issues of long-term debt totaling $173 million on Sept. 1.

The company said it will redeem $56 million of 8.25% debentures due 2002, at 101.54% of principal; $53.6 million of 8.125% sinking fund debentures due Aug. 15, 2007, at 102.7%; $38.5 million of 8.125% sinking fund debentures due March 1, 2004, at 101.77%; and $24.9 million of 8.4% debentures due April 15, 1999, at 110.42%.

Chemical said it will pay accrued interest, if any, in addition to the redemption price.

AMERICAN BANKER
VOL. CLVIII NO. 148 Wednesday, August 4, 1993 158th year

Budget Provision Threatens Credit Of Weak Banks

By BARBARA A. REHM

Nestled in the massive budget reconciliation that lawmakers are hammering out this week is a provision that could cut off credit to weak banks.

The national depositor preference measure would put insured and uninsured depositors, along with the Federal Deposit Insurance Corp., ahead of all nondeposit creditors when a bank fails.

Banks with less-than-solid capital levels would find it hardor to float debt, borrow federal funds from other banks, lease computers, or rent space.

Right now, insured depositors get paid back first. Then the FDIC and uninsured depositors share equally what's left with the other creditors.

"This will be an additional disadvantage to weak banks," Rep. Peter Hoagland (D-Neb.), president of the Texas Bankers Association.

Thicket of Regulation

Congress has been piling regulations on troubled banks for years. The 1991 banking law spawned regulations that:

- Take away weak banks' ability to buy brokered deposits.
- Limit discount-window borrowings from the Federal Reserve.
- Require the weakest banks to pay the most for deposit insurance.
- Impose increasingly severe sanctions against banks as their capital falls. Once capital falls to 2% of equity, regulators are required to seize banks.

Even banks experiencing temporary problems could be hurt by the new law, according to James Sexton, a partner with Bracewell & Patterson, a law firm in Austin, Tex.

'In Last Place'

"Say you're a fed funds supplier and you see that a bank lost a fair amount of money last quarter. You are going to be gone and that bank is going to be dealing with the Fed," Mr. Sexton said.

"The fed funds suppliers are going to know they are in last place if anything happens to that bank."

Karen Shaw, president of the Institute for Strategy Development, predicted that some banks could be shut out of the derivatives market because no one will want to be on the other side of the transaction. "By putting creditors of banks at a greater

See **DEPOSITOR** *page* **21**

INSIDE NEWS

WASHINGTON

TWO FEDERAL banking agencies are squabbling over whose budget may have to absorb the cost if either has to shut down the nation's fifth-largest thrift, California's Glendale Federal Bank. *Page 2*

REGIONAL BANKING

SHAWMUT NATIONAL Corp. has significantly cut its deposit rates, but its customers are staying put. *Page 4*

COMMUNITY BANKING

RECORD HIGH WATER along the Missouri and Kansas rivers has forced the evacuation of over 20 commercial banks, federal regulators said. *Page 6*

MORTGAGES

AMERICAN RESIDENTIAL Mortgage Corp., La Jolla, Calif., is said to have emerged as the winning bidder for Prime Mortgage Co. of Fort Worth, Tex. *Page 8*

INVESTMENT PRODUCTS

PNC BANK CORP. is testing a wrap-fee account that would make sophisticated money-management services available to customers with as little as $5,000 to invest. *Page 13*

CREDIT DEBIT ATMs

IN CHINA, bank card use is growing exclusively as capitalism makes headway, Visa International said. *Page 17*

TECHNOLOGY

EFT ILLINOIS Inc. and Access 24, two second-tier automated teller machine networks, have agreed to merge -- an effort to improve their chances of surviving a consolidation of the electronic funds transfer industry. *Page 3*

FINANCE

SIGNET BANKING CORP. didn't tippingit its hand, but an analyst said a spinoff of its fast-growing credit-card operation is increasingly likely. *Back page*

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Nabanco to Process Visa, MasterCard Sales for Sears

By JEFFREY KUTLER

Nabanco confirmed this week that it won the bidding to process all MasterCard and Visa sales at Sears stores.

Sears, Roebuck and Co. began taking the bank cards, along with American Express cards, on Sunday. Except for a recent market test, the Sears Merchandise Group had accepted only the proprietary SearsCharge card and the Discover card.

Nabanco, a unit of First Financial Management Corp. of Atlanta, is providing the authorization, processing, and settlement services for bank card transactions at more than 1,800 Sears stores and affiliated units.

'Demonstrated Leadership'

"Signing a contract of this magnitude with one of the nation's oldest and largest retailers clearly demonstrates the leadership position that Nabanco has established in the industry," said Patrick H. Thomas, chairman, president, and chief executive office of First Financial Management.

Nabanco, formally National Bancard Corp., is the largest merchant credit card processor in the United States. According to *The Nilson Report*, an Oxnard, Calif.-based newsletter, Nabanco handled $35.8 billion in card sales last year.

Nabanco, which is based in Fort Lauderdale, Fla., says it processes one out of every six Visa and MasterCard transactions, and should increase that share with the Sears business.

Nabanco's closest rivals are National City Processing Co., a unit of National City Corp. of Cleveland, and Card Establishment Services Inc., a recent spinoff of Citicorp.

Word Began to Spread

National City Processing participated in the six-city, 140-store test that preceded Sears' decision to accept bank cards

See **NABANCO** *page* **17**

Sears and Cards, At a Glance

Number of stores	800 full-service stores and 1,000 affiliated outlets
Cards accepted	MasterCard, Visa, American Express, Discover, SearsCharge
Sears annual sales	$32 billion
Bank card potential	15% of sales*
First Financial Management Corp.'s roles	•MasterCard and Visa processing by Nabanco •Merchant bank services by First Financial Bank •Signature-capture system by Microbilt

*Estimate by MasterCard International

NationsBank Shelf Filing Of $4 Billion Is a Record

By DAVID SIEGEL

Fast-growing NationsBank Corp. on Tuesday filed for regulatory approval to issue up to $4 billion in debt and equity, the largest shelf registration ever by a commercial bank.

Combined with $1 billion left from a previous shelf filing, the North Carolina bank company can now issue up to $5 billion in securities.

NationsBank is expected to tap the capital markets to finance its recent buying spree.

Four Deals

In the past year, NationsBank has struck deals to acquire MNC Financial Inc., a Baltimore bank company with $16 billion of assets; Chrysler First, a consumer finance company with $4 billion of assets; Chicago Research and Trading, an options firm, and the $2.3 billion-asset financial services subsidiary of U.S. West Inc.

"They are buying a lot of assets which have to be funded," said Joseph Labriola, a bond analyst with Kidder Peabody & Co.

A shelf registration, which is filed with the Securities and Exchange Commission, permits a

See **CAPITAL** *page* **22**

BankAmerica Shifting Strategy on Mutual Funds



BANKAMERICA'S John O. Myers and Debra McGinty-Poteet want retail sales to make up 30% of the company's fund business.

AFTER BUILDING a giant mutual funds business through institutional investors, the bank is now turning its sights to consumers.

See story on page 12

GRAPEVINE / *Edited by Karen Gullo*

Merger Muckers

A small but vocal group of investors in Peoples Westchester Savings Bank wants to upset the bank's pending merger with First Fidelity Bancorp.

At a shareholder meeting next month, the disgruntled group – which holds 1% of Peoples' stock – plans to distribute a proxy asking shareholders to turn down the deal.

It argues that Peoples sold out too cheaply and adds that neither bank adequately disclosed potential problems with the purchase formula.

The original agreement called for Peoples' shareholders to receive $43.90 a share, or $233 million, in cash and First Fidelity stock, with an escalator provision if First Fidelity's shares rose above an average of $50.50 during the 10 days preceding the sale.

But First Fidelity's shares tumbled 10% within a week of the deal's announcement. The two banks quickly amended the buyout formula so that shareholders would get less than $43.90 if the price of the stock averaged below $50.50 in the pre-closing period. The stock is currently trading at $47.125.

A First Fidelity spokesman declined to comment. Peoples chairman William F. Olson did not return phone calls.

— **Karen Gullo**

* * *

Chase Bites Bullet

For years, Chase Manhattan Corp. declared it would sell its Arizona bank for the "right price." Recently, it disclosed that it had written down the value of the $600 million-asset unit, signaling that today's right price is lower than yesterday's.

Arizona banking sources say the move means a sale is likely. For years, the New York company had insisted it must recover its entire investment, including the acquisition premium it paid when it entered the Grand Canyon State in 1986.

It repeatedly spurned lower offers, including one for roughly $50 million, or book value minus goodwill. The sources say Norwest Corp.'s buyout of Citicorp's Arizona unit earlier this year brought several potential bidders for Chase Arizona out of the woodwork.

Once it was effectively in play, Chase bit the bullet by reducing the carrying value of the bank to prices closer to what bidders were offering. A Chase spokesman confirmed the company has entertained offers, but declined to identify any bidders.

— **Sam Zuckerman**

* * *

Chicago Story

The recent departure of First Colonial Bancshares' chief financial officer had tongues wagging in the Windy City.

Steve Daniels last week hopped from First Colonial to crosstown competitor Lake Shore Bancorp.

His departure had Colonial insiders speculating that he was troubled by some recent community reinvestment problems.


C. Paul Johnson

The Federal Reserve, citing Community Reinvestment Act grounds, in May rejected applications from the $1.5 billion-asset company to acquire two banks.

Rumors also recurred that C. Paul Johnson, the bank's chief executive and No. 1 stockholder, was selling the company he founded to Banc One Corp.

The real reason? "It has nothing to do with the company," said Mr. Johnson. "We had some personality differences. The chemistry just wasn't right."

— **Robert Cox**

* * *

CEO Sightings

SunTrust Banks Inc. is considering getting into a new line of business – helping small banks and thrifts drive up their stock price. Well, sort of. . . .

The story inside the Atlanta-based company is that chairman James B. Williams several months back attended a board meeting of Sonat, the Birmingham, Ala., natural gas utility on which he serves as a director.

The headquarters of Amsouth Bancorp. is in the same building as the utility, so Mr. Williams decided to visit his old friend John Woods, Amsouth's chairman.

When Mr. Williams was sighted at Amsouth's door, word quickly circulated about a potential merger. Amsouth's stock popped, before SunTrust quietly quelled the talk about the recurring rumor.

Now it's become a joke at SunTrust that it can boost other banks' stock prices and earn some fee income at the same time by leasing out top executives to make a visit.

— **Jed Horowitz**

FDIC and the OTS Square Off On Handling of Glendale Federal

By ROBYN MEREDITH

WASHINGTON — Two federal banking agencies are squabbling over whose budget may have to absorb the cost if either has to shut down the nation's fifth-largest savings and loan, California's Glendale Federal Bank.

According to sources, the interagency debate was summarized in blunt terms in a confidential letter sent last month from the Federal Deposit Insurance Corp., which regulates banks and oversees the S&L insurance fund, to the Office of Thrift Supervision, which regulates thrifts.

The thrift agency has given Glendale Federal, which has $18 billion in assets, until Aug. 31 to finish its ongoing deal to raise $375 million to $425 million by restructuring the company and completing a rights offering.

The memo, according to sources, was mailed to OTS on July 9 but not received until July 26.

Concerns Said Addressed

Glenfed chairman Stephen Trafton said he had no direct knowledge of the memo but said that it was probably part of the process in which the pros and cons of the thrift's capital restoration plan were discussed by the banking agencies.


Stephen Trafton
Calls it normal give and take

The FDIC's purported concern was taken care of in the approved plan, he said, because it requires Glendale to have 4% core capital and 9% risk-based capital by the ends of August, well in advance of the Sept. 30 sunset date for the Resolution Trust Corp. to add failed thrifts to its case load.

Sources claim that Glendale had its debt and equity investors on board its capital plan until last week when Calfed, which was recapitalized in the spring, queried a $45 million loan, sending its shares to $9 or 45% of book. Glenfed was trying to sell shares at 60% to 65% of book.

Glenfed reportedly renegotiated the deal with equity and bond holders and supposedly is close to an agreement.

Mr. Trafton refused to comment on the offering.

Pointed Questions from FDIC

In the July letter, the FDIC's regional supervisory director for San Francisco, George J. Maas, demanded to know what the thrift office's plans were for money-losing Glendale and repeatedly mentioned the sunset date for the Resolution Trust Corp., which is now responsible for disposing of failed thrifts, said a person who had seen the document. Federal officials privately confirmed the letter's contents.

The FDIC letter focused on whether there were indications of interest from investors in the company's ongoing rights offering and preferred stock offering justified keeping Glendale open. The FDIC letter also refers to an earlier memo from Marianne Wright, the assistant director of the thrift agency's San Francisco office, to her bosses.

In the memo, Ms. Wright expressed general concerns about whether the deal would go through, and specifically raised questions about how strong the expressions of interest from shareholders had been and

See **FDIC** *page* **21**

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EFT Illinois to Merge with Access 24

By MATT BARTHEL

In an effort to improve their chances of surviving the consolidation of the electronic funds transfer industry, two second-tier automated teller machine networks have agreed to merge.

EFT Illinois Inc., based in Rockford, Ill., and Access 24, operated by Computer Services Inc. in Valparaiso, Ind., agreed last week to combine their ATMs into a single, not-for-profit network.

"The two organizations can achieve better economies of scale by merging," said Mark Horwedel, executive director of EFT Illinois. "There is also the feeling that [larger networks] might target this area of the country for new members, and our two organizations feel the bigger we are, the better off we are."

According to *The Nilson Report*, a newsletter based in Oxnard, Calif., EFT Illinois is the nation's 26th-largest ATM network and Access 24 is ranked 51st.

Expansion Planned

The still-unnamed network will operate primarily in Indiana and Illinois, but Computer Services will also offer network membership into nearby states such as Ohio, Michigan, West Virginia, and Kentucky.

Penetration into other states will be a highly competitive undertaking. One of the most influential networks in the country – Delaware-based Money Station Inc., which operates under the MAC logo – has already targeted the Midwest region for its own membership drive.

In addition, 15 of the region's largest financial institutions are in the process of forming a venture similar to EPS that could further intensify competition in the area.

But the EFT Illinois-Access 24 tandem may well be able to attract new members from the large pool of small banks in the Midwest, experts said.

The reason for this is that, unlike the giant networks vying for dominance in the region, the new network will allow all members, not just equity owners, to have a say in the strategic direction of the network.

This is a function of the new network's not-for-profit structure.

In addition, EFT Illinois' Mr. Horwedel believes the widespread acceptance of the national point of sale programs – Visa's Interlink and MasterCard's Maestro – are only a few years away.

"I don't think it's going to take nearly as long for [national point of sale] to come along as it did for Cirrus and Plus on the ATM side," he said.

Links to National POS

This runs counter to the opinions of many electronic banking experts who feel that regional POS marks will dominate many areas of the eastern United States, including Chicago and New York, for at least the next decade.

EFT Illinois already has gateway links to the national POS programs, as well as to Visa and MasterCard's national ATM networks, Plus and Cirrus.

The combination of EFT Illinois and Access 24 will result in a network of about 1,000 ATMs that generate about 28 million interchange transactions, according to *The Nilson Report*.

Interchange transactions are those that result from a bank customer using an ATM that is not owned by the financial institution that issued the customer's ATM card.

The merger is expected to begin in November. □

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NEWS *briefs*

GE Division to Buy Shearson Mortgage Unit

STAMFORD, Conn. — General Electric Capital Mortgage Services Inc. said Tuesday that it will buy Shearson Lehman Hutton Mortgage Corp. for $70 million.

The long-rumored deal adds Shearson's $17.5 billion servicing portfolio to the huge $42 billion portfolio controlled by GE Capital. The company will jump from ninth place to fifth among all servicers in the country when the deal closes. Edward D. Stewart, executive vice president of GE Capital, said: "This transaction represents an important expansion of our servicing operations."

Citi's Reed Starts Brazilian Debt Talks

BRASILIA — Citicorp Chairman John Reed met Tuesday with the president of Brazil in the first of a series of meetings that are expected to include discussions on the restructuring of Brazil's commercial debt.

Mr. Reed, whose trip was described by Brazilian authorities as a "courtesy visit with some substance," gave President Itamar Franco an "optimistic balance of how things are going" on the debt talks.

Citicorp is Brazil's largest foreign creditor. Over the weekend, Brazil asked for a waiver to cut from $3.2 billion to $2.8 billion the amount of collateral it would put up to guarantee the restructuring of its debt under the Brady plan. A local newspaper reported Tuesday that the 19-member debt steering committee, headed by Citicorp, agreed to the waiver request.

$8 Million Infusion for 1st National of Calif.

SAN DIEGO — First National Corp. said it and its wholly owned subsidiary, First National Bank, will receive a capital infusion of $8 million from a private investor group.

Additionally, the company announced a loss of $1.3 million, or 37 cents per share, for the second quarter, compared with a loss of $19.9 million, or $5.58 per share, for the same quarter in 1992.

The California company said Monday it signed a definitive agreement to issue new shares of common stock to investors led by John W. Adams and Jeffrey A. Smith. When the shares are issued, the investors will own 96% of the bank's issued and outstanding common stock, while the bank's interest will drop to 4%.

Although most of the members of the investor group have yet to be identified, the lead investors have conditioned their purchase on the participation of Malin Burnham and Robert D. Richley, the chairman and chief executive officer of both the company and the bank, respectively.

First National Corp. said that even with the recapitalization, it will remain in default on $7 million of debt to Bank of America.

NationsBank Wins Fed Nod to Buy MNC

WASHINGTON — The Federal Reserve Board approved NationsBank Corp.'s application to merge with MNC Financial Inc. of Baltimore.

The Fed move will permit Charlotte, N.C.-based Nations-Bank to acquire MNC Financial's banking and nonbanking subsidiaries.

Upon completion of the proposed merger, NationsBank would remain the fourth-largest commercial banking organization in the United States, with consolidated assets of $134.6 billion and total domestic deposits of $94.4 billion, the Fed said.

The briefs were compiled from staff and wire reports.

Shawmut's Customers Stay Put Despite Drop in Deposit Rates

By YVETTED. KANTROW

Shawmut National Corp. has significantly dropped its deposit rates – and its customers don't seem to mind.

In March, New England's third-largest banking company began reducing rates on its savings products by 30, 40, and 50 basis points, said Eileen S. Kraus, vice chairman in charge of retail banking and marketing. Shawmut's competitors did not follow its lead, she observed, nor did its customers flee.

"I have never seen a phenomenon like this," Ms. Kraus said.

NEWS ANALYSIS

Shawmut reaped the rewards of its plan in the second quarter, when it reported net interest income of $236.4 million. That was 10% higher than the $215.5 million reported for the first quarter.

Simple in Hindsight

The company traced part of the increase — which helped Shawmut book a second-quarter profit of $56.3 million – to "an improvement in the net interest margin generated by the lower rates paid on interest-bearing liabilities."

It sounds easy in hindsight. But Shawmut did not lightly make the decision to lower rates ahead of its competitors in the



Eileen S. Kraus
Prepared for possibilities

Boston and Hartford, Conn. markets.

"We were fully prepared for a whole range of actions," Ms. Kraus said. "We thought through what the competition would do and what the runoff of depositors would be. We were prepared with counteractions."

To Shawmut's delight, however, most of its competitors also dropped their deposit rates – but only by 5 to 10 basis points.

'A Unique Experience'

"It was clearly different from any other historical experience we've had," Ms. Kraus said.

Shawmut's Massachusetts banks recently were offering one-year certificates of deposit with an annual percentage yield of 2.43%. By comparison, one-year CDs at Boston's BayBanks Inc. were yielding 2.94%.

Shawmut's gamble was well-timed, some observers said, in today's low-rate environment.

"Any bank with a strong franchise can take the calculated risk of proceeding ahead of the market," said Edward Furash, head of Furash & Co., a bank consultancy in Washington. When rates are low, he explained, few consumers consider it worthwhile to move their funds.

Strategy Has a Time Limit

The risk, however, is that rival banks will raise their deposit rates significantly if loan demand rises. "You become vulnerable to competitors who can pull funds out of you very fast," Mr. Furash said.

Ms. Kraus acknowledged that Shawmut's strategy "is not something you can continue for a year."

But in an interview after Shawmut's second-quarter earnings were released, chairman Joel B. Alvord said he was confident the bank will sustain robust interest income going forward.

"We will maintain a reasonable margin not because of dropping deposit rates but from growing loan activity," he said. "And we are restructuring our balance sheet so we have higher levels of interest-earning assets." □

Fleet Names 2 in Consumer Bank Shuffle

By YVETTED. KANTROW

Fleet Financial Group announced Tuesday a reorganization of its consumer bank, tapping two executive vice presidents to manage all the company's branches in the Northeast.

David M. DeFazio, the 53-year-old consumer banking chief at Fleet Bank of New York in Albany, will be responsible for all branches in Maine, New Hampshire, and New York.

His counterpart, with responsibility for Fleet branches in Connecticut, Massachusetts, and Rhode Island, will be Dennis M. Murphy, a 45-year-old executive most recently in charge of community banking at Fleet Bank of Massachusetts.

Overseeing Customer Service

As regional managers, Mr. DeFazio and Mr. Murphy will oversee customer service, product sales, and the branch network. They will report to Michael R. Zucchini, vice chairman in charge of consumer banking for New England's largest bank company.

Until recently, consumer banking and other lines of business were overseen by the presidents of Fleet's seven bank subsidiaries, which operate in six Northeastern states. But under a March reorganization, power was centralized in the hands of three new vice chairmen in the Rhode Island headquarters of Fleet, which has at least $48 billion of assets. □

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EXECUTIVE *changes*

SunTrust's Florida Unit Names Wendell Colson as Chairman

Wendell H. Colson, president of **SunBanks Inc.**, has assumed the additional post of chairman of the Florida-wide bank holding company.



Wendell H. Colson

SunBanks is a part of **SunTrust Banks Inc.**, a superregional bank holding company based in Atlanta.

Theodore J. Hoepner, president of **SunBank**, lead bank in the SunBanks system, assumed the additional duties of chairman of SunBank.



T.J. Hoepner

Mr. Hoepner and Mr. Colson succeeded **Buell G. Duncan Jr.**, who retired from the chairman posts on Aug. 1.

Mr. Colson, 62, has been president of SunBanks since 1989. He began his banking career in 1952 as SunBank's first management trainee. The 18-bank holding company operates more than 375 offices.

Mr. Hoepner, 52, has been president and chief executive officer of SunBank since 1990. He joined the SunBank system in 1968 with a predecessor bank and has been chairman and CEO of the Jacksonville and Miami affiliate banks.

— **Franklin Smith**

NEW ENGLAND

STATE STREET BANK and Trust Co., Boston, has promoted **Sharon Doherty Clancy** and **Catherine E. White** to the rank of senior trust officer in the personal trust division of the commercial banking services area.

The bank also announced the hiring of six vice presidents: **James W. Burton, Melissa C. Marzelli, David Miller, Robert L. Pierre, John Serbant,** and **Robert Schnibbe Jr.**

Mr. Burton is in the benefit plan services division of the global financial asset services area. Ms. Marzelli is in the international trade banking division in Sydney, Australia, of the commercial banking services area.

Mr. Miller is with State Street Global Advisers-U.K.

Mr. Pierre is in the custody services division of the securities operations area, Mr. Serbant in State Street Global Advisers, and Mr. Schnibbe in the processing engineering division of the securities operations area.

State Street also announced the hiring of four assistant vice presidents: **Joseph G. McDonagh, Timothy J. Murphy, Vernon Turner,** and **Dawn Zanotti.**

Mr. McDonagh works in in global financial asset support services and Mr. Murphy in the corporate services division of the securities services area. Mr. Turner is in the global data center services division of the operations area and Ms. Zanotti in the corporate services division of the securities services area.

MIDWEST

MERCANTILE Bank of St. Louis has named **Dennis O. Battles** as senior vice president and manager of large corporate accounts and specialized services, including corporate lending, cash management services, and trade finance.

Mr. Battles, 46, spent the last 11 years at National Westminster Bancorp in corporate lending. Most recently, he focused on northern New Jersey.

Mercantile Bank of St. Louis is the lead bank of $10.1 billion-asset **Mercantile Bancorp.**

ARN AMRO BANK, Chicago, said **Benjamin L. Rose** has joined as managing director of its project advisory group.

The new group will focus on developers of independent power plants, particularly those fueled by gas or coal.

Mr. Rose was formerly executive vice president of Hambro Resource Development Inc., which he co-founded. Hambro provided financial advice as well as investment and merchant banking services in the independent power and environmental management industries.

BANK ONE Indianapolis, an affiliate of **Banc One Corp.**, Columbus, Ohio, has elected **Carl J. Lile** as vice president and Community Reinvestment Act officer.

He will be responsible for the development and implementation of the bank's CRA program, assuring compliance with regulations and Banc One Corp. policies and directives.

MIDDLE ATLANTIC

PNC BANK CORP., Philadelphia, said **Douglas E. Klinger** has been named a managing director of **PNC Investment Management and Research.**



Douglas E. Klinger

He is responsible for managing institutional product research and development, marketing strategy, and wholesale and retail distribution strategies for the institutional markets.

He was vice president and director of corporate markets management for PNC Institutional Management Corp., PNC Bank Corp.'s mutual fund business in Wilmington, Del.

There he managed institutional money-market and fixed-income product research and development, sales, and marketing, as well as proprietary mutual fund consulting.

SOUTHEAST

BARNETT BANK of South **Florida**, Miami, an affiliate of Jacksonville-based **Barnett Banks Inc.**, has promoted **Ricardo Lajas** to vice president/corporate banking. □

Bankers are Bullish on Mutual Funds



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A U.S.-Funds Portfolio Tailored for Small Banks

By PHILZAHODIAKIN

Compliance

WHEN MONTGOMERY ASSET Management of San Francisco unveiled its Short Duration Government Bond Fund, Deborah Hicks Midanek, director of mutual funds, was surprised by the interest among smaller banks.

The fund was for individual investors, and the firm didn't think it met Federal Financial Institutions Examination Council guidelines because it invested in corporates, Ms. Midanek said.

But the bankers, searching for a way to increase short-term investment yields with safety and liquidity, saw a fit. And they also were intrigued by features that would help keep their banks in step with new financial accounting standards.

So, Ms. Midanek and her husband, James, who is chief investment officer of Montgomery Fixed Income Group, designed the Short Duration Government Portfolio for Financial Institutions.

Small banks often rely on just one officer for compliance or investment. But "the days when community bankers ran their investments out of their vest pockets are long gone," said Ed Furash, president of Furash & Co., in Washington.



Deborah H. Midanek

Among the investment headaches for small banks is FAS 107, a financial accounting rule that will require banks to report in their financial statements estimates of fair value for their assets and liabilities and FAS 115, which will require them to estimate the effect of interest rate swings on earnings and equity.

The portfolio will provide daily valuations and detail the various securities, along with their interest rate sensitivity, in the fund.

The side of government funds is being pushed not only by financial accounting regulations, but by the increasingly difficult problem of small institutions trying to hedge their rate risks, and the rapid development of derivatives, Mr. Furash said.

One of the derivative vehicles in which many small banks have invested is the Collateralized Mortgage Obligation, which "are ostensibly agency securities, but they are very complex instruments and frequently not what they appear to be," said John J. Lyons, a senior principal at Lyons, Zombak, Ostrowski, New York.

"Small banks are buying CMOs because their spreads are really in a box, but in many cases, they are dangerous. The banks need to be clear of regulatory criticism for investing in them, so they really need a professional manager to screen them."

Such CMOs as Montgomery might buy for the portfolio will be in a pool of cash and highly rated debt securities representing 35% of the fund's value; the remaining 65% will be represented by obligations either issued or guaranteed by the U.S. government.

Currently, the portfolio's yield is 120 basis points ahead of that for the two-year Treasury note, or 5.23%. The minimum investment is $1 million, and subsequent investments must be at least $50,000.

Swollen Missouri, Kansas Rivers Forced Evacuations at 20 Banks

By JIM McTAGUE

Record high water last week along the Missouri and Kansas Rivers forced the evacuation of over 20 commercial banks, according to federal regulators in the area.

Most of the banks were small institutions, said Roger Denesia, Federal Deposit Insurance Corp.'s deputy regional director for its Kansas City, Mo., office.

In contrast, only three or four banks were forced to relocate because of the flooding Mississippi River.

'Most Banks Won't Be Hurt'

James Leese, who heads the FDIC's regional office in Kansas City, said it is likely to take months to assess the impact of the flood on the banks and their borrowers. "My feeling is that most banks won't be hurt that bad," he said.

David Herndon, president and CEO of First State Bank in Kansas City, Mo., rented a tractor trailer last week, and he and his 23 employees loaded it up with records and equipment last Monday when the National Guard advised them to evacuate as water neared the top of a le-

It may take months to assess the impact on the banks and their borrowers.

vee. His bank is three blocks from the Kansas River and six blocks from the Missouri.

"We entered into mutual assistance agreement several years ago with UMB Commercial National Bank, two miles to the north," Mr. Herndon said.

Banks Share Space

Under the agreement, if one bank's facilities are incapacitated, the other bank will share space.

"I called up and asked if it was still in effect, and when they said 'yes,' we drove over with the truck," he said.

First State Bank's proof and transfer employees went to another bank in the suburbs and borrowed desktop computers for some work.

Mr. Herndon said, laughing, that initially they relied on a 10-key adding machine and a rubber stamp for endorsements.

Flood Insurance

The levee held and the bank's headquarters sustained no damage, Mr. Herndon said. He had flood insurance anyway – but not because of the rivers, since his building is not in an official flood plain.

"Our insurance man convinced us to get the coverage because we are in a low-lying area and we could be flooded if the storm sewers in the intersection out front back up," he said. "I guess he'll be calling to say, 'I told you so.' " □

Nebraska's Small Banks Unite in Protest Of Credit Union's Attempt to Branch Out

By ROBERT B. COX

In what is fast becoming a common scene in an unfolding drama between bankers and credit unions, Nebraska bankers are protesting applications submitted by a credit union to expand its field of membership and open a branch.

More than 60 community bankers have written to the Nebraska Department of Banking, opposing plans by Western Heritage Credit Union, based in the city of Alliance, to open a branch in Gering and expand its membership by 12 counties.

"Western Heritage cannot possibly define a common bond that satisfies both statutory and regulatory criteria . . . in an area composed of diverse regions with separate identities and characteristics," said Ken Sedlacek, associate general counsel for the Nebraska Bankers Association, at a preliminary hearing on the issue in late July.

Must Prove a Common Bond

Typically, a credit union must prove that its expansion plans will encompass communities and customers linked by some underlying common character-

Similar challenges are under way in two other states.

istics such as similar employment. Ted Bohlen, president of the credit union, would not comment on the issue.

Because the credit union is regulated by the state, its officers must submit a brief within the next two weeks summarizing their case for expansion, according to James A. Hansen, Nebraska director of banking and finance. A final decision is likely within six weeks.

Similar battles are being waged by bankers throughout the country. Recent cases involved expansion moves by federally chartered credit unions in North Carolina and Michigan.

'Could Have Some Bearing'

While bankers in those states have yet to declare victory in thwarting credit unions' plans, they have won the right to challenge the credit unions and the National Credit Union Administration in court.

Mr. Hansen, a former community banker, said "issues affecting nationally chartered credit unions could have some bearing." Nebraska's state-chartered credit unions are given the same powers as nationally chartered institutions. □

The Private Market ...Revealed

Clues to the shadowy world of private placements come to light each week under the magnifying glass of *Private Placement Reporter*, an *American Banker* newsletter.

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Local Advisory Boards Help Norwest Keep in Touch

By ANAT BIRD

In talking about Norwest Corp.'s service-oriented and community-oriented mission, president Richard N. Kovacevich emphasizes local boards.

"We seek local advice and counsel to help us meet the financial and human needs of each community," he has written in a company handbook.

"Our vision is viable only if we can identify and act upon real concerns in real communities. Community board members are critical to the success of this approach."

Members are "community leaders, talented professionals, and motivators of others" who lend their unique perspectives to

"Our vision is viable only if we can identify real concerns in real communities."
Richard N. Kovacevich
Norwest Corp.

bank management, Mr. Kovacevich wrote. They "share the vision of being the best."

As one of the biggest super communities in the nation, with $48 billion in assets and 200 banks subsidiaries in more than a dozen states, Norwest could find it hard to stay close to local roots. This is where the community boards come in.



Super Community Banking

By ANAT BIRD

A Crucial Factor

Mr. Kovacevich looks at the boards as the communication channel that facilitates understanding their markets' needs.

Community board members are essential to super community banks of any size, but especially to ones like Norwest. The company's management recognizes it, and hence gives special attention to selecting the best available candidates.

Norwest's community banking group is designed to allow each subsidiary bank to meet its community goals while serving the customer in the best possible way. Ken Murray, the head of community banking for Norwest, says:

"Our mission is to provide the personal service of a community bank with the extensive product and service resources of Norwest Corp. – the best of both worlds."

That is a concise recitation of super community theory.

Membership Criteria

Community board members are selected on the basis of expertise and business and community service, reputation as community leaders, talent as professionals and motivators of others, and ability to lend unique perspective to other board members and the management of the bank.

The members' role is to provide the president with an outside, objective source of expertise. They should counsel and support the bank in achieving business and community goals.

They are also expected to take an active interest in the performance of their banks, and to take the responsibility in seeking out information that is necessary to fulfill this role.

Each Norwest president is responsible for selecting his bank's community board and keeping its members informed about significant policy changes, management decisions, local market developments, and new business strategies.

Other Responsibilities

The community board members are expected to contribute to the bank's community marketing initiatives to assure that Norwest is meeting the banking needs of its entire community.

The board will annually review the Community Reinvestment Act statement and other aspects of community relations.

Among the community boards' other responsibilities are:

- To review their bank's statements of condition, income statements, and other financial performance reports on a periodic basis.
- To monitor, and advise the bank president on, the competitiveness and effectiveness of Norwest products and services.
- To assist in business development activity by identifying new customers and services and by suggesting changes in existing services that would enhance the bank's market position.

Through this set of responsibilities, Norwest puts meat on the bones of the advisory board membership and makes the board a true contributor to bank management and local focus, even without the legal ties of full board membership.

Like BB&T Financial Corp. in North Carolina [see my column of May 12], Norwest successfully motivates hundreds of "partners" in community relations and customer development by making them integral parts of the management team.

It is the commitment that makes the difference, not the legal status of the directors. In fact, the advisory status confers all the advantages of a full-fledged board without the downside of legal liability.

Norwest provides suggested guidelines that include frequency of meetings, terms of office, stock ownership, business commitments, an annual performance review, and retirement and conflict-of-interest policies. □



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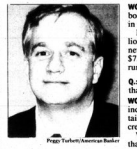
Ms. Bird is national director of the financial institutions consulting group at BDO Seidman, New York.

CEO Says Fleet Mortgage Group Has Learned from Refi Problems

Fleet Mortgage Group, long one of the most respected companies in the business, surprised Wall Street last month by announcing a $35.4 million loss for the second quarter. The results reflected heavy prepayments of loans amid the refinancing boom. Andrew D. Woodward Jr., chief executive, discussed the boom and other topics in an interview with Phil Rosinelli of the American Banker.



Peggy Tarbert/American Banker

Andrew D. Woodward Jr.
Looking for ways to hedge

Q.: Would you like to see the refinancing boom go away?

WOODWARD: The refinancing boom has clearly been a good news/bad news story. It has been great for loan production. But if you're a large servicer, it has led to accelerated prepayments in your portfolio.

Given the fact that we were the largest servicer at the time the refi story started, it's been kind of a balanced story for us.

Q.: What have you done to head off more big hits?

WOODWARD: We already have boosted originations, principally in our retail branches.

In 1991, we produced $3.2 billion of loans in our retail branch network, and in 1992 we did $7.9 billion. This year we're at a running rate of $8.8 billion.

Q.: How did you manage to do that?

WOODWARD: We've significantly increased the staffing in our retail network and significantly increased our efficiency.

We have fewer branches today than we had a year and a half ago – we're down from 108 to 91. We've consolidated some of our smaller offices into larger ones with regional processing.

Q.: You buy a lot of loans from banks and mortgage companies. Why not follow your competitors' example by also using mortgage brokers?

WOODWARD: We're looking at that. We're not saying that it can't be a good business – but you have to build the infrastructure to ensure that the credit quality and the handling of loans is in conformity with your standards. □

American Residential Wins Right to Buy Foster of Tex.

By JAMES H. SAPT

American Residential Mortgage Corp., La Jolla, Calif., has emerged as the winning bidder for Foster Mortgage Co., according to industry sources.

American Residential is now in final negotiations to buy the Fort Worth-based Foster, which services about $3.5 billion of loans. The deal is on track to close by the middle of next month, the sources said.

Foster, a unit of United Companies Financial of Baton Rouge, has been on the auction block since last spring, after being hit hard by prepayments tied to the refinancing boom.

Within Striking Distance

The purchase of Foster would increase American Residential's servicing portfolio by about one-third, to $13.8 billion. That would put it within striking distance of a position among the top 25 servicers in the country.

The mortgage bank, one of about a dozen to go public last year, has been increasing its servicing business steadily since 1990. At that time, it was servicing just $1 billion of loans.

Many mortgage bankers and analysts have come to view servicing as an essential line of business. Servicing fees, they say, can help offset declining origination revenues in periods of slack loan demand.

Price to Be Adjusted

The purchase price will be somewhere in the "mid $30 millions," one source said. But that

Foster was hit hard by prepayments.

number will be adjusted depending on prepayments in Foster's servicing portfolio between now and closing.

United bought Foster for $94 million in 1990 from the Resolution Trust Corp., only to see Foster's servicing portfolio almost cut in half by prepayments.

John Robbins, Chief Executive Officer of American Residential, declined comment. Calls to Foster Mortgage officials were not returned by press time. □

Margaretten Cuts Its Funding Costs with Two Revolving Credit Lines

By JAMES H. SAPT

Margaretten Financial Corp. said it obtained two revolving lines of credit – one for $555 million, one for $50 million – at lower interest rates than the credits they replace.

Chase Manhattan Corp. led the larger line, while First Chicago Corp. led the smaller one.

Margaretten, a major mortgage bank based in Perth Amboy, N.J., recently received its first rating for senior debt – BBB-plus from Standard & Poor's.

Close to Mandate

"Getting an investment grade rating has greatly expanded the number of banks with which we can do business," said Bruce Schnelwar, Margaretten's chief financial officer.

Separately, BankPLUS Mortgage Company of San Antonio, Tex., is close to handing out the mandate to lead a new credit package of about $375 million, according to bankers monitoring the deal.

Three bidders are said to be on the short list: Bank of New York, Texas Commerce Bank and Bank One Corp.

For Margaretten, the $555 million credit will function as a "warehouse" line. Mortgage banks use such credits to funds mortgages awaiting sale into the secondary market.

Priced at 125 basis points over the London interbank offered rate, it replaces a $374 million loan, priced at 150 basis points over Libor, according to bankers close to the deal. The new line matures in 364 days.

Deal Highlights

Borrower:	Margaretten Financial
Amount:	$555 million
Purpose:	To fund originations
Agent:	Chase Manhattan
Co-agent:	Chemical Bank
Maturity:	364 days
Pricing:	Libor plus 125 basis points

The deal has a 31-member syndicate, with Chemical Bank serving as co-agent.

Other Warehouse Credits

Margaretten has two other mortgage warehouse credits that total $630 million, according to Mr. Schnelwar.

Those loans, put into place at the time of Margaretten's spinoff from Primerica Inc. in 1992, were led by ABN AMRO Bank and National Westminster Bank PLC.

Margaretten's new $50 million credit partially replaces debt incurred during the 1992 acquisition of a servicing business from NationsBank Corp.

The credit matures in one year and two months, and is earmarked for general corporate purposes. The loan is priced at Libor plus 150 basis points, according to bankers. That is 75 basis points less than rate on the acquisition credit.

Standard and Poor's recently rated the company's senior debt as BBB-plus.

Banks coming into the First Chicago credit include NationsBank, Bank of Montreal, Canadian Imperial Bank of Commerce and Bank of New York, sources said. □

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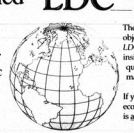

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GAAP Accounting Paints a Distorted Profit Picture

By LARRY SWEDROE
Residential Services Corporation of America
Clayton, Mo.

Warning! Proceed with extreme caution!

These disclaimers should be required on all mortgage bank financial statements until the industry and the accounting profession come to terms with the inadequacies and inconsistencies in how mortgage servicing rights are treated by generally accepted accounting principles.

GAAP accounting can obscure the true value of mortgage companies, ignore servicing runoff, and lead to short-term decisions that are inconsistent with long-term strategic plans.

These inadequacies have led a number of equity analysts, lenders, and mortgage executives to advocate an alternative approach known as net value added. NVA adjusts GAAP earnings for changes in the economics of a mortgage bank's entire loan servicing portfolio, on and off the balance sheet.

It captures the effects of unexpected prepayments on servicing revenues – a significant factor in this low-rate environment – and gives a true picture of the economic performance of a mortgage bank.

A discussion of this subject is timely since this fall the Financial Accounting Standards Board will address the issue of mortgage servicing.

Servicing Rights

Distortions in GAAP accounting are primarily due to the difference in the way originated and purchased servicing are treated.

The distortion can lead to short-sighted decisions.

In general, GAAP does not immediately reflect the value of mortgage servicing rights on loans originated by a mortgage bank. Instead, this income is recognized over time as the servicing fees and other ancillary revenues are collected.

In contrast, purchased servicing rights may be capitalized on the balance sheet, and generally result in higher current year GAAP earnings. Servicing fees and ancillary revenues for purchased servicing are then offset by amortization as they are collected.

This practice makes it difficult to compare the profitability of mortgage banks with different mixes of retail and wholesale origination volume. It also encourages uneconomic decisions – such as selling a portion of originated servicing and then purchasing servicing from others – to bolster GAAP earnings.

A Telling Example

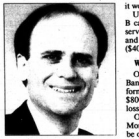
Let's look at how GAAP can distort the economic profile of a company.

Mr. Swedroe is managing director of Residential Services, the parent of Prudential Home Mortgage Corp.

Assume that Mortgage Bank A originates a $100,000 mortgage through its retail network. It collects a 2-point fee ($2,000), spends $2,500 to originate the asset, and sells the loan at par into the secondary market, producing no gain or loss.

Under GAAP, the value of the originated mortgage servicing rights, or $1,300 (130 basis points), is not capitalized on the balance sheet. As a result, GAAP reflects only a $500 loss ($2,000 in fees minus $2,500 in costs).

But suppose that $100,000 loan were acquired by a wholesale lender, rather than originated, and sold into the secondary market at par. The purchaser, Mortgage Bank B, would pay a



Larry Swedroe

servicing release premium of $1,300, or 130 basis points, and earn $400 in fees, against which it would incur $100 in expenses.

Under GAAP, Mortgage Bank B can capitalize the purchased servicing on its balance sheet and record $300 in earnings ($400 minus $100).

Who Outperformed Whom?

On a GAAP basis, Mortgage Bank B appears to have outperformed Mortgage Bank A by $800 (a $300 gain versus a $500 loss). But has it?

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BankAmerica Aims for $2 Billion in Retail Sales

By DEBRA COPE

BankAmerica Corp., one of the giants of the bank mutual fund business, is engineering some big changes in the products it sells and the customers it reaches.

The San Francisco-based company plans an aggressive push into the retail side of the investment products business.

"We want to really continue to grow the retail side," said Debra McGinty-Poteet, managing director of BankAmerica's funds management unit.

Noting that about 95% of the bank's mutual fund assets come from institutional investors, she said, "Our goal is to get to 30% retail."

Expanding the Product Mix

At the same time, the bank is expanding its product mix, with the aim of bolstering sales of its proprietary funds. Plans call for the introduction of 18 new Pacific Horizon funds by the end of next year, boosting total offerings to 29.

The changes, BankAmerica executives say, could push total retail fund sales to $2 billion in 1993, far above previous levels notched by banks.

Till now, BankAmerica has built its $19.3 billion-asset mutual fund business chiefly through sales of money market funds to institutional clients.

But the record-low interest rates have whetted consumers' appetites for stock and bond mutual funds, shifting the action to the retail side of the market.

400 Investment Specialists

To lead its retail sales efforts, BankAmerica recently recruited John O. Myers, a veteran mutual fund executive from Boston-based Colonial Investments.

Mr. Myers oversees a sales force of 400 investment specialists, all experienced, full-fledged stockbrokers with Series 7 licenses from the National Association of Securities Dealers.

His first task in joining BankAmerica was to undertake a 100-day evaluation of the bank's investment products strategy. As his self-imposed deadline draws near, Mr. Myers says some key elements of a mission statement are beginning to take shape.



Chris Hardy

SHIFTING FOCUS: John Myers and Debra McGinty-Poteet are intent on building the consumer side of the wholesale giant's business.

For one thing, he said, he is convinced that using Series 7 stockbrokers to sell mutual funds is the right way to go. Many banks prefer to train platform employees to sell mutual funds part time, typically by putting them through the less rigorous Series 6 exam.

"I'm really committed to a highly trained sales force focused on long-term relationships," Mr. Myers said. "I want to steer away from the somewhat opportunistic path of using thinly trained individuals."

Restraint on Proprietaries

In carrying out his mission, Mr. Myers will be working closely with Ms. McGinty-Poteet, who heads up the unit that creates and manages proprietary funds. In BankAmerica parlance, Mr. Myers is her "client," because he is responsible for retailing the funds.

They are in absolute agreement on a key point: The bank must bolster retail sales of the proprietary funds, but not go too far in that direction.

The Pacific Horizon funds account for about 20% of sales. The BankAmerica executives think the figure should be 40% or 50%, but no higher.

In fact, products from four mutual fund companies – American Funds, Franklin Resources, Colonial, and Putnam Financial Services – are currently marketed to retail customers alongside the Pacific Horizon funds.

"Customers need to be served with an array of choices," Mr. Myers said. "We offer no incentive payout for selling the in-house fund group.

"We have to earn our position alongside the other products," Ms. McGinty-Poteet added.

"There's no free lunch."

Money market funds are likely to remain the centerpiece of the fund colossus at BankAmerica, which already has a commanding presence in the market.

Its Prime Fund, with $14 billion in assets, has consistently been a top performer, and that is crucial to sales.

"When it comes to money market funds, sometimes the bottom of the pack and the top of the pack are only divided by 10 or 15 basis points" in return, Ms. McGinty-Poteet said. "But that is huge."

"With money market funds, you have to be a real street fighter out there," she said.

Aiming High

Ultimately, BankAmerica hopes to become nothing less than the very model of a successful bank mutual fund program.

"We want to be among the biggest, best-executed delivery systems in the country," Mr. Myers said.

Of course, the executives also have some clear profit targets.

"The corporate goal is to have this business at $100 million total contribution [to profits], after taxes," said Ms. McGinty-Poteet. All of BankAmerica earned $1.492 billion for 1992.

As a newcomer to banks, Mr. Myers is impressed by the trust they are accorded by their customers. "Brokers are now realizing that banks are where the action is," he said.

But, he added, it's only a matter of time before mutual fund companies start to apply some heat.

"Banks need to be prepared for that competition, and start now," he said. "You can go only so far with the comparative advantages of trust, comfort, and convenience." □

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PNC in Test of Money Management for the Little Guy

By KAREN TALLEY

PNC Bank Corp. is testing a wrap-fee account that would make sophisticated money-management services available to customers with as little as $5,000 to invest.

The Pittsburgh company plans to use its proprietary mutual funds to build 20 different investment portfolios for retail customers at its more than 500 branches.

The product could be ready for sale by this fall, according to George Bernard, vice president in charge of mutual fund management at PNC Securities Corp.

More Banks Joining Fold

"We feel that most customers should have this kind of program," Mr. Bernard said.

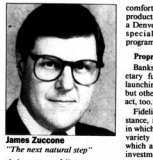
Banks increasingly are launching their own versions of wrap-fee accounts, so-called because money management, investment advice, and trading fees are all wrapped together in one fee.

In PNC's case, these services will cost customers an annual fee of 1.3% of the assets under management.

Like many mutual fund wrap programs offered by fund companies and brokers, PNC will periodically change the mix of mutual funds within each portfolio to respond to changing market conditions and to maximize customer returns.

Right now, PNC is testing the program by using hypothetical customers as models.

Other bank companies that are working on mutual fund wrap programs include BankAmerica Corp. and Chemical Banking Corp. Like PNC, these banks have proprietary mutual funds they could use to create their wrap portfolios.



James Zuccone
"The next natural step"

"It's the next natural step for banks as they become more comfortable with investment products," said James Zuccone, a Denver-based consultant who specializes in bank wrap programs.

Proprietaries Not Required

Banks that manage proprietary funds have an edge in launching wrap-fee programs, but other banks can get into the act, too.

Fidelity Investments, for instance, is marketing a program in which it supplies banks with a variety of funds and software, which are then used to fashion investment portfolios for customers.

Mutual fund wraps are offshoots of traditional wrap products that rely on professional money management firms to build portfolios from individual stocks. These programs typically cater to customers of higher net worth than the mutual fund programs do.

Chase Manhattan Corp. is believed to be the only bank in the country using this traditional route. It shares a 3% annual management fee with outside money management firms that assemble baskets of individual securities for Chase customers.

Some banks argue they have trust departments to serve this clientele and don't want to open the door to turf battles that could develop if outsiders become involved. □

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Boston Co. Exec Elected to Board Of Industry Group

By DEBRA COPE

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INVESTMENT PRODUCTS

Sales Guidelines from the Comptroller Are Serious Business but No Surprise

By ROBERT M. KURUCZA
Special to American Banker

Comment

On July 19, the Office of the Comptroller of the Currency issued its much-anticipated guidelines for national banks offering mutual funds, annuities, and other nondeposit investment products to retail customers.

These guidelines, set forth in OCC Banking Circular No. 274, were reprinted in substantial part in the July 28 issue of *American Banker*.

Before the guidelines were released, there was much speculation about them – and some trepidation – within the banking industry.

These same concerns existed within other segments of the financial services industry, most particularly among the securities and insurance-related companies, which support banks in a variety of ways in connection with their retail investment-product activities.

The speculation intensified during the several weeks before the release of the guidelines, as members of the Comptroller's staff floated trial balloons in various contexts as to the content of the guidelines.

At the same time, some quarters of Capitol Hill and the media continued to express serious reservations about the potential negative consequences of banks offering investment products.

'Horror Stories' Rare

This persistent negative focus, while understandable to some extent in Washington political terms, is perplexing.

After all, though many banks have been involved in investment-product activities for over 10 years, there have been few "horror stories."

Furthermore, bank customers are enjoying substantial benefits from more convenient access to much-demanded retail investment products and increased competition among providers.

Indeed, consumers need easy access to the widest range of investment options now more than ever, in view of the current interest rate environment. And it has become abundantly clear that neither employers nor the federal government is in a position to provide adequately for the retirement needs of an aging population.

Against this backdrop, banks and their securities and insurance industry "partners" waited for the Comptroller's guidelines with baited breath, fearing the worst.

A Balanced Response

Fortunately, their worst fears were not realized. There were no "showstoppers" in the guidelines.

The Comptroller's office appears to have carefully balanced the growing demands of consumers to obtain investment products at their banks, the obvious desire of banks to meet these demands, and the critical need that banks "do it right."

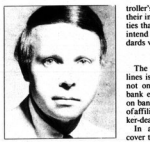
The worst fears of the banking industry were not realized.

The guidelines are similar, in many respects, to recent policy statements issued for state-chartered member banks by the Federal Reserve Board and for savings associations by the Office of Thrift Supervision.

(The Federal Deposit Insurance Corp. has not yet issued guidelines on investment-product sales for state-chartered nonmember banks.)

The guidelines from the Comptroller's office also generally conform to the requirements it set forth in its April approval of the establishment of Nations Securities, the securities brokerage joint venture between NationsBank and Dean Witter, as well as earlier OCC approvals of specific investment-product activities by national banks.

For example, like many of the earlier approvals, the new guidelines require that specific disclosures be made in connection with the sale of investment products, and that national banks take various measures to avoid possible customer confusion between investment products and insured deposit products.



Robert M. Kurucza

New Requirements

However, it would be a mistake to view the guidelines as representing nothing more than a codification of earlier pronouncements relating to investment-product activities of national banks.

In fact, the guidelines impose a number of new substantive requirements on national banks involved in the sale of investment products.

Certain of these new requirements apply directly to senior bank management and boards of directors of national banks. The most significant is an obligation to consider and develop comprehensive formal policies addressing the potential risks posed by investment-product sales.

Review Is Urgent

The guidelines also contain certain requirements which vary to some degree from prior positions of the Comptroller's office, as well as some requirements that are not entirely clear.

Accordingly, it is vitally important that national banks that offer or expect to offer investment products to their customers carefully review the guidelines and consult with their counsel to ensure that the bank is in full compliance.

There is a particular urgency to lend to this task, since the guidelines became effective upon issuance.

It already is clear from national banks that are undergoing or have recently undergone Comptroller's examinations relating to their investment-product activities that the agency's examiners intend to apply the new standards vigorously.

Broad Coverage

The application of the guidelines is very broad. They cover not only direct sales made by bank employees, but also sales on bank premises by employees of affiliated and unaffiliated broker-dealers.

In addition, the guidelines cover telephone and direct-mail sales efforts initiated from bank premises.

Moreover, sales resulting from bank referrals also are covered if the bank receives a benefit.

Given their wide scope, the guidelines are obviously of interest not only to national banks, but also to nonbank entities involved with them in connection with the offering of investment products.

These entities include third-party marketing firms and proprietary mutual fund sponsor-distributors.

Third-Party Arrangements

In fact, the guidelines include a number of requirements which national banks must ensure are embodied in arrangements with such third-party service and product providers.

These providers, particularly those providing "turnkey" product and service programs to national banks, would seem well served to immediately review the structure and operation of their programs to ensure compliance with the new guidelines.

The guidelines mirror earlier pronouncements.

There is little doubt that their bank clientele will be expecting such compliance, although the guidelines make clear that national banks cannot totally rely on the efforts of the third-party service providers.

Directors' Duties

The guidelines provide that national bank's boards of directors are responsible for evaluating the potential risks posed by bank investment-product sales activities.

In this connection, directors must adopt self-regulatory policies and procedures to ensure compliance with all applicable laws, rules, regulations, and regulatory conditions (such as applicable banking, securities, and insurance law requirements), including relevant provisions of the guidelines

The directors of each national bank, in conjunction with senior management, must ensure that they are appropriately monitoring the bank's investment-product sales program.

Active Oversight Mandated

The Comptroller's office is looking for directors to take an active oversight role in connection with investment-product activities.

The difficult question is what this means in a particular circumstance.

Most significant is an obligation to develop policies addressing potential risks.

On the one hand, a board clearly must satisfy the guidelines' requirements.

On the other hand, it may not be appropriate from a corporate-law perspective for the board to "micromanage" the investment-product sales program.

The ultimate answer to this question will depend in part on the specifics as to the national bank involved and its investment-product program.

Given the importance of this issue, it would not be surprising if the Comptroller's office provided some further guidance on the issue in the near future.

At a minimum, a board should carefully review and approve the bank's investment-product activities, which must be detailed in the newly required program statement discussed below.

Program Statements

The guidelines require national banks to adopt a comprehensive investment-product sales program statement describing the features of the sales program; the roles of the bank, its affiliates, and their respective employees; and the roles of any

See OCC *next page*

Mr. Kurucza is a partner in the law firm of Morrison & Foerster, Washington. His colleagues Robert G. Ballen and Joseph P. Savage helped prepare this article.

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INVESTMENT PRODUCTS

Consumer Demand Boosts 'Socially Conscious' Funds

By DEIDRE SULLIVAN
Boston Bureau of the American Banker

Banks are beginning to roll out the welcome mat to mutual funds that follow "socially conscious" investment strategies.

A handful of banks have begun offering such funds, which invest in companies that meet certain litmus tests of environmental, political, or social good.

Strong consumer demand has helped to popularize the funds, which are promoted as a way of "investing with a conscience."

Customer Demand

Investments in socially responsible funds, or "green" funds, as they are popularly known, have grown from $40 billion in 1984 to $848 billion in 1991, according to the Social Investment Forum, Minneapolis.

Milwaukee-based Marshall & Ilsley Bank recently started selling the Calvert family of socially responsible mutual funds after it noticed that customers were asking for socially-responsible investment options.

The bank had already been offering Calvert tax-exempt funds when it added the company's stock and bond funds to its menu, according to Steve Schueth, vice president at Calvert.

"That first relationship with our tax-exempt funds opened up more possibilities with M & I," said Mr. Schueth. "Because of consumer interest, we anticipate more potential as the years unfold."

Calvert has also established a relationship with the trust department at Dubuque Bank and Trust in Dubuque, Iowa.

Strict Investment Criteria

The trust department adheres to very strict investment criteria. For example, it will not buy funds that invest in casino companies, even though such stocks have been hot performers lately.

Dubuque Bank and Trust vice president and chief investment officer, Mel Miller, has recently started purchasing shares in Calvert's World Values Global Allocation Fund, a $35 million fund which was started last year. It emphasizes companies that promote environmental improvements and steer clear of those that do business in South Africa.

"From an asset allocation standpoint, we have need to invest internationally, and the Calvert Fund was exactly what we were looking for," said Mr. Miller.

Jack Farrell, vice president and sales manager at Working Assets in San Francisco, said his company is eager to explore the bank channel as a means of distributing their family of funds.

He also said that Working Assets is currently working to develop broker-dealer relationships and that they recently signed an agreement with Fisco Equity, a broker-dealer in Providence, Rhode Island.

Ms. Sullivan is a freelance writer based in New York.

Financial Markets Group Issues Compliance Manual

The Financial Markets Association has published a handbook to help financial institutions comply with mutual fund laws, regulations, and guidelines.

The book includes detailed information on state and federal regulations, plus a 20-page compliance checklist.

The Alexandria, Va.-based trade group developed it in conjunction with consultants from Securities Risk Management, also of Alexandria. For more information, call 703-836-9378. □

OCC Guidelines: Serious Business But No Surprise

Continued from page 14

third-party entities.

This statement should address at least the following matters:

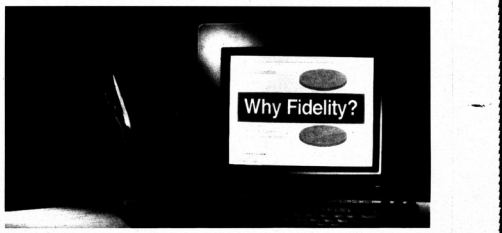
- Supervision of personnel involved in investment-product sales programs.
- The roles of other entities selling on bank premises, including bank supervision and monitoring of compliance by selling employees.
- The types of products the bank will sell, including identification of specific laws, regulations, and other requirements governing the selection and marketing of such products.
- Policies governing the permissible uses of bank customer information.

Comprehensive Manifesto

In sum, a national bank is required to maintain a comprehensive program manifestum that addresses all aspects of its investment-product sales program.

The guidelines require senior management and the boards of national banks to be engaged in investment-product sales activities to review and approve bank policies regarding sales of investment products (or prepare new policies and procedures if none exist) to ensure full compliance.

Coming Next: Mr. Kurucza discusses specific points that banks must address in their investment-product program statements. □



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Mutual Fund Assets Pass $1.8 Trillion for First Time

By DEBRA COPE

Assets in mutual funds shot past the $1.8 trillion mark for the first time in June, the Investment Company Institute reported.

Continued strong sales helped fuel the surge. Sales of long-term mutual funds – that is, stock and bond funds – totaled $40.7 billion in June, outpacing May's $36.9 billion.

In June 1992, long-term fund sales totaled $28.3 billion.

Bond funds were the top sellers, drawing $22.8 billion during June.

Stock funds took in $17.9 billion. Funds specializing in growth-and-income stocks led all categories, accounting for $6.5 billion in sales.

At the end of June, assets in bond funds totaled $673.1 billion. Stock funds claimed $580.4 billion. Taxable money market funds had $452.9 billion in assets, while tax-exempt money funds had $97 billion.

* * *

Liberty Spruces Up Its Variable Annuity

Liberty Financial Cos. has revamped the variable annuity product it markets to banks.

The Boston investment product supplier introduced Preferred Advisor, replacing its eight-year-old Keyflex variable annuity.

Preferred Advisor was developed by Keyport Life Insurance, a division of Liberty.

Variable annuities are tax deferred products that give customers the opportunity to choose from among a number of mutual fund-type investments.

Preferred Advisor features three new fund choices, managed by Colonial Management Associates of Boston.

The new funds invest in utilities, U.S. government securities, and growth and income stocks.

Preferred Advisor also includes seven fund options that the Keyflex annuity offered.

These choices, which include money market and asset allocation funds, are managed by Stein Roe & Farnham of Chicago, a Liberty affiliate.

Other new features include a reduction, to $250 from $1,000, in the minimum for additional investments in the annuity.

The so called "add-on" minimum was lowered to make the product accessible to more people, a spokeswoman said.

Liberty feels Preferred Advisor offers more flexibility than other annuities. Investors can discontinue payments at any time and take a lump-sum payout. They can, however, face tax penalties for doing this.

— **Karen Talley**

* * *

Griffin to Head Unit Of Midland Savings

Midland Savings Bank, a Des Moines thrift, has named Lee Griffin as president of its Midland Investment Services unit.

Mr. Griffin will retain his position as vice president of retail banking for the thrift, Iowa's largest. Both the thrift and the investment services unit are subsidiaries of the Central Companies.

Midland Investment Services specializes in selling mutual funds, annuities, securities, and life insurance. It was established in 1986, and its cumulative sales volume recently topped the $200 million mark. Of that, nearly $40 billion was sold in 1992 alone.



Lee Griffin
Thrift is Iowa's largest

Mr. Griffin said his aim is to enhance coordination between the thrift and the investment unit.

Alfred P. Moore, Midland's president, said Mr. Griffin's new position is "a natural extension of the work he's already doing in retail banking."

* * *

Marshall & Ilsley Taps Presidents of 2 Units

Marshall and Ilsley Corp., the holding company of Marshall & Ilsley Bank in Milwaukee, has elected presidents for its trust and investment management units.

Morry L. Birnbaum, division head of corporate trust services since 1979, has become president of Marshall & Ilsley Trust Co. He succeeds Michael J. Revane, who is retiring.

Mr. Birnbaum, 45, joined M&I in 1969 as a tax analyst. He graduated from the University of Wisconsin-Milwaukee with a major in finance.

David W. Schulz, 35, was elected president of M&I Investment Management Corp. A chartered financial analyst, he has been director of fixed-income since 1990. He joined the bank in 1980 as a fixed-income portfolio manager.

He earned a BBA degree in finance and accounting at the University of Wisconsin.

Mr. Schulz takes over for William J. Gumerman, who resigned, according to the bank.

Marshall & Ilsley Corp. has 37 affiliated banks in Wisconsin and Arizona.

— **Michael O'D. Moore**

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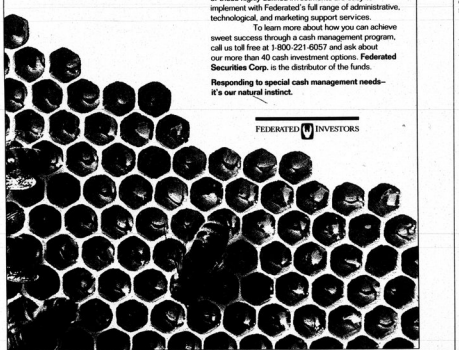


FEDERATED INVESTORS

As Capitalism Grows in China, So Does Use of Visa Debit Cards

By STEPHEN KLEGGE

Bank card use is growing explosively as capitalism makes headway in China, Visa International said.

Payment volume on Visa debit cards issued by Chinese banks reached $9.3 billion in the 12 months ending March 31 – an increase of 333% from the previous year.

The number of cards rose 288% to 1.87 million.

Credit Cards on Horizon

"The reason for the phenomenal growth is that businessmen are going interprovince" and need to draw from accounts at their home bases for cash and expenses, said Carl Pascarella, president of Visa International's Asia-Pacific region.

He said Visa, by expanding its payment system and training Chinese bankers in credit approval and monitoring, is hastening the day when credit cards will be issued to the Chinese people.

With the United States market reaching maturity – a phenomenon reflected in slow growth in the amount of cardholders and in merchant acceptance – emerging Asian markets are expected to fuel future growth.

Volume increased 333%, and the number of cards went up 288%

Mr. Pascarella cited Taiwan as a precursor of what to expect from such countries as China, India, and Vietnam.

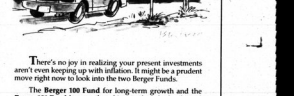
Since trade and foreign exchange restrictions were relaxed two years ago, he said, Taiwanese banks have issued a million credit cards, most of them Visa cards.

Overseas spending charged to Taiwanese credit cards has surpassed that of Korean and Australian cardholders and now ranks second in the region behind Japan, Mr. Pascarella said.

Sees Other Issuers Profiting

Citicorp, Chase Manhattan Corp., and BankAmerica Corp. all issue cards in Asia, the Visa official said.

He added that other U.S. card issuers will benefit from the increase in spending by Asian tourists and from greater worldwide card acceptance. □



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Plastic Delinquency Rate Declined to 5.27% in April

NEW YORK — More American consumers have been paying their credit card bills on time, according to an indicator published by Moody's Investors Service.

In April, 5.27% of receivables in Moody's-rated portfolios were delinquent.

The delinquency rate was down from 5.50% in March and 5.69% in April 1992.

The chargeoff rate – loans actually written off as uncollectible – in the securitized pools of card receivables dropped to 5.19% in April from 5.29% in March and 5.93% in April 1992, Moody's Credit Card Performance Index said.

Impact of Lower-Rate Cards

For the 11th consecutive month, principal payment rates in the pools rose compared with year-earlier levels, this time to 12.19% from 10.93% in April 1992.

Moody's attributed the overall improvement in the indexes primarily to the economic recovery in the United States.

"Another factor contributing to the high payment rate may be the availability of lower interest rate credit cards," said Ed Bankole, a Moody's senior analyst. "Some people may simply be rolling their balances over from one card to another."

The Moody's data are based on performance of 68 of the more than $58 billion of bank credit card-backed securities rated and monitored by Moody's.

Each of the transactions in the index sample has been outstanding for at least one year. □

Nabanco Wins Sears Processing Contract

Continued from page 1

and American Express nationwide.

In early July, word began to spread in the bank card industry that Nabanco was closing in on the coveted Sears contract.

Electronic Signatures

At the end of June, Microbilt, another First Financial Management subsidiary, signed a contract to provide signature capture devices for all Sears points of sale.

The electromagnetic devices create an electronic versions of customer signatures, which reduce paper files and streamline resolution of disputes or errors.

Microbilt's terminals also can read cards' magnetic stripes and embossed characters, as well as the magnetic-character lines of checks. □

Chemical Names Ryzewicz to Post in Credit Card Unit

Chemical Banking Corp.'s credit card unit has named Gene F. Ryzewicz managing director of marketing and business development, Mr. Ryzewicz, 47, previously worked in Citicorp's credit card and Diners Club units.

He replaces Daniel T. Murray, who left Chemical in January to take the top marketing post at MasterCard International.

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Comment

By Paul S. Nadler

Why Middle-Class Children Face a Squeeze on Earnings

One fact of economic life that has become obvious to all of us is that our offspring will not have it as easy as many of us did.

We went to school, graduated, got a job, and married, and we had a good expectation that we could support a family well on our income, even including paying college tuition.

Such a plan in today's environment is like a pipe dream.

What happened? Why do our children look at what we accomplished economically and feel that with few exceptions they won't be able to match it in their own lifetimes?

Is Debt to Blame?

Some look at our national debt, which is rapidly approaching $4 trillion, and they hold that this is the cause.

"You mortgaged our future by generating this debt you are passing on to us," is the cry.

There is an answer to this: We are passing on the assets that the debt financed as well as the debt itself, so it is a wash. The national debt has to be owed to someone.

And we are turning over to our kids these bonds, either directly or in the form of insurance policy claims, bank deposits, and the other assets that reflect the liabilities of the institutions that own the bonds directly. Assets and liabilities must match. So if we pass on one, we pass on the other.

Foreign-Owned Assets

What about so called "foreigners." Haven't we so abused our international position that we have become the world's largest debtor in history? Aren't our children's prospects damaged by the fact that foreigners have these huge claims that must be met?

But ask yourself, how are these claims to be met? If foreigners buy American goods, which we want them to, they help provide American jobs. And if they invest in American real estate, industries like movies and the like, they provide the capital for our growth and also again provide new jobs.

Look at the success of the Japanese auto industry in building cars while making employees happy in many southern U.S. communities.

Can this take the money out of our country? No, dollars are American bank deposits. They remain here. All they can do is spend them or switch them over to others who are willing to buy or hold them.

The Japanese and others who are earning dollars are realizing the only way they can use their earnings in the long run is to spend them here for goods and services. We are beginning to see this as Japanese tourists flood the United States.

We Enjoyed a Free Ride

I think what is really behind the fact that American youth can not expect to do as well as their parents did is that we, the older generation, got a lot of our benefits by living "off the backs," so to speak, of less fortunate people in Europe, Japan and from abroad.

America always had immigrants who worked for very little. We benefited from their labor. We had industries who also were paid below the regular wage level.

But now we find that immigrants, minorities, and less skilled people are unwilling to accept lower wages than others earn, and they are using their political clout to even matters out.

Something Has to Give

When the bottom of a seesaw goes up, the top goes down. In other words, as the wage level of the bottom rises, since there are only so many goods and services to go around, the top must fall, and this top is the children who will not do as well as their parents.

Look at the movie "Hoffa". The basic conclusion of the truck driver is, "He made as part of the middle class."

Now, without sounding like a snob, if truck driving is a middle class occupation – something you can learn pretty rapidly, then what is banking? Is banking now an aristocratic field? No.

It means that through the clout of the Teamsters Union, we have given this truck driver the same pay and benefits a banker gets, despite the years of education and training the banker needs to handle his job.

Similarly, bankers worry about the fact that a checker in a grocery store can earn double what a bank teller earns or even more when overtime is factored in.

There is more truth than fiction in the old joke of the bank president who complains on looking at the plumber's bill, "I don't earn that much per hour," to which the plumber replies, "Neither did I when I was a bank president."

Being Spread Around

So the answer to why the new generation can't expect to do as well as their parents is really that overall the generation is doing as well as ours or even better. It is just that the benefits are being spread more evenly around.

Those whose parents were at the top of the ladder may cry that they can't climb as high as their parents did. But for many others, the new chances of moving partly up the ladder are far greater than ever before.

Or as the opening song of the old TV series, "The Jeffersons" concludes, "We finally got a piece of the pie." □

OVERALL, *the new generation of wage earners is doing as well as ours or even better. It is just that some who were formerly economically disenfranchised now have a better shot at sharing the wealth.*

Mr. Nadler is a contributing editor of *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

Comment

By Brian W. Smith and Charles M. Horn

Charting a Responsible Course For Banks in the Mutual Fund Arena

We were pleased to read Charles W. Woodford's letter to the editor June 23, calling on bankers and consultants to remember that a trust business is grounded on a highly developed sense of fiduciary duty.

In the past, banks' fiduciary roles were straightforward, and compliance efforts were impressive. These days, the roles are changing and compliance is more difficult, yet it is nonetheless as necessary as before.

In our recent experience, some outside advisers and vendors, in apparent zeal to establish themselves in this competitive business, have put their actions, statements, and advice demonstrated a dangerous lapse of memory about what the banking business is all about.

In so doing, they have contributed to an environment which to observers may appear abusive, and may invite unwanted legislative and regulatory involvement.

Not Whether, But How

We want to encourage moderation and realism in the ongoing debate over these issues.

It is time to recognize that the important debate over bank securities activities is no longer whether banks can engage in such activities, but how they should conduct them in a manner that not only complies with legal and supervisory requirements, but also retains customers' confidence and trust.

Pricing is one issue that banks have been wrestling with. This is not an easy subject.

The pricing levels for many traditional fiduciary services and the methodology used in setting them have not been reexamined for a long time; bank trust customers are demanding easier access and more money management options, e.g., sweeps from deposit accounts into fiduciary accounts; and fiduciary accounts have been linked by the banks to other financial vehicles, e.g., mutual funds, which have a different regulatory scheme and separate fee structures and pricing methodology.

Fanning the Flames

In the midst of the uncertainty created by customer demands, technology, and new products, banks have sought guidance from their vendors and advisers and from the regulators. The regulators have provided guidance in a general nature, leaving the bank to consult its advisers on specific situations.

In August 1992, Mellon Bank suffered a federal court defeat in a class action suit brought by trust customers challenging the bank's pricing practices for trust and investment management services.

Some commentators fanned the flames of panic, suggesting that this lawsuit would threaten the pricing practices of virtually all banks and set disastrous precedent for further limitations to be imposed on banks' pricing of their services. (This decision was appealed by the bank and the complaint dismissed on procedural grounds.)

See CHARTING *next page*

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Comment

By Brian W. Smith and Charles M. Horn

Charting a Responsible, Realistic Course For Banks in the Mutual Fund Arena

Continued from *page 18*

A careful, informed reading of the allegations in the case, however, demonstrated that if fiduciary fees (particularly sweep account fees) are assessed and disclosed in a reasonable, fair, and orderly manner and the imposition of fees is permissible under state law or the governing trust instruments, the risk of legal action and liability can be significantly reduced.

Fortunately, the case never created any real problem for bank fiduciaries. Why then the flap? Was there a need to sound the alarm about a case which was so clearly off the mark from its inception?

There is not, and never was, a magic formula for avoiding the types of problems faced by the bank in this case.

But if banks sell their fees for fiduciary service at a reasonable rate which is reflective of the value of the service actually rendered, and disclose those fees to their customers in a timely and meaningful manner, they diminish the risk of fiduciary problems.

Growing Preference

Meanwhile, more and more banks are becoming heavily involved in the offering of mutual funds to their customers, including fiduciary customers.

Customers increasingly express a preference for the investment of their fiduciary assets in mutual funds in order to derive the many benefits of efficient diversification that only a pooled investment in the newspaper, ease of redemption and flexibility of investment, just to name a few benefits.

In deciding whether fiduciary assets in mutual funds, particularly mutual funds in which the bank receives fees from the fund and from the regulators. The regulators have provided guidance in a general nature, leaving the bank to consult its advisers on specific situations.

In August 1992, Mellon Bank suffered a federal court defeat in a class action suit brought by trust customers challenging the bank's pricing practices for trust and investment management services.

Some commentators fanned the flames of panic, suggesting that this lawsuit would threaten the pricing practices of virtually all banks and set disastrous precedent for further limitations to be imposed on banks' pricing of their services. (This decision was appealed by the bank and the complaint dismissed on procedural grounds.)

See CHARTING *next page*

'Double-Dipping' Fees

It is disturbing to hear that some outside advisers and advisers reportedly are suggesting to banks that they can "double-dip" their fees in the fiduciary account-mutual fund relationship.

Is there any banker who doubts the wisdom of avoiding even the appearance of a conflict of interest in this setting? Why would anyone adopt or counsel a course which experience has taught over and over will result in customer, regulatory, and congressional wrath?

Under clearly well-defined conditions, a bank may legitimately and fairly receive more than one fee for fiduciary customer after linking the customer's fiduciary account to a mutual fund (which also provides the bank additional fee sources) than it does when it receives or receive fees from more than one source.

These conditions revolve around the premise that the linkage must result in services and value to the customer, increases the efficacy of services already provided, and that the fees are understood and agree to by the customer.

This is not "double-dipping," and is nothing more than using the criteria for pricing we set out earlier: the fees must be reasonable, reflective of the value of the products and services rendered, disclosed in a clear and meaningful manner, and consistent with applicable law and the governing account documents.

Mellon Bank and Boston Co.

In April, the Federal Reserve Board approved the acquisition of Boston Co., a major mutual fund advisory and service organization, by Mellon Bank Corp.

Like other board decisions in the bank powers area, the decision was the subject of avid debate in the press, Congress, the industry, and the banking bar as to what, if anything, the approval means for an expansion of bank securities powers.

In fact, however, this debate should not have occurred at all, as the denouement of the discussion clearly demonstrates.

Many in the Glass-Steagall bar, ourselves among them, were disappointed and concerned with the Mellon order.

These concerns arise from the shared belief that the order has the unfortunate potential for restricting bank mutual fund activities, rather than expanding them, by reviving affiliation and control issues long dealt with under the law, not the law, of bank-mutual fund relationships.

Stoking the Embers

Still, other observers put a characteristic spin on this decision by highlighting their views of the potential waiting to be unlocked fiat activity order, even to the point of suggesting that the order offered the potential for mutual fund sponsorship and distribution by bank holding companies.

These prognostications, however, threw kerosene on the smoldering embers of congressional disquietude over bank mutual fund activity.[1]

Rep. John D. Dingell, D-Mich., staunch protector of the remnants of Glass-Steagall, wrote a pointed letter to the Federal Reserve Board positing what is actually going on, before officially deciding how to deal with the matter.

Here, as in other areas, industry overreaction or regulatory overreaction will benefit no one. The relationships, technology, marketing practices, and business objectives are just now in the process of evolving, and it remains unclear precisely how all these relationships will naturally sort out.

It would be most unfortunate if natural development were stifled by the imposition of overly restrictive regulatory requirements which would have the effect of limiting how banks arrive at critical relationships, and therefore the product itself, must be structured.

Steady Course

As the bank mutual fund business evolves, bankers, their vendors, their advisers, and even their regulators must approach the issues that emerge in a forthright, balanced, and realistic manner.

Charting the course to the future of the banking business can be dangerous if we swing the helm wildly from the center of balance. At the core of the balance is the necessary sense of responsibility that must permeate banks' dealings with their customers. □

IF BANKS SET *their fees for fiduciary service at a reasonable rate, and disclose fees to customers promptly and meaningfully, they probably can avoid serious problems.*

BANKS' ROLES *are changing and compliance is more difficult, yet it is nonetheless as necessary as before.*

their customers in a timely and meaningful manner, they diminish the risk of fiduciary problems.

Congress and the regulators continue to debate the merits of the federal banking regulators to respond to the congressional pressure from those members of Congress who view expanded bank securities powers with suspicion.

Avoiding Overkill

While there is no doubt that more clarity and consistency in requirements, and more regulatory involvement in the supervision of these activities, would benefit all concerned (banks, mutual fund companies, regulators, and politicians), care must be taken to avoid "oversolving" and thus create more harm than a potential problem.

Over the last several years, billions of dollars of mutual fund shares have been sold courts who have witnessed little evidence of abuse in the process.

Some of the problems which may have emerged – e.g., bank tellers informing their retail customers in evidence of systemic abuse, and any problems should be resolvable or preventable through reasonable administrators' Association, on an effort to understand what the banks are doing and where additional regulation or supervision might be useful.

While this effort appears to be in its early stages, individual states have evidenced a greater position toward stronger and more aggressive supervision, even to the extent of forcing actions by individual banks not specifically mandated by the states' black letter law or regulations.

IT IS TIME *to recognize that the debate over bank securities activities is no longer whether banks can engage in them, but how they should conduct them.*

Congressional pressure on the federal banking regulators to demonstrate that sufficient regulatory safeguards are in place to prevent abuses in mutual fund sales by banks has further raised concerns over the sufficiency of the regulatory scheme.

Several commentators, including a major securities trade association, have suggested that the federal banking regulators should take steps to institute a comprehensive scheme of uniform guidelines in this area.

This is apparently intended to both preempt the jurisdiction of the states and to forestall any

Mr. Smith and Mr. Horn, both former officials in the Office of the Comptroller of the Currency, are partners in the law firm of Mayer, Brown & Platt in Washington.

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The Annual Return of MIRIMAC FUNDS, INC. for the fiscal year ended July 31, 1992 is available at its principal office, located at 301 Roaring Brook Road, Chappaqua, NY 10514 for inspection during regular business hours by any citizen who requests it within 180 days hereof.
Principal Manager of the Foundation is Louise Rosenfeld.
Dated: August 4, 1993.

NOTICE
The annual report of **EDWARD R.A. ROSALINDA ROBERTS FOUNDATION** for the fiscal year ended November 30, 1992 is available at its principal office located at 85 Broad St. Second Floor, New York, NY 10004 phone (212) 902-6501 for inspection during regular business hours by any citizen who requests it within 180 days hereof. Manager of the Foundation is Edward R. Roberts.

CORRECTION NOTICE

CORRECTION NOTICE: M. SHERMAN DCA LIC #9931098 and/or S. GORELICK DCA LIC #8414837 SOLD Aug. 3, 1993 423 West 60th St. N.Y.C. 1981 Mercedes Benz 240D 4 Dr Sdn W/DARK/GREEN Int. Selling Ag. G.Anderson: Metropolitan Auctioneers, Inc.

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The North/Northeast Portland (Oregon) Development Bank is in formation, and we are seeking CEO candidates. The Bank will be organized in a holding company model, with commercial bank and real estate development subsidiaries. Business emphasis will be on providing bank credit services to stimulate the revitalization of the market community, focusing on real estate and small business lending. The South Shore Bank in Chicago is the model on which our bank is patterned.

Candidates must have successful experience in senior bank management, minority/disadvantaged community relations and community development economics, and lending (real estate, business entrepreneurial). Bank CRA presentation skills are essential. We are seeking a CEO interested in a long term commitment to our bank and its community development effort.

If interested, please submit your complete resume to our search consultant: **Ms. Jeanne Peterson, Cope, Cope S.W. Columbia, Suite 1050, Portland, OR 97258.** *E.O. E.*

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Garagesman's lien sale & Andrew O. Judge lic#046680 sells on 8/20/93 at 8:30am at 127-76 Willets Pt. Blvd., Corona 1988 Ford 2dsd KNBBB17K7 6107632 re: Betsy Casiano. At 8:45am at 3251 Bdwy 3rd flr.NYC 1984 pontiac 2dr 1G2AS 07H-3EN246659 re: Acacia Restaurant c/o Manny; 1986 buick 2dsd 1G4EZ33D-GU409347 re:Eds & Luis Vargas. At 9am at 236 E. El Sur, NYC 1987 kawasaki mcy JKAZXDF13HB502473 re: Victor W. Lee. At 9:15am at 306 E.188, BWY, NYC 1981 olds sedn 1G3AB69JXBW187148 re:Antonio Roche. At 9:30am at 333 E.149 St. Bronx, NY 1986 vw sedn 1VWDD017JG V022601 re: Darryl Johnson. At 9:45am at 1297 Grandwell Av.Bx 1984 pontiac 2dsd 1G2AB2 7D4E7274641 re:Alfredo A. DMV Bk. legal Reg. At 10am at 1412 Jerome Av.,Bx 1987 honda 4dsd JHMBA7642HU183930 re:Eva Asnebi. At 10:30am at 978 Clay Ave, Bx 1986 toyota 2dsd JT2AW15C0-G007268 re:Maria Rojo, Maria Perez & Rolf G. Homburg. At 10:45am at 857 E.169 St.,BX 1975 volvo 2dsd VC24C0 B2017124 re: Danilo Insu & Jose F. Cerrato. At 11am at 601 E.13 7 St, BX 1985 toyota 4dsd JT2SV21E2F0 0 Sale conducted by Manager Barbara Lopez. Carmen Sayers & GMAC. At 12pm at 3210 Webster Av, BX 1984 jeep 1C1U-X7714ET0053 re: Benjamin Rodriguez & Norma Bk Garcia. At 12:30pm at 2768 Webster Ave, BX 1980 olds 2dsd 3M47F-AM405936 re: Jose Nazario. At 1pm at 270 Bruckner Av.,BX 1985 toyota 2dsd JT2-MA67L9F0141815 re: Naser A. Ramadan & Gerald F. Breidinger. At 1:30pm at 1 Jericho Tpk.,New Hyd Pk 1987 saab 2dsd YS3AT76L1H7035443 re: Gerald Friedman & EAB. Lienor may bid. Ad dates 8/4,11, 93.

Warhousemans's lien sale & JJ Auction Inc sells on 8/20/93 at 3:30pm at 1960 Ves Hwy, C.Islip storage units sld#'s N1411, N1412 re: Power Fire, HR022 ret; Fabtronics Man. Corp. Lienor may bid.

PARTNERSHIP NOTICES

Nordek Fund, L.P. has been formed as a foreign limited partnership (L.P.) and states the following: The name of the L.P. is Nordek Fund, L.P. The date of filing of the Application of Authority with the Secretary of State of the State of NY (S/S) is 8/3/93. The L.P. was organized in DE on 7/20/92. The county in which the office is located is NY. The S/S is designated as the agent of the L.P. upon whom process against the L.P. may be served. The P.O. address to which the S/S shall mail a copy of any process against the L.P. served upon it is c/o The Prentice-Hall Corporation System, Inc., 15 Columbus Circle, N.Y., N.Y. 10023-7773. Its address in DE is c/o The Prentice-Hall Corporation System, Inc., 32 Loockerman Sq., Ste. L-100, Dover, DE 19901. The list of names and addresses of all general partners is available from the S/S. The name and address of the initial certified officer in DE where a copy of it is certified and a P. is filed is S/S, Corp. Dept., Fed. and S. Duke of York Sts., Dover, DE 19901. The purpose of the L.P. is: Investment in Securities.

ONE WEST 190TH ST., L.P. has been formed as a domestic limited partnership (L.P.). Certificate filed with Secretary of State of NY 7/15/93. NY office location: Bronx County. Secy of State is designated as agent upon whom process against the LP may be served. Sec. of State shall mail a copy of any process against the LP served upon him/her to: ONE WEST 190TH ST L.P., 29 East Fordham Road, Bronx, New York 10468. Name and address of each general partner is available from the Secy of State. Term until June 30, 2043. Business purpose: to own, purchase, sell and leasing of real and personal property.

Notice of formation of limited partnership (L.P.). Name of the L.P.: Ana L.P. Certificate filed with Sec. of State of NY ("Sec.") on 7/15/93. Office location: NY County. The Sec. has been designated as agent of the L.P. upon whom process against it may be served. The Sec. may mail a copy of any process to c/o Fly & Company, Inc., 63-32 Thornton Crescent, Rego Pk., NY 11374. The name and address of each general partner is available from the Sec. Latest date of dissolve: 6/11/2042. Character: Real Estate. Owner/Management.

Depositor-Preference Measure Could Put Weak Banks in a Bind

Continued from page 1

disadvantage than creditors of nonbanks, the government's stake in insured institutions will necessarily increase," she said.

"This is counterproductive to the long-term goal of both reducing the government's involvement in the banking system and making that system more competitive."

NEWS ANALYSIS

The measure could lead the ratings agencies to downgrade some institutions or lower the ratings of their nondeposit obligations such as letters of credit and bank notes.

'Actively Watching'

"It's something that we are actively watching," said Bob Swanton, a director in the financial institutions group at Standard & Poor's. "Until we see how they are really going to apply this, it's tough to say how we're going to come out."

Christopher Mahoney, a vice president at Moody's Investors Service Inc., said his company agency will put out a statement on the new provision this week.

"The question we have to ask ourselves is: Would it affect nondeposit obligations?" he said.

Depositor preference is becoming law mainly because it is seen as the lesser of two evils.



Karen Shaw
Sees creditors frightened off

The Clinton administration wanted the FDIC to raise money by charging for its exams. The depositor preference provision was agreed to as a tradeoff.

Savings Seen for FDIC

The Congressional Budget Office estimates that the FDIC would save $750 million over five years as a result of the preference provision.

Paul Fritts, the FDIC's executive director of supervision and resolutions, said the agency supports the measure.

"One of two ways, it's going to save us money," Mr. Fritts said.

First, if a bank fails, the FDIC is going to recoup more money – because it gets paid before other creditors.

Second, Mr. Fritts predicted, nondeposit creditors are going to avoid the risk and convert their funds to deposits. The bank will then have to pay insurance premiums on more deposits. □

United of Philadelphia Gets $11.8 Million In Deposits of a Failed Thrift for $7,777

By ROBYN MEREDITH

WASHINGTON — For the price of a new subcompact car, a Philadelphia bank bought $11.8 million in deposits of a failed hometown thrift.

United Bank of Philadelphia, a $26.5 million-asset institution, paid the Resolution Trust Corp. $7,777 for the deposits of Chase Federal Savings and Loan Association of Philadelphia, the RTC announced.

'Best We Can Get'

Chase, which was a minority-owned institution, had $17.3 million of assets and $19.5 million in liabilities, the RTC said.

United Bank's bid was the only one received. United also is a minority-owned institution.

"The best we can get is the best we can get," an RTC spokesman said.

In addition to getting Chase's deposits, United will have the use of its buildings for five years, with an option to buy them.

United is also buying $1.8 million of Chase's cash and cash-equivalents for an additional $1.8 million.

And it will have the option of buying at market value up to $11.8 million in pools of loans from the RTC's portfolio.

Premier of Ohio Makes Purchase

Separately, $489 million-asset Premier Bank and Trust in Elyria, Ohio, will pay the RTC $947,500 for a $29 million-asset failed thrift.

Premier will assume the $18.7 million in deposits of Crestline Federal Savings and Loan Association in Crestline, Ohio.

In addition, Premier will pay $16.5 million for the same amount of the failed thrift's assets, which include cash as well as home, consumer, and commercial loans.

FDIC and OTS Square Off over Glendale

Continued from page 2

whether OTS could justify allowing Glendale to stay open based on the agency's ruling on a concrete agreement. Glendale announced in July its sixth consecutive quarterly loss.

Termed a Lost Cause

Because Glendale does not have a strong earnings stream, "forbearance will only prolong the agony," said Bill Ferguson, president of the Dallas-based consulting firm Ferguson & Co.

Neither the FDIC nor the Office of Thrift wants the responsibility for shutting down Glendale. The FDIC, which is the backup regulator for thrifts, wants Glendale to be shut down if its financial troubles are unlikely to be resolved quickly.

Who Would Pay, and When

If the institution closes after Sept. 30, the FDIC's insurance fund would have to pay an estimated $5 billion tab for its closing. Congress this week is considering additional funding for the RTC. The House bill – if passed – would grant the S&L cleanup agency $18.3 billion. A failure of Glendale alone could consume nearly a third of the money in the bill.

But if Glendale is allowed to stay open after the RTC stops taking thrifts, and later fails, it will go to the new Savings Association Insurance Fund, which is run by the FDIC and which at the end of March had just $441 million.

Complicated Recapitalization

Congress is considering appropriating $16 billion for the Savings Association Insurance Fund along with funding the RTC, but the money would come with lots of strings attached. □

The company's management is attempting a complicated recapitalization. It seeks shareholder approval to merge its holding company, Glenfed Inc., into Glendale Federal, the thrift subsidiary.

It is restructuring its holding company debt by offering a new debt-for-equity exchange; it is seeking reclassification of the thrift's preferred stock, and subsequent to that, with shareholder and bondholder approval, it will begin a rights offering to current and other investors, which it expects to raise $250 million to $300 million. It will also offer an additional $125 million in other securities, most likely preferred stock.

The thrift agency and the FDIC refused to comment on record regarding the matter.

The interagency debate is also complicated because neither agency has a Clinton appointee at its head yet. □

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L. Posner is lic #047081 sells for cash 8/19/93 at 10:30AM at 9 Rock Cut Road Newburgh 75 International Scout 8GD25E0020000 Vehicle Gr. Johnson; 11:30AM at 1701 Middlesex Ave Bklyn 87 Honda 1HFMC1603-H1LNBM82F0H1Y628551 Re: GMAC; 2PM at 220-21 Northern Blvd Qns. 90 Mitsubishi Mirage #JA3CU32A6JU106-5770 Re: Spencer, 85 Ford Ltd. #2FABP72FXJX162790 Re: M. Chan.

L. Posner lic #047081 sells for cash 7/26/93 at 12PM at 7 Harris Avenue New Rochelle VW Rabbit #1VWDC0176E0017251 Re: U. Rudici.

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BANK AND THRIFT STOCKS

Highlights for Tuesday, August 3

TOP 10 GAINERS %

Baltimore Bancorp	10.5
FNB Corporation	7.3
Signet Banking Corporation	5.7
Provident Bankshares Corp.	4.8
Western Bank	4.5
ONBANCorp., Inc.	3.8
Hubco, Inc.	3.5
First Midwest Bancorp, Inc.	3.5
Summit Bancorporation	3.4
F & M National Corporation	3.3

TOP 10 LOSERS %

Chemical Financial Corporation	-5.8
Boulevard Bancorp, Inc.	-4.7
NBSC Corporation	-4.0
USBANCORP, Inc.	-3.6
City National Corporation	-3.6
First Merchants Corp	-3.6
F&M Bancorp.	-3.5
Bank of Granite Corp.	-3.3
Des Valley Bancorp of WV, Inc.	-3.3
U.S. Bancorp	-3.3

MOST SHARES TRADED

Citicorp	2730700
Constellation Bancorp	1458600
Chase Manhattan Corporation	1063100
Magna Group, Inc.	848400
ConeStates Financial Corp	772300

VOLUME AS % OF AVERAGE

CBT Corporation	2249.0
Magna Group, Inc.	1214.9
Boston Bancorp, Inc.	1082.3
Constellation Bancorp	611.6
Commerce Bancshp, Inc.	596.8

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts 1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			AB Bank Index			AB Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.01	-0.12	2.22	-0.02	0.43	1.23	-0.19	0.93	6.34

Top 225 Banks

52 Wk		Name	PE	Mkt	Cls.	Chg.
Hi	Lo			to lst		
38¼	20¾	1stSourceCorp/IN	11.6	197.4	24¼	-¼
27¼	18¼	AMCORE Fin'l.	10.9	134.4	23¾	-¼
17½	8½	AllianceBncp/LA	13.3	107.7	14¾	-¼
35¾	26¾	AmSouthBancorp/AL	10.7	147.6	31¾	-¾
36½	30	AssocBancorp/WI	12.8	185.2	32¾	-¼
35¾	27¾	BB&T FinCorp/NC	11.8	152.3	33¾	-¾
27½	12	BBNBancorp/OH	12.1	343.9	20	-¼
33	21¼	BT FinCorp/PA	11.4	140.4	30¾	-¼
17¾	9¾	BancFirstCorp/OK	10.1	124.0	16¾	1¼
19¼	14¾	BancTennCorp/TN	10.1	124.0	19¼	-¼
61	42¾	BancorpSouth/MS	14.5	231.9	53¾	-¼
55¾	40¾	BancorpSouth/MS	11.5	146.3	37½	-¼
40¾	37¾	BancorpSouth/MS	11.5	146.3	37½	-¼
53¾	41	BankAmerCorp/CA	10.7	1,100.9	51¾	-¾
30½	26	BankGrantCorp/AK	16.9	267.1	28½	-½
14¾	9¼	BankSouthCorp/LA	11.3	167.7	14¾	-¼
78¾	59	BankersTrust/NY	8.5	170.3	77¾	-¾
29½	17¾	BankersTrustCorp/MD	27.2	100.9	18	-¼
28¼	18¾	BankofBoston/MA	8.9	111.8	24¾	-¼
61¾	35¾	BankofNY/NY	11.0	1,196.5	59¼	-¾
50¾	34¾	BarnettBanks/on,FL	18.2	178.0	47	-¼
52¾	29¾	BayBanks/MA	12.9	135.3	47¾	-¾
64¼	49¾	BostonFdCorp/MA	11.7	153.7	59¾	-¾
31¾	13¾	CBI Industries/IL	10.8	1,067.2	29¾	-¾
31¾	24½	CCB Financial/MI	10.2	132.1	25¼	-¼
31¾	24¾	CBT Corporation/GA	12.9	1,125.3	30¾	-¾
34¾	23¾	CNB FinCorp/PA	11.7	145.3	30	-¼
34¾	23¾	CNB Bancshares/IN	10.8	186.1	33¾	-¾
34¾	27¾	CPB Inc./IN	11.4	107.6	28	-¼
13¾	7¼	CNB FinCorp/CA	9.0	155.7	12¾	-¼
14¾	9¾	CalFed Bancorp/CA	13.6	833.7	12	-¼
24¾	13¾	CathayBancorp/CA	10.2	126.3	13¾	-¼
19¾	13¾	CentralBancshs/AL	11.2	177.4	25	-¼
34¾	22¾	CentralFidelity/VA	11.8	177.1	29¼	-¼
34¾	18¾	CentralBancorp/OH	15.0	155.3	22	-¼
24¾	16¾	CentralBancshs/MO	10.8	143.2	19¾	-¼
27¾	21	CharterBancorp/LA	8.7	86.5	22¾	-¼
44	30¾	ChemicalBanking/NY	8.7	120.8	41¾	-¾
33¾	23¾	ChemicalFin/MI	13.4	180.3	44½	-¼
22	13¾	CitizensBancorp/VA	12.0	111.2	20¾	-¼
31¾	23¾	CitizensBancorp/MD	10.4	127.3	29¾	-¾
31¾	24¾	CitizensBancorp/MD	14.1	127.3	29¾	-¾
25	18¾	CitizensBanking/MI	13.5	146.9	25	¼
79	29	CityNational/CA	12.1	1,012.2	71¾	-¾
30	17¾	CityNational/Grp/WV	14.3	166.9	26	-¼
31¼	19¾	CityNatlCorp/CA	NM	107.7	19¾	-¾
23½	17¾	ColonialBancGp/AL	8.9	127.2	20¼	-¼
34¾	27¾	ColonialBncGp/VA	10.6	165.1	29¾	-¼
26¾	13¾	CommercialBk/NY	18.8	197.6	26¼	-¼
17¾	11¼	CommercialBncp/FL	11.6	158.4	17	-¼
33¾	25¾	CommercialBncs/MO	11.4	139.0	29¼	-¼
45¼	24¾	CommerceBncsh/PA	14.9	218.8	45¼	-¼
15	11¼	CommunityFirst/MO	10.2	144.6	13¾	-¼
19¾	15¾	CompassBncsh/AL	NM	187.0	17¾	-¼
28	15¾	Comerica/MI	4.7	89.3	24	-¼
27¾	19¾	CoreStatesFin/PA	12.1	1,012.2	27¾	-¾
40¾	27¾	CrestarFinCorp/VA	13.7	159.2	42¾	-¾
40¾	25	CulbroSys/TX	11.3	180.8	39½	-¾
27¾	20¾	DauphinDeposit/PA	12.3	168.3	25¾	-¼
35¾	20¾	DepositGuaranty/MS	10.4	153.9	31	-¼
17¾	12¾	F & M Nat'l Corp/VA	11.7	153.8	15½	-¼
22	17¾	FAMBancorp/MO	10.1	139.8	20¾	-¼
18¾	9¾	FBS Corp/ME	16.2	114.5	14¾	-¼
29	24	FarmersCapital/KY	15.2	130.5	28	-¼
50¾	46¾	FidelityBancorp/IN	10.4	218.0	49¾	-¾
40¾	31¾	FinancialTrust/IN	13.1	186.5	40¾	-¼
35¾	25¾	FirstTeamNat'l/MI	10.4	153.1	32¾	-¼
38¾	27¾	FirstAlabama/AL	12.2	183.8	33¾	-¼

52 Wk		Name	PE	Mkt	Cls.	Chg.
Hi	Lo			to lst		
38¼	20¾	FirstAmericb/TN	7.6	104.8	25¼	-¼
33¾	20¼	FirstAmerCorp/TN	11.9	183.0	32	-¼
30¾	20¾	FirstFinCorp/DE	10.4	139.2	30¼	-¼
33¾	23½	FirstBankSyst/wwn,MN	27.8	179.0	30¾	-¾
25¾	20¾	FirstBkPR/PR	10.7	135.5	24¾	-¾
62½	35¼	FirstCitizens/NC	8.3	127.3	47¾	-¾
25¾	15¾	FirstCmwlthFin/PA	10.4	135.3	18¾	-¼
40	28¾	FirstCommerce/LA	10.5	196.6	37½	-¼
25¾	19¾	FirstCommerce/TN	10.2	135.0	24¾	-¼
25¾	19¾	FirstCommerce/TN	10.2	135.0	24¾	-¼
35¾	25¾	FirstCommerce/TN	12.4	159.0	30¾	-¾
157⅛	128	FirstCommerce/TN	11.5	161.8	143½	-¼
31¾	24¾	FirstCommerce/TN	10.8	182.5	30¾	-¾
49¾	37½	FirstFedAur/CO	16.7	218.2	49¾	-¾
36¾	28¾	FirstFedCorp/FL	11.7	153.3	34	-¼
30¾	23½	FirstHawaiian/HI	10.1	150.0	27¾	-¼
17¾	13¾	FirstHorizon/TN	9.9	138.0	17¾	-¼
27½	19¾	FirstMichBnCp/MI	12.7	176.8	27¾	-¼
27¾	21¾	FirstMidwest/IL	17.6	168.2	26¾	-¼
22¼	15¾	FirstNatBancp/GA	12.4	157.9	20	¼
25¾	20¾	FirstNatlBnk/LA	12.2	157.9	25¾	-¼
47	33¾	FirstNiagara/NY	13.8	198.5	42½	-¼
31¾	25¾	FirstNorthCorp/NC	10.1	150.3	30¾	-¾
29½	17	FirstOhioBnk/OH	8.9	143.7	28½	-¼
39	34	FirstRepublic/TX	11.0	1,012.2	38¾	-¾
38¾	30	FirstSecurity/ID	11.0	183.6	38¾	-¾
38¾	30	FirstVirginia/VA	10.9	183.9	37	-¼
44¼	32¼	FirstWyoming/WY	14.5	228.3	44¼	-¼
39	34	FirstbankN.E./IL	11.8	164.8	37	-¼
41¾	30¾	FirstbankPR/PR	11.0	183.6	38¾	-¾
37¾	26¾	FleetFinancial/RI	14.0	155.2	33¾	-¾
44¼	32¼	FortWayneNat'l/IN	13.5	173.9	41	-¼
31¼	24	FourthFin'l/OK	11.6	156.8	30	¼
29¾	20¾	FranklinCorp/MS	10.5	151.5	26¾	-¼
30¾	26	FrstMerchantsCp/IN	11.3	140.3	27	-¼
31¾	23¾	FrstMerchantsCp/IN	12.5	170.5	29¾	-¼
24	18¾	FrstPacificBncp/CA	13.7	171.6	23	-¼
17¾	13¾	GBC Bancorp/CA	10.4	135.3	16¾	-¼
25¼	15¾	GreatSouthern/MO	10.6	161.1	23¾	-¼
25¾	19¾	GreenPoint/NY	7.4	1,012.2	24¾	-¾
29¾	19¾	HamiltonBncp/FL	11.8	186.5	29¾	-¾
29¾	19¾	HanmiBancorp/CA	11.5	154.2	17¾	-¼
29¾	19¾	HarleysvilleGrp/PA	11.5	154.2	29¾	-¾
8¾	4¾	HiberniaCorp/LA	NM	152.2	7	-¼
24¾	15¾	HubcoInc/NJ	13.5	228.3	24¾	-¾
27¾	16¾	HuntingtonBcshs/OH	13.9	228.0	27	¼
29¾	19¾	IBERIABANK/LA	17.8	459.4	31¾	-¾
29	21¾	IndependenceBk/PA	38.7	153.8	29	¼
29¾	20¾	IntegraBank/IN	12.3	190.2	27¾	-¼
18	12¾	InternorBank/IL	12.1	151.0	16¾	-¼
24¾	17¾	InterstateBncp/IL	11.7	151.0	24¾	-¾
54¼	28	IrwinFin/Corp/IN	8.5	204.3	44¾	-¾
24¾	17¾	J.P. Bancorp/FL	10.3	183.2	24¾	-¾
23¾	13	JeffersonBnshs/VA	12.3	170.1	21¾	-¼
24¾	17¾	KeyCorp/NY	11.3	1,012.2	24¾	-¾
24¾	19¾	KeystoneFin/PA	11.3	183.2	24¾	-¾
24¾	19¾	LeesBancp/IL	14.3	189.1	22¾	-¼
31¾	23¾	LibertyBancorp/OK	8.8	154.4	34	-¼
28¾	20¾	LibertyNatBnk/KY	14.8	159.8	28	-¼
28¾	20¾	LibertyNatBnk/KY	14.8	159.8	28	-¼
27¾	16¾	MBNACorp/DE	17.8	459.4	31¾	-¾
14¾	10¾	MNC Financial/MD	10.3	124.5	14¾	-¼
18¾	13¾	MagnaGroup/MD	11.0	112.8	14	-¼
29	17¾	MarshMcLennan/MD	13.5	212.6	28	-¼
25¾	20¾	MarshallBnshs/WI	13.5	194.3	25¾	-¼
68¾	40	MellonBankCp/PA	9.7	138.1	55¾	-¾
36¾	28¾	MercantileBncp/IL	9.7	153.9	36¾	-¾
35¾	24¾	MercantileBncsh/MD	11.4	145.1	29¾	-¾
42¾	31¾	MercantileStr/MO	11.4	157.4	32¾	-¼
44¾	32¾	MerchantsBncsh/IN	11.8	157.4	32¾	-¼

52 Wk		Name	PE	Mkt	Cls.	Chg.
Hi	Lo			to lst		
23¾	18½	UnitedCarolina/NC	16.3	136.4	22¾	-¼
20	12	UnitedCommBk/GA	8.3	135.1	20	-¼
40½	30¼	UnitedMissouri/MO	13.8	136.6	38¾	-¼
32½	17	UnitedNatBncp/IN	11.8	146.2	32¾	-¼
45¾	35	ValleyBancorp/WI	13.8	178.7	45¼	-¼
28¾	20¾	ValleyNatBancs/NJ	12.5	248.5	25¼	-¼
27¾	20¾	VictoriaBkshs/TX	8.8	126.4	24¾	-¼
40¾	29	WachoviaCorp/NC	13.3	207.2	35¾	-¾
120	61¾	WellsFargo/CA	22.0	188.8	114¾	-¼
32	21¾	WestAmBncp/NM	10.3	137.1	31¾	-¼
54¾	38¾	WestBancorp/OR	12.7	167.6	54¾	-¼
38¾	29¾	WestcornerBanc/CA	10.8	135.7	37¾	-¼
38¾	20¾	WesternBancp/AZ	13.9	212.8	31½	1¼
28¾	20¾	WesternBncsh/CA	11.3	135.3	24¾	-¼
27¾	20¾	WilmingtonTrst/DE	13.8	364.4	27¾	-¼
27¾	20¾	WorthenBanking/AR	9.1	150.5	24¾	-¼
37¾	27	ZionsBancorp/UT	10.0	190.8	40½	-¼

Top 25 Thrifts

52 Wk		Name	PE	Mkt	Cls.	Chg.
Hi	Lo			to lst		
19¾	12¾	ALBANYFinancial/NY	11.2	94.0	18¾	-¼
21¼	13¾	AmericanCo/A	NM	102.1	19¾	-¼
20¾	15¾	CalFedBanFSB/CA	NM	32.6	15¾	-¼
34¼	22¾	CharterOneFin/OH	8.0	151.5	33¼	-¼
19¾	14¾	CoastSavingsFA/CA	14.5	87.2	19¾	-¼
27¾	21¾	CommonwealthEq/MA	11.5	97.7	27¾	-¼
27¾	21¾	CommonwealthEq/CT	11.2	119.8	27¾	-¼
19¾	15¾	CragarCorp/CA	11.2	34.3	19¾	-¼
22	13¾	DowneySavings/CA	6.6	104.5	21¾	-¼
10¾	7¾	FirstFinCorp/-W	8.9	155.4	14	-¼
34	17¾	FirstNetMtCp/MI	10.2	74.3	32¾	-¼
20¾	15¾	GoldenWestFn/CA	7.5	241.8	20¾	-¼
19¾	13	GreatWesternFn/CA	246.4	103.4	17¼	-¼
19¾	10¾	JSB Financial/NJ	10.0	94.7	19¾	-¼
19¾	11¾	MetroFin/-MN	9.3	102.8	15¾	-¼
22¾	18½	NBB Bancorp/MA	11.6	112.3	22¾	-¼
32¾	22¾	NSBancorp/IL	8.9	116.6	32¾	-¼
21¾	14¾	NorthSideFin/MO	10.1	89.5	21¾	-¼
11¾	9¾	SovereignBk	10.9	190.2	11¾	-¼
17¾	12¾	StaffordLP/CA	10.6	108.2	17¾	-¼
17¾	12¾	SunbeltNatBk/GA	11.8	168.5	17¾	-¼
34½	23¾	TCFFinancial/-MN	9.4	145.7	32½	-¼
19¾	14¾	WashingtonFd/WA	9.4	107.2	19¾	-¼
29	22¾	WashingtonMut/WA	10.8	202.7	26¾	-¼

Bank Stock Table Explained: The table lists in alphabetical order daily composite stock prices at 4:30 p.m. (unless otherwise noted) for the 225 largest public traded banking companies and the 25 largest publicly traded thrifts as measured by the market value of their outstanding common stock. The 52 wk Hi and Lo is the highest value each for banks was $73.50 and for thrifts $244.20 mil.) **$2 Wk Hi Lo:** The moving 52-week high and low closing prices for the stock. **PE to lst:** Price/earnings ratio as of the most recent stock price divided by the trailing four-quarter earnings per share adjusted for latest announced earnings. The ratio is annualized for companies with less than four quarters of data. **Mkt to lst:** The market value of the company's stock as of the most recent stock value, expressed as a percentage of book value, adjusted to announced earnings and dividends. **Last:** The price at which the stock last traded. **Chg.:** The change for trades for the last day. **Bank and Thrift Index:** A weighted average of the top 225 banks in market value and the top 25 thrifts in market value. Each company's contribution to the index is based on its relative market value. The two value indicators, most shares traded and today's estimate, are the percentage of average shares traded and value.

Data source: SNL SECURITIES, Charlottesville, Va. 804/977-1600. Data compiled for Indexes, Financial News Network, Vienna, Va., provides SNL with the daily prices.

Key Loan Activity

Dollar amounts in millions

July 26 - 30

Working Cap./Gen'l corp. purposes	
Supermarkets General	$575.0
Crescent Mach/1 Partners	440.0
Donaldson Lufkin & Jenrette	250.0
Shoney's Inc.	125.0
CP backup	
General Motors Acceptance Corp.	$10,000.0
LBO	
Specialty Foods Partial	$540.0

Debt repayment	
Farmland Industries	$508.9
Zenith Electronics Corp.	90.0
Acquisition program	
Insilfoam Technologies	$30.0
Recapitalization	
Eastman chemical	$2,300.0
Jack Eckerd Corp.	950.0
Northern Border Pipeline	270.0
World Color Press	200.0
American Healthcare Management	122.5

Description: This table tracks key corporate loan activity and financial filings made weekly with the SEC.
Data Source: Loan Pricing Corp., New York (212) 469-5455

Key Rates*

(August 3, 1993)

	8/3	8/2	7/27	8/3/92
Federal Funds domestic range:	3¼-3⅜	3¼-3⅜	3¼-3⅜	3¼-3⅜
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit†				
3 Month Posted	2.78	2.78	2.78	2.90
6 Month Posted	3.07	3.07	3.02	3.10
1 Year Posted	3.30	3.30	3.35	3.35
Eurodollar deposits†				
3 Month	3⅛	3⅛	3⅛	3⅛
6 Month	3⅛	3⅛	3⅛	3½
1 Year	3¼	3¼	3⅜	3⅝
Bessler Commercial Paper†				
1 Month	3.14	3.10	3.14	3.39
3 Month	3.21	3.15	3.19	3.39
6 Month	3.31	3.32	3.38	3.50

(*)— Late afternoon quotes, New York market. (†)— Highest offering rates (annual % yield) at selected NYC money center banks. (¶)— Late London bid. (**)— AA rating or the equivalent.

Continued from page 1

company to register securities it expects to sell within two years.

The maneuver gives an issuer the flexibility to move quickly once market conditions are seen as advantageous. Companies are not required to issue the full amount registered.

Seen Raising $1.4 Billion

The largest previous shelf registration for equity and straight debt by a commercial bank was for $3.3 billion by BankAmerica Corp. in November 1991, according to Securities Data Co.

NationsBank will probably raise at least $1.4 billion in the capital markets before the end of the year, a spokesman said.

The company, which has $123.8 billion of assets, has become a major securities issuer and has grown. The bank has raised $1.833 billion in long-term markets so far this year, more than it did in the five years ending in 1991, according to Securities Data.

U.S. West, MNC Deals

Two pending acquisitions are scheduled to close by yearend. The company last week agreed to pay about $2.4 billion in cash for the assets of U.S. West Financial Services. And the MNC deal, set to be completed on Oct. 1, is expected to cost $1.4 billion, which will be paid in cash and stock, said the spokesman.

The spokesman said no firm plans have been made for financancing the two acquisitions. A NationsBank treasury official declined to comment.

But since NationsBank had $1 billion in cash and short-term investments at the end of June, the bank will probably need to raise at least $1.4 billion in the capital markets before the end of the year, the spokesman said.

Upgrade Possible

Moody's Investors Service is reviewing NationsBank's senior debt for possible upgrade. Moody's currently rates the debt A3. Standard & Poor's rates the senior debt A.

Separately, State Street Boston Corp. filed for a shelf offering of up to $250 million of debt securities.

The company said in a filing with the SEC that proceeds will be used for general purposes, including debt repayment or refinancing. Underwriters may include Goldman Sachs & Co., the company said.

Duff & Phelps Credit Rating Co. on Tuesday upgraded the credit ratings of Keycorp. The bank's senior debt was raised to A from A-minus, subordinated debt was raised to A-minus from BBB-plus, and preferred stock was raised to BBB-plus from BBB.

The agency said "the ratings upgrade reflect Keycorp's solid operating fundamentals. Geographic diversification and a consumer/middle market lending focus have helped Keycorp maintain better-than-average asset quality and an overall lower risk profile." □

CAPITAL

NationsBank Registration Of $4 Billion Sets a Record

BANK CALL NOTICE

REPORT OF CONDITION OF

Delta National Bank & Trust Company of New York

Consolidating domestic and foreign operations of the Delta National Bank and Trust Company of New York, of New York City, in the state of New York, at the close of business on June 30, 1993, published in accordance with call made by Comptroller of the Currency, under title 12, United States Code, Section 161. Charter Number 20547 Comptroller of the Currency Northeastern District

ASSETS	Dollar Amounts In Thousands
Cash and balances due from depository institutions	
Noninterest-bearing balances and currency and coin	$ 1,208
Interest-bearing balances	17,000
Securities	25,427
Federal funds sold	44,100
Loans and lease financing receivables:	
Loans and leases, net of unearned income	13,277
Less: Allowance for loan and lease losses	102
Loans and leases, net of unearned income and allowance	13,175
Assets held in trading accounts	1,204
Customers' Liability to this bank on acceptances outstanding	6
Other assets	3,023
TOTAL ASSETS	$ 143,955

LIABILITIES	
Deposits:	
In domestic offices	$ 122,879
Noninterest-bearing 19,334	
Interest-bearing 103,365	
In foreign offices	833
Interest-bearing 833	
Noninterest-bearing	3,700
Bank's Liability on acceptances executed and outstanding	6
Other liabilities	2,000
Total liabilities	1,432
TOTAL LIABILITIES	$ 130,850

EQUITY CAPITAL	
Common stock	1,750
Surplus	5,750
Undivided profits	5,605
TOTAL EQUITY CAPITAL	13,393
TOTAL LIABILITIES AND EQUITY CAPITAL	$ 143,955

I, Fred J. Trotta, Vice President and Controller, of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

FRED J. TROTTA
July 27, 1993

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

ROBERTO M. CARVALLO
MICHAEL D. BUTTERMAN
JACOB SITSEN
Directors

1st Chicago to Redeem $112 Million of Stock

CHICAGO — First Chicago Corp. said it will redeem on Sept. 2 the $112.1 million issued and outstanding of its $3.75 cumulative convertible preferred stock, series A.

The company said the total redemption price is $52.135 a share.

As an alternative, the company said, stockholders have until 3 p.m. EDT on Aug. 26 to convert each preferred share into 1.391 First Chicago common shares.

First Chicago said the market value of the common stock into which the preferred stock is convertible will be greater than $52.135 as long as the market price of the common stock exceeds $37.48 a share. □

STOCKS: Signet Shares Upgraded on Possibility of Spinoff

By RICHARD LAYNE

Will Signet Banking Corp. spin off its fast-growing credit-card operation?

The Richmond, Va., bank isn't tipping its hand, but Thomas J. Brown, an analyst at Donaldson, Lufkin & Jenrette Securities Co., thinks such a move is increasingly likely.

And that is a key reason why Donaldson, Lufkin added Signet's shares to its "recommended" list Tuesday.

To make room for Signet, Fleet Financial Group was pulled off the list.

Although Fleet retained its "very attractive" rating, Mr. Brown said Signet has more potential to rise significantly. His 12-month price target: $40.

Price Rises

In late trading Tuesday, Signet's shares were up $1.625, to $30. Signet's shares have risen 25% this year, making it one of the better performing bank



stocks. Fleet's shares, which have gained less than 1% this year, were off 62.5 cents, to 33.375.

In a spinoff, Signet might create a separately chartered credit-card company, in which current shareholders would have a stake. The equity as well as senior management would be divided between the traditional bank and the credit-card bank. The two companies, taken together, could have more value for shareholders than Signet does now.

"I think there is better than a 50-50 chance that management will decide to break the company into two parts: a credit-card bank and a traditional bank," said Mr. Brown.

Signet officials could not be reached for comment.

High Level of Capital

The catalyst, Mr. Brown said, may be the bank's high level of capital. Signet's common equity is a strong 7.9% of assets and is growing at 13% a year from retained earnings. There is little asset growth, because lending hasn't picked up yet and the bank is securitizing its credit-card receivables.

Too much equity could depress the bank's returns, hurting share price and leaving it vulnerable to a takeover. Signet executives have told analysts that they are studying the bank's capital and organizational structures.

A spinoff could be beneficial. Since the traditional bank isn't growing earnings quickly, it wouldn't have to worry about accumulating equity. And a separate credit-card bank might use the extra capital to buy card portfolios.

Contribution to Earnings

Signet's card business is booming, accounting for more than half of bank's earnings last

A separate credit-card bank may be created.

quarter. In the past three quarters, card receivables have doubled, to $3.4 billion. The bank now has a sophisticated computer system designed to root out the best potential customers. Analysts say the system is among the best in the industry.

But the credit-card business is not being highly valued by investors. Shares of credit-card banks such as MBNA and Advanta trade at price-earnings multiples of 14 to 16. Signet's shares trades at 8.5 times Mr. Brown's estimate of 1994 per-share earnings, making it a cheap stock.

The MNC Precedent

"The marketplace is confused," said Mr. Brown. "It seems to me that by mixing the rapidly growing credit-card company and the traditional bank, it results in a lower valuation for Signet."

There is a precedent for a credit-card spinoff, of course. MNC Financial Inc. spun off MBNA Corp., a credit-card company.

If the split does occur, Mr. Brown does not expect the traditional bank to stay independent. Signet could be a target for a takeover offer.

Even if the bank doesn't split off the credit-card business, it may still find itself on the receiving end of an acquisition offer. The shares trade at a much lower multiple than big southeastern banks such as First Union Corp. □

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AMERICAN BANKER

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Will Smaller ATM Networks Disappear?

By MATT BARTHEL

The consolidation of the 30 or so automated teller machine networks in the Midwest is proceeding exactly as industry experts had anticipated.

With 15 of the region's most influential financial institutions talking about merging their electronic banking capabilities, a mega-network as big as Delaware-based Electronic Payment Systems Inc. seems to be taking shape.

And in the shadow of these discussions, dozens of small networks are hatching smaller-scale alliances in attempts to weather the increased competition from larger networks.

NEWS ANALYSIS

The latest to be announced is the planned merger of EFT Illinois Inc. and Access 24, the nation's 26th-largest and 51st-largest networks, respectively.

But though the Midwest developments to date were widely expected, experts are split on what will happen next.

And what ultimately emerges is likely to be a blueprint for the rest of the country, experts say.

Alternative Futures

Some believe smaller networks will be gradually squeezed out by larger companies, such as Wilmington-based EPS, that can provide a wide array of processing services in addition to the basic ATM transaction switching to which most smaller networks are limited.

A more prevalent opinion is that a handful of smaller networks will be able to coexist with the mega-networks by holding onto financial institutions that want to have a say in the strategic direction of their networks without having to buy equity positions.

Many networks with 1,000 ATMs or fewer are not-for-profit enterprises that allow all members to vote on network-related issues.

Larger electronic banking companies – with the exceptions of the Pulse network in Texas and Star in California – are typically for-profit ventures owned by a handful of banks that make all strategic decisions.

Investment Seen as Crucial

"There are elements of the not-for-profit structure that will always appeal to some financial institutions," says Richard Westelman, a senior consultant at Dove & Associates in Boston.

"The key to surviving [for a

See MIDWEST page 3

INSIDE NEWS

WASHINGTON

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REGIONAL BANKING

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COMMUNITY BANKING

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COMPLIANCE

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ORIGINATIONS by the nation's thrift industry slumped in the first quarter as consumers continued to turn up their noses at adjustable-rate loans. *Page 10*

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Loan Demand Flat or Down, Fed Finds

By CLAUDIA CUMMINS

WASHINGTON — Loan demand has remained flat across much of the country this summer, with the economy continuing a slow but steady improvement, the Federal Reserve reported Wednesday.

According to the Fed's periodic report of regional economic conditions, lending has actually softened in some areas, particularly in the Great Lakes states and much of the South.

But mortgage refinancings have surged again in many areas, the Fed's Beige Book reported. And residential construction and real estate activity remained strong in most of the country, although commercial real estate has remained weak.

The Fed prepares the Beige Book several times a year, in anticipation of Federal Open Market Committee meetings. The next meeting is scheduled for Aug. 17.

Mixed Signals

Overall, the survey found "generally sluggish" manufacturing activity, with little expectation for increased employment this year. Retail sales grew unevenly, but car sales strengthened in many regions, particularly the Midwest and South.

Inflationary pressures were slight, but mixed.

Although flooding has devas-

See FED page 17

Fed Reluctantly Backs Mark-to-Market Rule

By BARBARA A. REHM

WASHINGTON — The Federal Reserve Board reluctantly agreed Wednesday that banks should have to adjust equity capital to reflect unrealized gains or losses of the securities they hold for sale.

The Fed governors gave their staff the go-ahead to draw up a proposal for industry comment in cooperation with the three other bank and thrift agencies. That's the first step down a long road to a final rule, which is expected by yearend.

Regulators don't like the mark-to-market rule, because they believe it is an unsound policy that will cause bankers to shorten the maturities of their investments. They say it's being foisted upon them by the accounting profession. In May, the Financial Accounting Standards Board adopted FAS 115, a mark-to-market rule for banks.

"Should accounting procedures govern how an institution is run?" Fed Chairman Alan Greenspan asked. "We have to assume that the action on the part of institutions holding longer medium-term securities is one based . . . on the risk profile of the bank."

But Mr. Greenspan voted for the plan, conceding that, by law, the banking regulators must keep capital rules at least as tough as generally accepted accounting principles.

"I don't see where we have much choice," Fed Vice Chair-


AP/Wide World

Alan Greenspan
Sees shortening of maturities

man David Mullins said. "I would unenthusiastically not oppose the proposal."

Mr. Greenspan predicted that banks will shorten the maturities of their securities portfolios to avoid big hits to capital. He said the government should not be interfering with banks' economic decisions.

Maturities Predicted

Bill Roberts, senior vice president and controller at First Chicago Corp., agreed.

"I think it's a concern for the whole industry because it would motivate banks to modify prudent portfolio practices," he said. "It creates a tension between managing interest-rate risk and managing capital."

But Bill O'Halloran, control-

See FED page 22


Chris Usher

The GM Card's Silent Partner

JOSEPH SAUNDERS has quietly built Household Bank into one of the giant players in the credit-card business.

See story on page 12

NEWS *briefs*

Citi Leads Group Promoting 'Smart Cards'

NEW YORK — Several banking organizations led by Citicorp Inc. joined a multi-industry association to promote development of "smart cards," which are plastic cards enhanced with computer-chip memories.

The group, which has been holding meetings since last year, said Wednesday that it has incorporated in Delaware as the Smart Card Forum. Citicorp played an active organizational role, and Catherine Allen, a vice president in Citibank's corporate technology group, is interim chairman of the forum.

She said the forum will explore the need for "interoperability standards," which could allow cards used in pay telephones, for example, to be compatible with transit or banking applications.

Initial members include American Express Co., Apple Computer Inc., AT&T, Bank of Montreal, BayBanks Inc., International Business Machines Corp., MasterCard International, Microsoft Inc., the Washington Post Co., the U.S. Treasury, and Visa International.

FDIC Settles Suit over National of Washington

WASHINGTON — The Federal Deposit Insurance Corp. has settled a lawsuit against directors of the failed National Bank of Washington for $300,000.

A federal judge threw out the government's case against nine of the 11 directors in February and took the unusual step of criticizing the FDIC's case. The judge ordered the FDIC to pay the cleared defendants' legal fees.

The remaining two defendants, Luther Hodges, the bank's former chairman, and Robert Washington, a lawyer, will pay the FDIC $500,000, which is reportedly covered by insurance. The terms of the settlement were not made public, and the FDIC had no comment on Wednesday. *The Washington Post* reported that lawyers involved said the settlement contains no finding of wrongdoing by Mr. Hodges or Mr. Washington.

Amsouth to Buy 1st Federal of Calhoun, Ga.

BIRMINGHAM, Ala. — Expanding its franchise in northwestern Georgia, Amsouth Bancorp. said it would purchase First Federal Savings Bank of Calhoun, Ga., for $14 million in stock.

Amsouth, which is based in Birmingham, said late Tuesday it had signed a definitive agreement to buy the $69.4 million-asset thrift for 1.23 times book value. The deal, which will be accounted for as a pooling of interest, is expected to close in 1994.

Amsouth's shares were trading up 12.5 cents at $31.50 at noon Wednesday.

First Federal is "strategically located between our Chattanooga franchise and the Georgia State Bank of Rome, which we are in the process of acquiring," said Amsouth Chairman John Woods in a prepared statement.

The thrift, which has assets of $69.4 million and deposits of $57.7 million, earned $1 million in the nine months ended June 30, for a return on average assets of 2.01% and a return on average equity of 12.47%.

Amsouth, which has $11.1 billion in assets, has six acquisitions pending in Florida as well as the two Georgia deals.

Chemical Sets Up Credit for Argentine Firm

LONDON — Chemical Banking Corp.'s Chemical Investment Bank Ltd. unit and Galicia Capital Markets of Argentina have arranged a $100 million Euro-Commercial Paper Program for Aguas Argentinas, which operates water and sewerage systems in Buenos Aires, Argentina, and its suburbs.

Chemical Bank said Aguas Argentinas operates these services under a 35-year concession contract granted by the government of Argentina, which recently privatized the services.

The briefs were compiled from staff and wire reports.

Neal's Compromise on Bailout Bill Unlikely to Succeed Before Recess

By ROBERT M. GARSSON

WASHINGTON — A new effort by Rep. Stephen L. Neal, D-N.C., to jump-start the stalled Resolution Trust Corp. funding bill is unlikely to succeed before Congress goes on a monthlong break.

Hoping to woo the 30 or so Republicans who House leaders believe will be necessary to pass the measure, Rep. Neal proposed dropping money for the Savings Association Insurance Fund from the bill.

In return, the federal government would pick up a $772 million annual tab for the $10.8 billion in bonds sold in 1987 to finance an effort to shore up the thrift industry's insurance fund.

With that obligation extinguished, the industry's premium dollars could be devoted to building up the insurance fund.



Rep. Stephen L. Neal
Would drop funding for insurer

Waiting for Deficit Vote

Rep. Richard Baker, R-La., who has been negotiating with Rep. Neal, agreed to float the idea past other Republicans, according to an aide to the lawmaker. But with the lone exception of Rep. Richard Dreier of California, Republicans working on the bailout package appear to have rejected the idea.

In addition, House Democratic leaders told Rep. Neal this week that they did not want to bring the bill up before the chamber finished work on Presidents Democrats some political cover on the controversial issue.

Little Incentive for GOP

But as they have lost control of the White House, Republicans have little incentive to support the package, and many have gone on the attack.

Rep. Toby Roth, R-Wis., circulated a "Dear Colleague" letter in recent weeks arguing that – among other resources – the RTC has $7 billion in unspent cash that could be used.

Seidman Quoted

Rep. Roth quoted from a letter in which L. William Seidman, the former RTC chairman, said it "would be reasonable to fund remaining and future thrift resolutions by allowing the RTC to borrow from the Treasury against the approximately $100 billion of assets currently held by the agency."

"There is absolutely no justification for appropriating or reappropriating any more federal taxpayer funds for the S&L bailout at this time," Rep. Roth said.

Rep. Neal, who is chairman of the House Banking subcommittee on financial institutions, is expected to be the floor manager for the bill. He has said that if Congress fails to provide the funding, public confidence in insured institutions will be diminished. □

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Citi Centralizing Global Custody Operation With Product-Line Focus, Systems Revamping

By JEANNE IIDA

Citicorp announced to its employees a management reorganization of its Worldwide Securities Services unit, which has lost ground in recent years in the cut-throat custody market.

The reorganization will replace a regional sales and marketing structure with one based on product lines.

Citi has appointed worldwide heads of sales, marketing, and relationship management for each of the unit's 21 product lines, which include global custody, clearing, and trust services.

Citi also aims to revamp technology – by creating common systems to replace multiple, disparate systems, and by consolidating some processing – in order to create products with consistent features.

Citicorp is the world's largest global custodian, with $600 billion assets under management and $250 billion in cross-border assets. In recent years, however, it has been seen as less focused than rivals such as State Street Boston Corp. and Northern Trust Corp.

Because Citi has always been organized along geographical lines, rather than product lines, the bank has been unable to provide the same level of service in all the 47 countries where it offers custody and clearing services.

In addition, it has had difficulty making winning bids for the worldwide business of potential customers, because operations in one or more countries may hold out for higher fees.

Citi also has multiple, incompatible computer systems in many countries, giving it higher unit costs than some of its competitors.

In recent years the unit has lost ground in a cutthroat market.

Steven Baker, division executive in charge of Worldwide Securities Services, said he did not anticipate any layoffs in connection with the reorganization.

"When I got into the position six months ago, I said we would spend six months in identifying the various issues confronting us around the world and look at where we've done a less than perfect job," Mr. Baker said.

He said the bank would not quit any product lines.

The bank is investing "tens of millions" of dollars this year to upgrade systems overseas, Mr. Baker said.

Citicorp is also centralizing much of its processing and marketing from offices in 47 countries to four regional processing centers. About 2,000 people will be those country offices.

"Organizing with worldwide product managers is a natural evolution of Citi's client-focused orientation and would help it leverage its proprietary custodian network into a clear strategic advantage," said Harold C. McIntyre, a consultant and president of Summit Group, Murray Hill, N.J.

No Changes Planned on U.S. Side

The reorganization will primarily affect Citicorp's overseas operations; the domestic trust and custody organization will be left intact.

In domestic trust and custody, Citicorp also has had difficulties, stemming mostly from management turnover several years ago.

This summer, the State of Florida moved all its business and American Telephone and Telegraph Co. moved part of its business away from Citi to other master trust institutions.

The State of Florida had generated some $5 million annually for Citicorp in fees, according to industry sources.

Aiming to Boost Market Share

Mr. Baker said that new technology in the master trust and custody area would help Citi gain market share.

"With the additional functionality we're building and improved customer service, I think we're going to take an increasing share of that business over time."

Citicorp is installing a $80 million trust and custody system from International Business Machines Corp. and Financial Technologies International to handle master trust and custody.

The bank plans to move the first customers to the new system in the beginning of 1994. □

The regional sales and marketing structure will be replaced.

Midwest May Set Pattern for Networks

Continued from *page 1*

not-for-profit] lies in investing in new products and services for the next generation, and not just passing everything back to members in the form of lower pricing."

Most observers believe that when the dust from the nationwide consolidation settles, close to half of the networks that are expected to remain will be relatively small-line not-for-profits with 2,000 or fewer ATMs.

Various reasons are given for this high survival rate.

NEWS ANALYSIS

First, much of the ATM transaction processing currently done in the United States is handled by third-party networks such as Deluxe Data Systems Inc. of Glendale, Wisc., and General Motors' Electronic Data Systems Corp. of Plano, Tex.

While the fact that the mega-networks typically run transaction-processing businesses of their own will probably hurt these businesses, many also believe that this competition will benefit smaller networks by forcing companies like Deluxe and EDS to lower their prices.

At a not-for-profit network, a reduction in cost to the network usually translates directly into lower costs for the members, which could well help the smaller organizations to attract and keep new members.

Fight Brewing

If the mega-networks are to be successful, "they are going to have to first displace a lot of traditional third-party-operated switches," says Mark Horwedel, executive director of EFT Illinois, a 1,000 ATM network based in Rockford.

"Those guys aren't going down without a fight," Mr. Horwedel says.

Mr. Horwedel pointed out that the third-party processors that have been in the business for years have probably already paid for their computer equipment, putting them in a position to cut prices aggressively.

By contrast, most of the larger networks in the United States, including NYCE in New York and EPS-owned MAC in Delaware, have just begun to finance their computer systems.

National Brands

A second reason that some smaller networks are expected to survive is the existence of national ATM networks, such as MasterCard's Cirrus and Visa's Plus, to which most small networks can give access.

Since over 80% of the nation's ATMs participate in one national network or the other, many institutions do not make a priority of having a membership in the dominant regional network in their areas.

True, institutions in the East and Midwest that want to give their customers access to the most debit point-of-sale terminals need to belong to regional networks, which currently dominate the POS business in these regions.

But many believe that national POS brands, such as MasterCard's Maestro and Visa's Interlink, will gain widespread acceptance in these areas within a few years.

Rapid Attrition Foreseen

Yet even if small networks have some things working in their favor, popular wisdom says that most of the existing not-for-profit networks will disappear in the next five years.

Upward of 50 networks are expected to be merged or forced out of business in that time frame. Many of them are likely to be not-for-profits.

And if you wonder what characteristics the survivors will possess, the experts say, keep an eye on the Midwest. □

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1st Fidelity Ends Software Dispute

By BARTON CROCKETT

Computer Associates International Inc. of Islandia, N.Y., and First Fidelity Bancorp. of Lawrenceville, N.J., have settled a year-old legal dispute over software licenses.

The agreement gives First Fidelity a so-called enterprise license to use Computer Associates software on any of the bank holding company's computers for five years for an undisclosed fee.

The "flat-fee" agreement means that First Fidelity will not pay any additional fees — beyond the one-time fee paid for the enterprise license — to use Computer Associates software in any affiliate or venture.

This includes the Global Processing Alliance Inc., a check processing venture Fidelity recently formed with Bankers Trust New York Corp., Donald C. Parcells, a Fidelity executive vice president, said in a statement.

Paul Levine, a bank spokesman, said the agreement will not have a material impact on the bank's operating expenses.

Computer Associates, a leading maker of database, security, and systems software for mainframe computers, had sued First Fidelity in April 1992 for breach of contract.

The vendor said that as a result of a computer consolidation, six Fidelity affiliates were using Computer Associates software without paying the required license fees.

The Fidelity consolidation was being managed by Electronic Data Systems Corp., which Fidelity tapped in 1990 to run its computers.

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A Fleet Executive Raised Funds For N.Y. Campaign Probed in Loan

By CHARLES GASPARINO
The Bond Buyer

A controversial link between Fleet Financial Group Inc. and New York City Comptroller Elizabeth Holtzman has taken a new twist with the revelation that a senior bank executive raised money for the comptroller's failed U.S. Senate campaign last year.

James P. Murphy, an executive vice president at the Providence, R.I.-based holding company, was on the finance committee for the campaign, say legal and campaign officials for Ms. Holtzman.

New York City began investigating a possibly illegal link between the bank and the campaign after discovering that Fleet made a loan to Ms. Holtzman's senatorial campaign and was subsequently appointed a co-manager of a city bond issue.



James Murphy
On campaign committee

Fleet Recommended

Although the selection of New York City underwriters is a joint decision between the comptroller's office and the mayor's office, Ms. Holtzman's office recommended Fleet's inclusion.

City conflict-of-interest rules prohibit public officials from using their office for private gain.

Sources with knowledge of the probe say the state Department of Investigation is examining what role, if any, Mr. Murphy played in the matter. A department spokesman would not comment.

Mr. Murphy was the top administrator of the New York State Bankers Association for 13 years before joining Fleet in 1989 to run its government relations area.

New York City is investigating a link between the bank and the campaign.

Mr. Murphy's duties include coordinating Fleet's lobbying efforts, with special emphasis on public and municipal finance.

He did not return calls for comment.

'Judged on Its Own Merits'

Thomas L. Lavelle, a spokesman for Fleet, confirmed that Mr. Murphy supported Ms. Holtzman's failed Senate bid, but denied that the loan or its provisions were connected to his support.

"The loan was judged on its own merits," Mr. Lavelle said.

Officials close to Ms. Holtzman, who is campaigning for re-election, said Mr. Murphy's role in the campaign's fund-raising efforts was minimal.

"If you're trying to look at this guy as an active fund-raiser, you're way off," said campaign spokesman George Arzt.

According to Federal Election Commission records, Fleet's political action committee contributed $3,000 to the campaign.

Relationship Cited

Ms. Holtzman has maintained that Fleet was selected as one of 23 co-managers in a March bond sale because of its reputation as an underwriter of municipal debt. She said the decision was made by her finance staff, not by her.

Ms. Holtzman noted that her campaign has a long relationship with Fleet Bank because of its proximity to the municipal building in downtown Manhattan and because it has had no ties to the government of South Africa.

Influence Seen

For public-policy watchdog groups, however, Mr. Murphy's joint role as banker and fund-raiser adds weight to claims that politicians can be tainted by ties to powerful business interests.

"In this case, you are seeing in a very real way how a business delivers money to a politician with an eye toward influencing the politician's action," said Josh Goldstein, a policy director for the Center for Responsive Politics, which tracks campaign contributions to political candidates.

Mr. Lavelle said Ms. Holtzman's campaign officials approached Mr. Murphy when seeking the loan last year. Mr. Murphy referred the inquiry to loan processing officials at Fleet Bank.

"Mr. Murphy is not a lender, he did not do the credit analysis, the underwriting, nor did he approve the loan," Mr. Lavelle said.

"The loan met all the credit standards and legal requirements."

Fleet's Melville, N.Y.-based bank affiliate made the uncollateralized loan of $450,000 at 1% over the prime rate.

The campaign, which has had difficulty repaying the loan, still owes the bank $255,400, according to its last Federal Election Commission filing.

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Calif. Banks See Relief From Real Estate Slump

By SAM ZUCKERMAN

From the Regions

LIKE A SPENT HURRICANE, Southern California's real estate slump is gradually losing its force.

In the devastated Los Angeles and Orange County areas, there are few signs of a recovery in commercial property values, but "the market is no longer in free-fall," says analyst Charlotte Chamberlain of Wedbush Morgan Securities.

This stabilization has been a blessing for the region's exhausted banks and thrifts. Many commercial real estate lenders find that the inflow of problem loans has dropped significantly.

What's more, with prices no longer plummeting, it's easier to sell foreclosed property. BankAmerica Corp., Union Bank, and H.F. Ahmanson & Co. recently demonstrated the point with bulk asset sales.

"There is more liquidity in the market," said Stan Ross, a Los Angeles real estate expert with the accounting firm Kenneth Leventhal & Co. Nevertheless, Mr. Ross warned, conditions vary tremendously by location and project category.



Babette Heimbuch

In prime areas, affordable housing developments and retail properties are fetching reasonable prices. Depending on location, apartment prices are leveling off. But industrial property values are still eroding. And, despite some gains in occupancy rates, the decline in office building prices has slowed but not stopped.

The confused state of the market is reflected in the diverging earnings of Southern California lenders.

Results "depend on the makeup of your portfolio, the locations you are concentrated in, [and whether] you have already addressed your problems," said Babette Heimbuch, president of Santa Monica-based Firstfed Financial Corp.

In the second quarter, profits rose for lenders who had already set aside enough reserves to cover uncollectable loans and for those in more stable sectors of the realty market.

The region's major banks–BankAmerica, Wells Fargo & Co., and First Interstate Bancorp, were able to trim nonperforming loans and boost profits because they had previously made massive provisions for loan losses. That permitted them to sell foreclosed property at a rate exceeding the addition of new nonperforming loans to their books.

But Los Angeles-based California Federal Bank lost $45.4 million, reflecting the sale of foreclosed apartment buildings during the quarter at prices significantly lower than the properties' already-discounted carrying values on the thrift's books.

"It's a question of when does management perceive the problem," said Ms. Heimbuch. "We saw the downturn [in apartment values] in the first quarter."

Firstfed was able to post an $8.3 million profit in the second quarter, although about 40% of its $2.6 billion in loans are for multifamily housing.

The thrift took its medicine at the beginning of the year when it provided $44.1 million for loan losses and recorded a $16.4 million loss.

1st Interstate Buying Bank Near L.A.

SAN FRANCISCO — In its third California expansion move in less than a year, First Interstate Bancorp on Wednesday said it will buy First State Bank of the Oaks for $23 million in cash.

The Thousand Oaks-based bank, which has five branches in Ventura County, west of Los Angeles, controls $144.5 million of assets. The transaction price equals 1.71 times the bank's book value.

Fits Strategy

Bank of the Oaks, whose business mix is balanced between consumer and commercial accounts, has avoided the losses that have plagued many other Southern California banks.

It earned a return on assets of 0.42% for the first half of 1993, while nonperforming loans were a slight 0.13% of total loans at the end of March.

The acquisition, which is expected to close at the end of the year, fits First Interstate's strategy of buying institutions with few credit problems and a big market presence. The transaction will make the Los Angeles-based company third among banks in deposit market share in Ventura County.

— Sam Zuckerman

Wachovia's Medlin Ranks His Priorities: Soundness, Then Profitability and Growth

John G. Medlin Jr., the chairman and chief executive of Wachovia Corp., runs what is widely perceived as one of the nation's healthiest and most profitable banking companies.

At a recent conference sponsored by First Boston Corp., he gave his thoughts on the need for disciplined management in today's unfriendly financial and regulatory environment, and sought to dispel the notion that Wachovia's culture is too conservative.

His remarks are excerpted below.

The economy and the financial system still are in the throes

Verbatim

of adjustment from the excesses of times past. The fallout effects of lower interest rates are being moderated by the enlarged debt burden, layoffs from restructuring, a decline in the young-adult population, and stifling regulation. These factors are restraining growth in employment, income, spending and credit.

Despite these impediments, the economy appears likely to continue growing moderately for the near term.

A slower-growing economy is less forgiving of marginal credit judgments.

However, the longer outlook is clouded by the promise of huge tax increases, the relentless growth in federal spending, the persistence of huge budget deficits, and the prospect of more government. There also are serious concerns and risks on the international scene.

Tight Controls Essential

Therefore, financial institutions can't expect much more help from the economy. Their near-term success will depend more on control of operating expenses, reduction of credit losses, and improvement of risk compensation than on business growth.

There will not be a strong economy or a willing Congress this time to bail out careless management, liberal lending, or excessive costs.

While the credit losses of the financial system have declined, the level of problem assets remains historically high. Some borrowers wounded by the recession are having difficulty surviving in a slow economy.

The worst may not be over, but lingering credit problems will haunt some banks for many more years.

Margin Worries

The sharply sloped yield curve is both a blessing and a curse. It has widened interest spreads but also is causing an outflow of consumer savings to higher-return investments.

This could lead eventually to funding problems and increased money costs for lesser-quality institutions. An inevitable rise in short-term rates will narrow interest margins for the strong and the weak.

Other challenges include more stringent banking laws and regulations which make it more difficult and costly to serve customers.

This is a natural offspring of a financial system where the federal safety net breeds excess capacity, protects unsound institutions, and encourages uneconomic credit and pricing practices.

Also, there is a growing need for more complex and expensive information and service-delivery systems for banks to be efficient and competitive.

A Time of Testing

Thus, the conditions which lie ahead will continue to test the credit quality, operating efficiency, financial strengths, and management skills of banking companies.

The differences among individual institutions have grown wider and more apparent with each passing economic cycle. More quality awareness and sensitivity by customers and investors should provide even better rewards to strong and soundly managed banks prepared to meet the challenges.

Wachovia's guiding principles and basic strategies remain the same in difficult or easier times, but they are especially appropriate for the present and prospective conditions.

Our steadfast approach is to pursue progressive business strategies but within the disciplines of sound financial principles.

In order of priority, the emphasis is on soundness, profitability, and growth.

Equal importance is placed on marketing, risk management, and efficiency. This requires maintaining careful balance among the business develop-

We have a good record of resisting risky fads and passing fancies.

ment, credit administration, funding management, and operations functions.

Recipe for Excellence

Our objective is to have above-average loan growth, net interest margins which are at least average, and below-average credit losses and operating costs.

Mixed with capable people, that is the basic recipe for excellence in banking.

The top-priority emphasis on soundness causes some to characterize us as conservative. In reality, we are creative but disciplined risk takers who have good loan growth as well as good credit quality.

It is possible for our bankers to sell more aggressively and during relationships, and to avoid excessive concentrations of business and risk. Technological and operational excellence and financial strength and flexibility also are top priorities.

Our ultimate goal is to maximize shareholder value by building steadily an annuitylike stream of higher-quality and more dependable profits, which deserve a premium price-earnings ratio.

The guiding principles of Wachovia are sacred, but they are applied in new and different ways as times and conditions change.

Complacency is not one of our soft spots. The winds of change blow freely across our organization, but we also have a good record of resisting risky fads and passing fancies.

Merger Considerations

Acquisitions of banks in other southeastern states will be considered whenever they can enhance per-share earnings and market value.

This requires a realistic assessment of the cost to bring an acquiree up to our high standards of personnel professionalism, operational excellence, and credit quality as well as considering possible synergies and cost savings.

Also, care must be taken today not to pay too much for branch banking networks supported heavily in the past by cheap consumer deposits, which now are migrating to higher-yield investments.

Meanwhile, Wachovia has three strong banks which cover three excellent states [North Carolina, South Carolina, and Georgia] with above-average economic prospects.

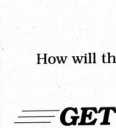
Care must be taken today not to pay too much for branch networks.

It also has a prominent business presence and good growth potential in corporate banking services for a select clientele across the nation and overseas.

The organization is large enough to afford modern systems and to compete effectively with larger institutions while being small enough to maintain Wachovia's special character and qualities. □



John G. Medlin Jr.



Bankers are Bullish on Mutual Funds

How will this affect **Your** bottom-line?

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One Bank's Struggle To Reach a Decision On Mutual Funds

By TERRENCE O'HARA

Marketing

JAMES HARRIS OF BRENTWOOD National Bank is at a crossroads. Mr. Harris, who is Brentwood's president, his board of directors, and his employees are on the verge of a decision that could fundamentally affect their bank's role in Brentwood, an affluent suburb of Nashville.

The question is simple, but with myriad implications: Should Brentwood National offer mutual funds to its customers?

"It's just so different from anything we call community banking," Mr. Harris said last week. "In the long run, I think it's extremely dangerous."

Thousands of community bankers share Mr. Harris' concerns. And over the next decade, as the mutual fund industry targets banks as the next great frontier, those bankers will face the issues he's grappling with now. Massachusetts Financial Services Inc., a Boston mutual fund company, estimates that only 30 percent of the nation's 10,954 community banks offer mutual funds to their customers.

The $84 million-asset Brentwood, founded in 1987, has lost millions of deposits in the past two years to alternative investments, Mr. Harris said. Much of the money is going into mutual funds, the hottest investment vehicle in the land.



James Harris

In recent months, Mr. Harris and his board have entertained several proposals from mutual fund providers, eyeing a typical third-party contract that would put an investment representative in the bank.

"My concerns are deep," he said. "You have the potential for moving deposits into investments that are outside of the community. It's a huge change because it takes us out of our role as a financial intermediary for this community. Also, a third party is going to be very aggressive in trying to get our depositors' money."

'A Valid Argument'

This "disintermediation" – the outflow of community-based bank deposits into alternative investments – is already going on, however. It leads Mr. Harris to wonder: If he can't beat them, shouldn't he join them?

The mutual fund companies "all say that," Mr. Harris noted. "It's a valid argument."

He is also worried about alienating customers if investments go sour. His board is split on what to do, he said.

First International Bank in Watford City, N.D., went through all this seven years ago. The $100 million community bank started offering a family of mutual funds through a third party in 1986.

First International President Stephen Stenehjem said that disintermediation got so bad in the mid-'80s that he was forced to look to mutual funds.

Competition from the broker-dealer in his bank, who represents Investment Centers of America, is not a problem, Mr. Stenehjem said. And, he said, the mutual fund service has apparently not speeded the outflow of deposits. "Interest rates are a bigger reason, not the availability of mutual funds," he said.

Jeremiah Potts, head of the financial institutions division at Massachusetts Financial, which markets loaded mutual fund services to banks, understands Mr. Harris' fears. Mr. Potts was instrumental in his firm's recent deal with the Independent Bankers Association of America to offer mutual funds to community banks through the trade group.

Responsibility to Customers

"Clearly, the community bank has a responsibility to fund the community," Mr. Potts said. "But it has a responsibility to its customers to assure certain things . . . things that a deposit alone can't provide."

Brentwood's management is still tentative, however. Mr. Harris said the bank will continue to sell fixed annuities a while longer before making a decision about mutual funds.

"It's a conservative banker's approach," he said.

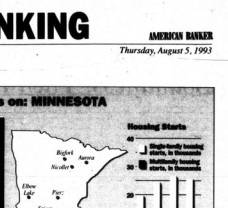
Focus on: MINNESOTA

Profit Leaders

Minnesota's 10 most profitable community banks*

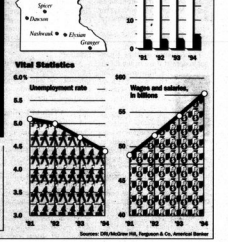
	Return on assets	Assets ($ millions)
Minnesota Bank Dawson	5.16	930
State Bank of Aurora	3.69	18
Green Lake State Bank, Spicer	3.52	26
Bank of Elbow Lake	3.32	13
Elysian State Bank	3.16	18
Nicollet State Bank	3.13	23
American National Bank, Hutchinson	2.82	20
Granger State Bank	2.69	4
First State Bank, Aurora	2.58	14
Farmers and Merchants State Bank, Porter	2.58	53

*Based on the two quarters of less than $100 million and there are no owners by holding companies with more than 4.5 percent of shares. For quarter 93 data.





Vital Statistics





Minnesota's 584 Small Banks

Total assets:	$30 billion (2.38%)
Average ROA:	1.21%
Avg. loan/deposit:	63.40%
Total net income:	$95.6 million
Average ROE:	14.34%

Sources: DRI/McGraw Hill, Ferguson & Co., American Banker

Minnesota's Small Banks Thrive Amid a Big Surge in Loan Demand

By ROBERT B. COX

Something enviable is happening at Minnesota banks – a healthy surge in loan demand.

It's the first big jump in more than three years, and it's boosting profitability at the state's 584 small commercial banks.

Commercial and industrial loans by all Minnesota banks rose $200 million in the first quarter, according to the Federal Deposit Insurance Corp.

The gains have increased the group's average return on assets from 1.12% at yearend 1992 to 1.21 at the end of the first quarter, according to data supplied by Ferguson & Co. and compiled by the *American Banker*.

Average return on equity for the group – 13.04% at yearend 1992 – also was up, to 14.34% at the end of the first quarter.

'A Pretty Good Year'

"So far, it's been a pretty good year," said Michael LaFrenz, vice president at Elysian State Bank, which earned an enviable 3.16% return on average assets in the first quarter.

"Minnesota banks are making one heck of an effort to lend locally," said Tom Bengtson, publisher of the *Northwestern Financial Review*, a regional magazine based in Minneapolis.

Indeed, even the Twin City powerhouse First Bank System has been actively courting small and middle-market businesses throughout the state.

First Bank has unveiled a program aimed at attracting small and midsize businesses, in addition to its corporate lending unit.

"The middle market is what is really growing," said William F. Farley, vice chairman of the $25 billion-asset company.

First Bank has made a hefty $70 million in new commercial and industrial loans this year alone.

"Loan demand has picked up," said Everett E. Kelly, chief executive of Minnwest Bank Dawson.

C&I loans by Minnesota banks rose $200 million in the first quarter.

Conditions have turned around so much in Mr. Kelly's central Minnesota community that he was able to plow about $450,000 from his bank's $1 million loan-loss provision into the income stream.

Tops Availability Study

Strong demand for loans propelled Minnesota to the top slot in a survey of credit availability in nine states.

The study, Project 21, was conducted by the Greater Des Moines Chamber of Commerce. It found the ratio of loans to deposits at all of Minnesota's banks higher than those in six other midwestern states, Texas, and Tennessee.

The Minnesota economy consistently performs "above average," said University of Minnesota economist Tom Stinson.

"The last recession didn't ever really hit Minnesota," he said, adding that the state picked up 93,000 jobs from December 1989 to December 1992.

What's more, the state's relatively low reliance on defense spending positions it for further growth as military cuts increase.

To be sure, not all of the state's bankers are celebrating. Severe rains have delayed crops in southwestern Minnesota, dampening potential returns for many bankers with large agricultural-loan portfolios.

'Some Agricultural Losses'

"Clearly there will be some agricultural losses this year," said Mr. Stinson, who also functions as the state's economist.

Minnesota may see a drop of close to 1% in net personal income this year just as a result of the flooding, according to Sung Won Sohn, chief economist at Norwest Corp. in Minneapolis.

In some areas, losses from drowned crops and flooded rivers are likely to be higher.

Still, Mr. Sohn added, the higher prices for commodities such as corn and soybeans may prove a windfall for farmers – and their bankers – in areas not afflicted by the flooding. □

COMMUNITY BANKING

EXECUTIVE *changes*

First Colonial Names Presidents For 5 Units of Holding Company

First Colonial Bankshares Corp., Chicago, has named presidents for several units of the bank holding company.

Robert J. Malatt has been named president and chief operating officer of First Colonial Bank Southwest in Burbank, and **A. Louis Petritz** has been named president and chief operating officer of **First Colonial Bank of DuPage County** in Naperville.

Robert J. Malatt

Mr. Malatt comes to First Colonial from Bank One (formerly Marine Bank Corp.) in La Grange, where he was vice president and chief financial officer for the past six years.

Mr. Petritz joins First Colonial from **First Colonial National Bank of Chicago/Gary-Wheaton Bank of Fox Valley,** where most recently he was president of the Aurora-Naperville branches. He had been president, chairman, and chief executive officer of Gary Wheaton Bank of Fox Valley.

A. Louis Petritz

Martin J. Noll has been named president and chief executive officer of **Avenue Bank of Oak Park.** He joins the bank from First Chicago Bank Oak Park, a branch of the First National Bank of Chicago, where he was division president.



Martin J. Noll

Allen S. Lencioni has been named president of **Northlake Bank.** He was formerly president of First Colonial Bank of DuPage County. Mr. Lencioni was senior vice president and senior lending officer at Colonial Bank in Chicago. First Colonial's flagship bank, prior to becoming president of First Colonial of DuPage County.



Allen S. Lencioni

Also, **Michael A. Speziale** has been named president of **All American Bank** in Chicago.



Michael A. Speziale

Mr. Speziale was formerly president of All American's sister bank, Avenue Bank of Oak Park. Before that, he was with First United Financial Services Inc., where he held the position of vice chairman of First Chicago Bank of Mt. Prospect.

He replaces **Thomas A. Caravello,** who will now work at Colonial Bank, Chicago.

Thomas Caravello

Vice chairman and chief executive officer of Colonial Bank since 1992, Mr. Caravello will team up with president **Richard Vucich** in running the holding company's flagship bank.

— Franklin Smith

AMERIBANK, Bloomington, Minn., has named **Gary Veverka** to vice president of commercial lending and **Todd Peterson** to commercial loan officer. Mr. Veverka was previously senior vice president and senior loan officer for First American Bank in St. Paul and vice president for First Bank in Minneapolis.

NEW ENGLAND

FIRST NATIONAL BANK of Suffield, Conn., announced the following personnel changes:

Robert A. Taravella recently joined the bank as business development officer. He is responsible for maintaining and developing personal and business relationship in the Suffield area.

Jay Babcock has joined the bank as assistant vice president. He is responsible for the business and commercial development and maintenance for companies located in Suffield and surrounding towns.

MIDWEST

SEAWAY NATIONAL BANK, Chicago, said **Dedra M. Delaney** has joined the bank as vice president and trust officer of its new corporate trust services department.



Dedra M. Delaney

The new department will provide a full range of trustee services to corporate and municipal customers.

Ms. Delaney comes to Seaway from Continental Bank, Chicago, where she had been a vice president and trust officer. She joined Continental in 1978.

AMERIBANK, Bloomington, Minn., has named **Gary Veverka** to vice president of commercial lending and **Todd Peterson** to commercial loan officer. Mr. Veverka was previously senior vice president and senior loan officer for First American Bank in St. Paul and vice president for First Bank in Minneapolis.

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WEST

CHINO VALLEY BANK, Ontario, Calif., has appointed **Greg Armstrong** vice president and assistant manager of the Ontario Airport office; **Steven J. Goto** to vice president and banking officer of the Ontario Airport office; **Dianne C. Chapman** to vice president and banking officer of the South Arcadia office; **James E. Mead** to vice president and assistant manager of the bank's Corona office; **Jim Medeiros** to vice president and manager of the San Bernardino office; and **Bonnie Strate** to banking officer with the bank's Chino office; and **Christopher D. Maggio** to banking officer at the Colton office. □

STAY ALERT

Whether you're a trader in asset-backed securities, Third World bank loans, or a public financier, your success depends on your knowledge of every little change in the industry you're in.

Track the policies and patterns shaping your business with the online editions of the industry publications that alert you to events before they happen:

ASSET SALES REPORT
LDC DEBT REPORT
PUBLIC FINANCE WATCH

ALL THREE ARE NOW ONLINE WITH NEWSNET

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• **ASSET SALES REPORT** keeps you up-to-date on the latest developments in commercial loan participations and asset-backed issues. It's in FI 33 on NewsNet.

• **LDC DEBT REPORT** reports on how institutions are coping with their Third World Debt problems problem loans and provides comprehensive coverage of the secondary market for bank loans to 27 different LDCs. Now incorporating **Latin American Markets**, LDC Debt Report is in FI 42 on NewsNet.

• **PUBLIC FINANCE WATCH** provides early notice of pending changes in Washington policies or regulations on public finance. It's in FI 41 on NewsNet.

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Bias Tests Can Backfire, Banks Warned

By JIM McTAGUE

Bankers trying to root out lending discrimination in their ranks are being told by federal regulators to use testers posing as customers as a means of identifying specific problems.

That's not a bad idea in Maryland, which has a new law that protects the confidentiality of such data. But it might not be such a hot one in the other 49 states, according to Steven I. Zeisel, general counsel for the Consumer Bankers Association.

In the other states, a tester's findings could be used against the banks in a lawsuit, because the plaintiff could obtain the data during the discovery process.

Words of Caution

Mr. Zeisel, who turned 39 on July 30, dresses like a lawyer from central casting: bow tie, suspenders, oval spectacles.

He has been at the trade group for about two years and compliance issues have been one of his major focuses.

"We're not telling members not to test," he said. "But we are telling them that there's a problem and to be aware of it."

He's also making certain that the association's 800 members know about the Maryland law, in case they want to press their own state representatives to adopt similar legislation.

'Banks Are Concerned'

"The New Maryland law came about because of this problem. Banks are concerned that as an industry they can't do their own internal analysis, make their own determination of what the problem is, and look for solutions to that problem without being hung out to dry," he said.

The law protects from discovery in civil suits filed in state courts all information from testing and other sources that is gathered for a bank's compliance review committee.

Banks are interested in this type of protection because the Massachusetts attorney general's office has attempted to obtain information on lending submitted by 36 banks to the Federal Reserve Bank of Boston for a study on racial bias.

The banks participated in an effort to help correct any problems. Now that evidence might be used against them by the state.

The Massachusetts Bankers Association has filed a suit to stop the attorney general on jurisdictional grounds.

"A lot of banks are upset that what started out as a voluntary effort to help to address this problem – to find out what was wrong and to fix it – was turned into a potential source of liability for them," Mr. Zeisel said.

Mr. Zeisel grew up in Washington, D.C., and now lives right outside the city in the Maryland suburb of Silver Spring with his wife and two-year-old son.

His work on compliance issues often finds him on Capitol Hill talking to Congressmen, and he also is a fixture at Consumer Bankers Association seminars on the subject.

A recent meeting attracted hundreds of bankers, and he said most of them were interested in ways to improve minority lending.

Are bankers looking for an easy solution?

"No," he said. "I find that Congress comes looking for an easy solution and the bankers are the ones who recognize how difficult the problem is." □



Walter P. Cadwell

Steven I. Zeisel

Age: 39
Born: Washington, D.C.
Home: Silver Spring, Md.
Title: Vice president and senior counsel, Consumer Bankers Association
Education: He received his BA from Carleton College and his JD from the University of Maryland School of Law.
Experience: He was a senior attorney with the Federal Reserve Board, in-house counsel for Equitable Bank in Baltimore and for Maryland National Bank after the two merged.
Most memorable experience: Recent birth of his first child
Interests: Acting, the theater

95% of Banks Offer Basic Checking, Study Finds

By ROBYN MEREDITH

WASHINGTON — Most banks and thrifts offer basic banking services to the poor in their communities, according to a Consumer Bankers Association study.

About 95% of banks offer basic accounts, and 75% do not impose eligibility requirements, according to the study, which surveyed 147 of the roughly 10,000 banks and thrifts nationwide.

Basic – or lifeline – accounts are cheaper than traditional checking accounts, allowing limited check-writing for low or no monthly fees.

"The accounts are there, they are affordable, they are widely available, and I think the banks have hit the challenge head-on," said Joe Belew, President of the Consumer Bankers Association.

Defining 'Basic'

But consumer groups don't think banks are doing enough. "Probably a majority of banks offer some kind of basic banking account," said Deepak Bhargava, legislative director of the Association of Community Organizations for Reform Now. Sometimes even those accounts are out of reach for the poor, he said.

"It's all in how you define what 'basic' means," Mr. Bhargava said.

For example, many basic accounts have a $25 minimum balance.

"Most people who are low-income draw down to zero every month," he said.

But Mr. Belew replied, "If it's a $25 minimum balance, they ought to take a look at what they are spending at check cashing stores."

Balance Requirements

According to the CBA survey, 93% of banks require minimum balances on their basic banking accounts. But of those which do, the average balance is $202, the survey said.

Institutions that answered the survey had $9.9 billion in assets on average. They charged $3.14 a month on average for the basic accounts.

Most institutions surveyed – 85% – said their basic accounts were widely used by the poor, while 17% said they were not well-utilized by low-income people.

Many banks also cash government checks for people who do not hold an account there. The survey showed that 72% of banks and thrifts cash them, and that about half of those do not charge for the service.

Metcalf Savings Howls over Cost of Truth-In-Savings

By BETH PISKORA

Officers at Metcalf Savings Bank plan to give the Federal Reserve Board a piece of their mind. They say the Fed asked for it.

Metcalf Savings Bank, a $120 million-asset community bank in Overland Park, Kan., was one of the many community banks that howled in protest when Regulation DD, also known as the Truth-in-Savings law, was passed. Community banks said the costs of complying with the regulation would be very high.

1,600 Expected to Respond

The Fed responded by asking banks of all sizes to fill out a two-part survey in which they would record the time and money spent complying with the new law. The questionnaire also asked banks to report any service or product changes that were being made because of the new law.

Federal officials expect that close to 1,600 banks plan to complete the survey. Metcalf officials agreed to participate because they wanted the voice of the community bank to be heard.

"We're talking about a regulation that is very lengthy and very difficult to understand," said Vicki L. Fisher, senior vice president. "We're a small bank without a legal department, which means implementing the regulation is very, very time-consuming for our officers."

Ms. Fisher estimated that Metcalf's officers spent close to 30 hours learning the regulation and preparing the compliance effort.

Costs Put at $30,386

"Every hour that our officers spent on this regulation was an hour that they could have been doing something else," she said.

According to Metcalf's completed questionnaire, a copy of which the bank made available to *American Banker*, Metcalf's start-up compliance costs for the Truth-in-Savings law will be $30,386.

That number encompasses review of the proposed regulation, legal expenses, training costs, data processing and system

The Fed invited banks to figure out their outlays.

changes, redesign of disclosure statements, customer notifications, and other miscellaneous expenses. It does not include any ongoing expenses now that the rules have taken effect.

Metcalf's total operating budget for 1993 is $172,500.

Impact on Services

Metcalf also told the Fed that it plans to eliminate one of its two types of statement savings accounts offered, as well as reduce the interest paid and increase the fees imposed on the remaining products.

This service change bears out a fear shared by two of the Fed governors: Lawrence B. Lindsey and John P. LaWare. They approved the regulation to meet a congressional mandate, but they predicted that the new disclosure rules could backfire on consumers when they shop for product offerings.

Metcalf officials said they did not expect to obtain any benefits from the new regulation.

"In the past, our employees could just sit and have a friendly conversation across the new-account desk if a customer was interested in our services," said Jon L. Stewart, chief financial officer. "Now we will have to fill out disclosures and hand them to the customer. It's a lot more paperwork and no one wins." □

PENDING LEGISLATION

Issue	Principal Bills	Status and Outlook
Interstate branching	S 371, introduced Feb. 16 by Sen. Christopher J. Dodd, D-Conn., would permit interstate acquisitions by adequately capitalized institutions a year after enactment and interstate branching two years later. The bill includes concentration limits that would bar any institution from holding more than 30% of the insured deposits in any state or 10% of the nation's deposits. States could choose to bar interstate branching within their borders, however. In the House, Rep. Stephen L. Neal, D-N.C., introduced a similar measure, HR 256, on Jan. 6. Rep. Bruce Vento, D-Minn., who led the charge on interstate in 1991, introduced HR 2235, the Interstate Banking Efficiency Act of 1993, on May 20.	Some observers believe President Clinton's community development bank bill might provide a vehicle for interstate, but White House allies will try to keep that from happening. Prospects appear dim, at least for this year.
Community development banks	Rep. Jim Leach of Iowa, ranking Republican on the House Banking Committee, took the lead Jan. 6 by introducing HR 238. Under his bill, any bank that made the maximum investment in a community development institution (5% for national banks) would be deemed to be in compliance with the Community Reinvestment Act. In addition to providing this CRA "safe harbor," the bill would require regulators to set specific standards for CRA compliance and would permit banks to underwrite mutual funds that invest in the securities of small businesses. President Clinton unveiled his own approach to community development lending last month, and his bill was introduced by the chairmen of the House and Senate banking committees, Rep. Henry B. Gonzalez, D-Tex., and Sen. Donald W. Riegle, D-Mich., as HR 2666 and S 1275. The President's bill would provide $382 million over four years for community development lenders, but nothing for most commercial banks. On July 22, a bipartisan group of lawmakers led by Rep. Floyd Flake, D-N.Y., and Rep. Leach introduced HR 2707, a measure that would make more of the money in the President's bill available to existing commercial banks.	Community development banks may be the only major banking bill to pass Congress this year. It's likely the House proposal is likely to be rewritten to provide more incentives for banks to make loans. Also, there is a better-than-even chance that a performance-based CRA standard will be mandated. Bankers could win a measure of regulatory relief in the bill.
Resolution Trust Corp.	The Clinton administration's original proposal to spend $43 billion for the RTC and the fledgling Savings Association Insurance Fund has been scuttled in favor of much smaller spending bills. The House Banking Committee and the full Senate have approved measures that would give $18.3 billion to the RTC and a maximum of $16 billion to the SAIF. But on the SAIF funds, each body set a number of restrictions that could keep the money from ever being used.	The bill has been scheduled for floor action a number of times, most recently July 28. The House Rules Committee actually took up the measure the day before but retreated when it became apparent that the votes weren't there. Some observers believe the House will not act until September, at the earliest.
Overhauling the Federal Reserve	HR 28, introduced Jan. 15 by Rep. Gonzalez, would attempt to increase accountability of the central bank by giving the President authority to appoint district bank presidents, by expanding disclosure of Federal Open Market Committee deliberations, and by requiring government audits of the central bank. HR 586, introduced Jan. 26 by Rep. Lee Hamilton, D-Ind., would create an advisory committee for the Open Market Committee. A companion bill, S 219, was introduced Jan. 26 by Sen. Paul Sarbanes, D-Md. HR 587, introduced Jan. 26 by Rep. Hamilton, would require prompt disclosure of Open Market Committee decisions. The Senate companion bill, S 212, was introduced the same day by Sen. Byron Dorgan, D-N.D.	Hearings in the House and Senate are expected later this year. Efforts aimed at opening up the Fed, traditionally a Democratic issue, may have gotten a boost last year when the recession-weary Republican administration called for more openness. If the economy continues to recover and Fed Chairman Alan Greenspan's relationship with President Clinton continues to be warm, the central bank might easily dodge this bullet, however.
Fair Credit Reporting Amendments	HR 1015, introduced Feb. 18 by Rep. Esteban Torres, D-Calif., would make it easier for consumers to obtain copies of their credit reports and to correct errors. It would also set penalties for banks and others that fail to correct mistakes in credit information. A similar bill, S 783, was introduced in the Senate by Sen. Richard Bryan, D-Nev., and Sen. Christopher S. Bond, R-Mo.	A similar bill was withdrawn last year in the final days of Congress, but many observers believe Rep. Torres and his supporters, including Rep. Gonzalez, will triumph this year. Hearings began in the Senate in May and could begin in the House after the August recess.
Secondary market for small-business loans	HR 660, introduced Jan. 27 by Rep. John J. LaFalce, D-N.Y., would create a federal agency, nicknamed Veida Sue, to sponsor a secondary market for small-business loans. A companion bill was introduced in the Senate by Sen. John Kerry, D-Mass., on March 4. S 384, introduced Feb. 17 by Sen. Alfonse M. D'Amato, R-N.Y., takes a different approach. His bill would reduce a number of regulatory impediments to securitization, making it easier for the private sector to pool small-business loans. A companion bill was introduced in the House on Feb. 24 by Rep. Richard H. Baker, R-La., and Rep. Leach. Meanwhile, Rep. Paul Kanjorski, D-Pa., introduced HR 2600, a bill that would give the Treasury the power to license public and private-sector units to securitize any kind of business loan.	There appears to be more interest on Capitol Hill this year than ever before, but it may not be enough to produce legislation this year.
Regulatory relief	HR 59, introduced Jan. 15 by Rep. Doug Bereuter, R-Neb., takes a two-tier approach to bank regulation. Well-capitalized institutions would be given more favorable treatment, including exemption from some regulations and authority to file "short form" call reports. HR 269, introduced Jan. 6 by Rep. Bill McCollum, R-Fla., would reduce record-keeping requirements under the Community Reinvestment Act. In addition, banks that invest in community development institutions would be deemed to have met their CRA requirements. S 265, introduced Feb. 28 by Sen. Richard C. Shelby, D-Ala., would repeal or modify some of the congressionally mandated regulations that bankers despise most, including the operations and auditing standards required in the 1991 banking law. A companion bill, HR 962, was introduced in the House on Feb. 18 by Rep. Bereuter and Rep. Leach, co-sponsored by a majority of House members. S 1124, introduced June 18 by Sen. D'Amato, is a broad regulatory-relief bill that would also limit lender liability for environmental cleanup.	The chairman of the House and Senate banking committees are at best skeptical about the industry's agenda for regulatory relief, and at worst openly hostile. The Clinton administration, though more sympathetic, appears to have backed away from proposals relief legislation. As a result, passage is unlikely this year. The best chance for legislative relief may come after the regulatory agencies release their recommendations.
Agency consolidation	Two major bills are pending in the House. HR 1214, the Regulatory Consolidation Act of 1993, was introduced by Rep. Gonzalez on March 4. His bill would consolidate all thrift and bank regulation in a single, independent Federal Banking Commission. HR 1227, the Bank Regulatory Consolidation and Reform Act of 1993, was introduced by Rep. Leach on the same day. His measure would combine the Office of the Comptroller of the Currency and the Office of Thrift Supervision into an independent Federal Banking Agency. Senate Banking Committee Chairman Riegle has said agency consolidation could be a big step toward easing the regulatory burden on banks. He has indicated that such legislation would be a major priority.	Although consolidation has been a quagmire in the past, interest is high this year — in large part because it promises cost savings. A kind word from the President might be enough to do it.
Bankruptcy reform	Sen. Howell Heflin, D-Ala., introduced S 540 on March 10. The bill would make it more difficult for individuals and businesses in bankruptcy proceedings to avoid repaying debts. Rep. Mike Synar, D-Okla., introduced a similar bill in the House, HR 2326.	Similar legislation died in the final hours of the last Congress because of a parliamentary maneuver involving an unrelated bill. Bankruptcy reform appears to have a good chance of passing in this Congress.
Insurance regulation	Rep. Joseph P. Kennedy 2d, D-Mass., introduced the Federal Insurance Administration Act, HR 1257, on March 9. His bill would expand the powers of the Federal Insurance Administration and give the insurance industry easier access to the Federal Reserve's discount window, a step most banks oppose. Rep. John D. Dingell, D-Mich., chairman of the House Energy and Commerce Committee, introduced HR 1290, a bill providing for federal regulation of the insurance industry, on March 10.	Though the outlook for both bills is uncertain, they set the stage for the next round in the continuing jurisdictional battle between the House Banking Committee and the House Energy and Commerce Committee. Members of the banking panel would like to expand their say over insurance, a product of increasing importance to banks.
Federal Home Loan Bank System	Reps. Baker and Neal introduced HR 1085 on Feb. 24. The measure would ease some of the pressure on the Home Loan Bank System by reducing its contribution to the savings and loan cleanup to the lesser of $300 million or 20% of the system's profits. Currently, the system pays the larger of the two sums. The bill would also equalize membership requirements for banks and thrifts.	Rep. Baker offered a similar bill last year, in the face of opposition from the Bush administration and resistance from the chairman of the House Banking Committee. It is unclear whether he will fare any better this year.
Credit cards	Rep. Charles E. Schumer, D-N.Y., introduced legislation that would increase disclosure requirements for credit cards, particularly in solicitations for new customers. HR 1872 would require, among other things, that envelopes containing solicitations bear information about rates, grace periods, and fees. The bill drops that envelopes containing solicitations bear information about rates, grace periods, and fees. The bill drops a requirement considered earlier by Rep. Schumer that the government study whether rates are too high.	Rep. Schumer tried to move similar legislation in the past without success. With rates generally declining, support for such measures may also be on the decline.
Basic banking	Rep. Cleo Fields, D-La., and Rep. Albert Wynn, D-Md., are sponsoring legislation to regulate check-cashing facilities. The bill, HR 1448, would also require banks to cash government checks for free. In the Senate, Sen. Howard Metzenbaum, D-Ohio, introduced a similar bill, the Financial Services Access Act, on Jan. 21.	Mandatory cashing of government checks has come close to winning congressional approval in the past and could hitch a ride should a banking bill begin to move.

Thrifts' Originations Plunged in the First Quarter

By EDWARD KULKOSKY

Mortgage originations by the nation's thrift industry slumped in the first quarter as consumers continued to turn up their noses at adjustable-rate loans.

Volume fell by about 45% from the level in the fourth quarter of 1992 and by about 12% from that in the first quarter of 1992, according to data recently released by the Office of Thrift Supervision. (See accompanying table.)

With fixed-rates at 7% to 7.5%, borrowers have been showing a strong preference for such loans although adjustable rates of about 5% are available.

Afraid of a Squeeze

But thrifts, which hold most of the mortgages they write rather than selling them, do not want fixed-rate loans because they fear getting caught in a squeeze as rates rise. As a result, thrifts have been ceding market share to mortgage banks, which are happy to originate, and sell, whatever borrowers demand.

According to figures from the Department of Housing and Urban Development, thrifts originated 16.2% of all home loans in the first quarter, down from 20.8% a year earlier.

2 Biggest Thrifts Hurt

The two biggest, H.F. Ahmanson & Co.'s Home Savings of America and rival Great Western Bank, both based in suburban Los Angeles, had sharp declines year to year, about 29% and 30%, respectively.

Sam Lyons, senior vice president for mortgage banking at Great Western, attributed some of the decline to a surge in refinancings in the 1992 quarter. But other factors were also at work. "Mortgage bankers continue to make inroads in the marketplace," he added.

"If you are trying to grow assets in this low-rate environment, it's going to be a very tough challenge," he said.

"You're doing well if you just replace runoff due to prepayments, let alone grow assets. It's hard to see any appreciable growth of assets in this atmosphere."

Redwood Unit a Big Gainer

The figures for the first quarter showed a split between the biggest thrifts and the industry as a whole. At the top 25 thrifts, originations dropped by $5.26 billion, or 24.6%, accounting for most of the $5.54 billion first-quarter decline by all thrifts insured by the Savings Association Insurance Fund.

One of the few top thrifts showing a big year-to-year gain was Allied Savings Bank of Santa Rosa, Calif., a unit of Redwood Empire Bancorp.

With half of its business in mortgage banking rather than portfolio lending, it managed a gain of about 133%. A major capital infusion from its parent also helped, according to John Simons, chief financial officer.

The other thrift with a big gain was First Federal of Rochester, N.Y., a unit of CT Financial Services Inc., London, Ontario.

Ronald Lent, senior vice president for mortgage lending, said First Federal experienced a surge of applications near the end of 1992 that resulted in heavy loan closings in the first quarter of 1993. □

Top Thrifts in Residential Mortgage Loan Originations

First quarter of 1993 compared with first quarter of 1992 (dollar amounts in thousands)

		Residential Mortgage Loan Originations		
		First Quarter 1993	First Quarter 1992	% Change
1	Home Savings of America, FSB, Irwindale, Calif.	$2,167,720	$3,000,000	-29.17
2	Great Western Bank, A FSB, Chatsworth, Calif.	1,803,436	2,582,715	-30.17
3	World Savings & Loan Assn., FSB&LA, Oakland, Calif.	1,451,123	1,283,475	13.06
4	Bank United of Texas, FSB, Houston	1,128,994	1,244,200	-9.26
5	Plaza Home Mortgage Bank, FSB, Santa Ana, Calif.	1,090,962	1,378,981	-20.89
6	Guaranty Federal Bank, FSB, Dallas	785,922	1,011,951	-22.34
7	American Savings Bank, FA, Stockton, Calif.	755,200	1,073,850	-29.67
8	NewAmerica Savings Bank, FSB, Irvine, Calif.	636,313	838,094	-24.08
9	California Federal Bank, FSB, Los Angeles	591,314	605,932	-2.41
10	Standard Federal Bank, Troy, Mich.	547,877	907,461	-39.63
11	United Federal Savings Bank, Indianapolis	541,297	733,044	-26.17
12	Sanconest Savings & Loan Assn., Hollywood, Fla.	509,823	526,092	-3.09
13	First Nationwide Bank, FSB, San Francisco	486,353	815,852	-40.39
14	Citibank, FSB, San Francisco	434,969	995,299	-56.30
15	Household Bank, FSB, Newport Beach, Calif.	408,000	518,316	-21.28
16	Glendale Federal Bank, FSB, Calif.	397,995	733,629	-45.75
17	Coast Federal Bank, FSB, Los Angeles	362,589	357,128	1.53
18	Great Financial Federal, Louisville, Ky	341,021	729,690	-53.26
19	Allied Savings Bank, FSB, Santa Rosa, Calif.	331,822	142,468	132.91
20	LaSalle Talman Bank, FSB, Chicago	318,886	372,458	-14.38
21	HomeFed Bank, Federal Assn., San Diego, Calif.	305,597	510,549	-40.14
22	Western FS&LA, Merlee Del Rey, Calif.	280,132	724,834	-61.35
23	Chevy Chase Savings Bank, FSB, Md.	269,302	286,056	-6.05
24	First Federal Savings & Loan Assn., Rochester, N.Y.	243,960	117,299	107.98
25	Loyola Federal Savings Bank, Baltimore	240,555	240,905	-0.15
	Totals for the Top 25	16,431,102	21,791,495	-24.60
	Totals for all SAIF-insured thrifts	39,246,000	44,786,000	-12.37

Data sources: Data were extracted by American Banker from the federal regulatory Thrift Financial Report using TAFS, provided by W.C. Pangborn & Co., Irving, Tex.

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Shaky Borrowers Give Long Beach a Solid Niche

By JAMES H. SAFT

Long Beach Bank of Orange, Calif., has carved itself a niche in the growing business of originating, securitizing, and servicing loans to borrowers with blemished credit histories.

Secondary Market

The company is in the process of issuing $255 million of mortgage-backed securities through Greenwich Capital Markets, a Connecticut investment bank. It is Long Beach's second such issue of the year.

These types of issues, partly because they offer higher interest rates to investors, are increasingly popular. "Over the next couple of years, we'll probably see more" of such issues, says Jayme Laurash, an analyst with Standard & Poor's Corp.

'Slower Repayment Profile'

Securitizations of loans to homeowners with troubled credit histories, known as B and C borrowers, are attractive to investors for other reasons as well, says Jennifer Schneider, an analyst at Duff & Phelps. "These borrowers have a slower prepayment profile than A borrowers," she said.

This is thought to be because B and C borrowers have less access to refinancings and have little excess cash. Also, because they pay higher closing fees, it takes a bigger drop in rates to make refinancing economical.

Investors have been stung by prepayments in recent months. Thus, the likelihood of greater stability is a seductive feature.

Securitizations of B and C loans are increasingly popular.

Extra Work Required

Though mortgage banks that make loans to borrowers with a history of credit trouble can be well compensated by higher interest rates and fees, these loans also require extra work, both before and after the loans close.

B and C borrowers are generally required to make higher down payments, resulting in lower loan-to-value ratios. According to Ms. Schneider, this gives added collateral to investors but makes a accurate appraisals all the more important.

Besides the standard appraisal checks, banks like Long Beach use tools such as desktop appraisals, computer programs that take into account valuation of similar properties nearby.

"Aggressive servicing is key," says one old B and C hand.

"It's more like consumer loan servicing, you have to stay on top of things," says Mr. Laurash.

Long Beach has been known to get in touch with borrowers before the first payment is due to remind them of the correct amount and address. Long Beach also makes it a point to phone borrowers as soon as possible after they become delinquent.

Though making mortgage loans to B and C borrowers has been the province of a small band of specialists, market observers believe the ranks are expanding.

"We see a lot more proposals of originators that want to start these types of programs" says Ms. Schneider. □

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Bankers, Realty Agents Gird for Clash on Fees

By SNIGDHA PRAKASH

WASHINGTON — Mortgage bankers and real estate brokers will square off again Friday over some federal rules aimed at combating kickbacks for loan referrals.

Both sides, as well as consumer advocates, will testify at a hearing at the Department of Housing and Urban Development about regulations to implement a 1983 amendment to the Real Estate Settlement Practices Act of 1974.

The Mortgage Bankers Association wants the rules overturned and has lobbied HUD as well as bringing suit in federal court. And the National Association of Realtors and other real estate groups are fighting to keep them in place.

"The fees are big pork-rillas that are in the playpen together. There's no way to take on this decision without rattling the cage," said Chris Lewis of the Consumer Federation of America.

In an unusual alliance with mortgage lenders, Mr. Lewis' group will also tell HUD to go back to the drawing board.

It is a measure of the difficult politics of this issue that the agency did not issue final rules for the 1983 amendment until election eve last year.

The timing left the new housing secretary, Henry Cisneros, and on the opposite side from consumer groups on a touchy matter.

Two issues will be on the table.

- The rules allow real estate agents to earn referral fees when they use a computerized loan origination (CLO) system to help homebuyers shop for a loan, so long as the shoppers are told about the arrangement.
- Realty employees are allowed to earn fees or bonuses if they refer homebuyers to a lender owned by the same company as the realty broker.

HUD has asked for comment on whether CLOs should be better defined. It also wants to know if consumers are protected by the disclosure rules.

Both the MBA and consumer groups will ask the agency to ensure that the CLOs list the rates of many lenders.

Both also will ask that no referral fees be paid for CLOs.

"If there's going to be a fee, it should be disclosed and paid up front," said Warren Lasko, the trade group's executive vice-president.

Tough Language

Mr. Lewis expects to tell the lawmakers that the bonuses to realty employees "look and smell like kickbacks."

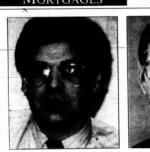
But what smells like a kickback to MBA and Mr. Lewis looks like good business to the Realtors association. It says it will fight hard to keep the rules.

"What we'd like to do is suggest that CLOs are the wave of the future," said Norman D. Flynn, who was president of the group in 1990 and will testify Friday.

"We ought not to be putting artificial barriers in the way of technological advancement that will assist purchasers in finding the best, most suitable loan for them," Mr. Flynn will tell HUD.

Mr. Lewis and the mortgage bankers draw heart from the very fact that HUD called a hearing, and from the the consumer-oriented questions in the agency's hearing notice.

"Our understanding is that the secretary's office is not pleased to be in litigation with the CFA," said Mr. Lewis. □



Fees to agents "look and smell like kickbacks."

Chris Lewis
Consumer Federation of America



Any fee "should be disclosed and paid up front."

Warren Lasko
Mortgage Bankers Association



Computerized loan origination is "the wave of the future."

Norman D. Flynn
National Association of Realtors

In Focus



Kevin Coffman

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Consumer Bankers Seek Industry Sales Yardstick

By KALEN HOLLIDAY

Keeping up with the Joneses may soon become easier for banks that sell investment products.

The Consumer Bankers Association is conducting a survey that could provide its members with a yardstick for evaluating their sales programs for mutual funds, annuities, and securities. The aim is to help banks see how they stack up against peers in key areas, such as fees, compensation, and expansion plans.

The trade group, based in Alexandria, Va., mailed the 30-question survey to 800 financial institutions on July 15. Results will be unveiled at the group's annual convention in Florida next month. In a letter urging bankers to participate, CBA president Joe Belew said the survey would help create "a variety of important new peer measurements and benchmarks" to measure success. Bankers say they are eager to see the results.



Joe Belew

"A lot of this information would be very helpful to those of us who are trying to plan marketing strategies," said John M. Cortelli, senior vice president at Cleveland-based Society Corp.

Though it is too early to draw conclusions, early responses suggest that banks are paying close attention to sales structure and disclosure, according to Fritz Elmendorf, communications director for the association.

'A Valuable Contribution'

"With this being the hot new banking area of the '90s, we thought we could make a valuable contribution to our members," Mr. Elmendorf said.

The survey questions cover a wide range of topics, from compliance policies to marketing practices.

On the compliance front, for instance, it asks whether banks require customers to sign statements acknowledging that investment products are not insured by the Federal Deposit Insurance Corp.

On the marketing form, it asks for information on how many customers are transferring certificates of deposit into uninsured investments, and whether banks are actively trying to convert CDs. The association is also tabulating information on sales charges, or "loads," annuity premiums, and sales volume for brokerage services.

Alexander B. "Sandy" Berry 3d, a principal at Mercer Management Consulting in Richmond, Va., who helped design the survey, said bankers are "craving information" of this type.

"As this whole product area has developed, there has not been a good body of information about what is going on in the industry," Mr. Berry said.

In May, the Federal Reserve published the results of a survey of sales practices at 56 of the nation's largest banks, Mr. Berry noted. The central bank's aim was to gauge how mutual fund sales by banks are affecting the money supply.

Not surprisingly, the association's emphasis is a bit different.

"We're trying to see how this area is evolving," Mr. Berry said. If enough people respond, "we should have a very valuable piece of information."



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Q: Have mutual funds helped you to bring new money and new customers into the bank?



GEORGE BERNARD
Vice president
PNC Securities Corp.
Pittsburgh

Yes, we have seen increases. That's been by design. We've developed our mutual fund products and services based on the needs of our customers.

If developed well, they should attract customers, and they have.

A year ago, we had 11 funds in our PNC family, with about $900 million in assets under management. Now, we're going on 20 funds and have $2.7 billion in assets under management.

We have a number of tax-free funds for customers in the different states that we operate in. And we're helped by the fact that our funds have been solid performers.

We also offer other companies' mutual funds and that helps strengthen our relationships. Customers know we're not going to force PNC funds on them if they want something different. ☐



DAVID MILLS
Marketing manager
Mellon Bank
Pittsburgh

As we're rolling into the retail market, the focus initially is to provide funds to existing customers. But the fact you have another arrow in your quiver can help bring customers to your organization.

We have nine of our own Laurel funds with about $2.5 billion in assets under management. A year ago, we had nine portfolios with about $2.1 billion.

We also have 19 Boston Company funds with about $1.4 billion in assets. Mellon acquired the Boston Company in May. To a minor degree, we are selling them to customers now, but we do want to make them broadly available to customers, just as we want to make the Laurel funds broadly available to Boston customers.

Our mutual funds were originally focused on trust, capital markets, and corporate banking clients.

If the customers needed a mutual fund, they didn't have to leave to get it. It allowed us to new customers through children of trust customers. Their parents could have set up a gift to minors account or made an outright gift. ☐



JUDY RUDNICK
Product manager
Harris Bankcorp
Chicago

In the past, retail sales haven't been the biggest source of sales for us. But I would say we've gotten some new institutional customers since we began offering the Harris Insight Funds.

That was in February 1988, and now we have about $900 million under management in six funds. We have three money market funds, and equity, taxable bond, and tax-exempt securities funds.

We have sweep accounts where we'll sweep excess cash from checking accounts or securities that pay dividends into a Harris money market fund.

And we are starting an asset allocation program using our mutual funds and others. We hope that will be a significant source of new money for us. ☐

Great Western's Sierra Investment Advisors Adopts a More Defensive Portfolio Strategy

By KAREN TALLEY

Responding to changed market conditions, Sierra Investment Advisors has rejiggered the investments in its four asset allocation portfolios.

The restructuring affects the fixed, value, balanced, and growth investment portfolios managed by Sierra Investment, an arm of Great Western Financial Corp.

The four portfolios are marketed as the Sierra Asset Management program.

The program, begun three years ago, has $251 million in assets under management.

The portfolios choose their investments from among nine of 13 funds in the California thrift's Sierra Trust proprietary mutual fund family.

Mutual Fund Family

Sierra Investment Advisors said it reallocated funds in its fixed portfolio to achieve greater balance between short, intermediate, and long-term bonds.

The value strategy was realigned to a "slightly more defensive position" to increase price stability and total return while sustaining yield, a spokesman said.

The balanced strategy shifted into a slightly more conservative mix of 45% equities and 55% debt from an even mix.

More Conservative Mix

The growth strategy was slightly adjusted to include more established growth companies.

The four investment strategies carry a maximum front end load of 4.5% and an annual management fee of 0.5% of the assets, under management.

Additionally, individual mutual funds in which the program invests carry annual management fees that range from 0.41% to 2.25%. ☐

Voyageur Gears Up to Tap Growing Business with Banks

By KEITH DuBAY

In 1989, Voyageur Asset Management sold less than $1 million of its funds through banks. This year, bank-related sales will range up to $200 million, executives of the Minneapolis-based mutual fund company estimate.

The increased importance of bank mutual fund sales to this conservative fund company manager is prompting the firm to boost its functions that support banks.

National sales manager Pat Wolfe said banks now account for 20% of the company's fund sales. His goal is to sell a third of Voyageur's funds through banks.

"The escalation of our bank sales has been dramatic. It's a big number and it's growing very quickly," Mr. Wolfe said.

An Easy Transition

Among the company's bank clients is First Bank System, the Minneapolis-based banking company that has a big presence in the plains states and the Rocky Mountain region.

Voyageur recently completed a large training project for First Bank System employees. Topics ranged from explaining what mutual funds were to defining investor suitability.

"Banks have grown from a nonentity in the fund business four or five years ago to a powerhouse, both on a proprietary and nonproprietary basis," he said.

An officer will establish relationships with banks nationwide.

Mr. Wolfe said he thinks Voyageur's funds sell well through banks because the portfolios comprise highly rated municipal and government bonds. It's an easy transition for a bank customer to make when reinvesting certificates of deposit, he said.

Mr. Wolfe said he is close to hiring a new investment officer to establish and maintain relationships with banks nationwide. Voyageur has sales agreements with 75 banks in 10 states in which it manages and sells its state-specific municipal bond funds.

$5.5 Billion Partnership

Voyageur was founded 10 years ago by Ken Dawkins and Michael Dougherty, who act as chief investment officer and chairman, respectively. Both were from the municipal bond business and Mr. Dougherty is still active with the firm that bears their names.

Voyageur is organized as a partnership, half-owned by Minnesota Twins owner Carl Pohlad's Marquette Banks Holding Co. The other half, owned by Allied Insurance Co. in Des Moines, is being sold back to a group led by Mr. Dougherty, officials said.

Voyageur has $5.5 billion of assets in private accounts and 22 mutual funds. The funds, 18 open-ended and five closed-ended, are in Arizona, California, Colorado, Florida, Kansas, Minnesota, Missouri, New Mexico, North Dakota, Oregon, Utah, and Washington.

Eleven of the funds covering $1 billion of assets are managed by Denver-based portfolio manager Drew McCullagh.

Voyageur also manages asset/liability accounts for 17 banks in Minnesota, South Dakota, and New Mexico. Assets managed for the banks total $670 million.

One-on-One Marketing

Unlike some fund families, which have wholesalers dedicated exclusively to banks, Voyageur's salespeople don't specialize. But they are generally limited to one state, where other funds will have a wholesaler who covers a group of states. A wholesaler provides support for banks, financial planners, and brokerages.

Voyageur has sales agreements with 75 banks in 10 states in which it manages and sells its state-specific municipal bond funds. Banks account for 20% of the company's fund sales.

"You can't provide the level of services that the banks want with one person covering a number of different states," Mr. Wolfe said.

"A higher percentage of our marketing effort is done on a one-on-one basis. If a wholesaler has half a dozen states, they just can't get around to see all their clients.

"It's more expensive for us, but we feel the higher level of service has allowed us to compete more effectively," he said.

One of the first jobs for the new bank development officer will be to design marketing materials and training programs for bank employees on such issues as cross-selling and referring customers to investment salespeople.

The bank development officer will travel to Oregon and Washington, where Voyageur has recently started funds, and identify bank distribution networks and meet with bank officers.

Voyageur doesn't discriminate among banks. "Anyone can sign a marketing agreement with Voyageur," Mr. Wolfe said. ☐

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Household Bank Still Virtually Unknown, But GM Card Issuer Has Insiders' Respect

By STEPHEN KLEEGE

Ask the man on the street, "Who issues the General Motors card?" and you're likely to get a "Who's buried in Grant's Tomb?" response -- if not a blank stare.

The right answer – Household Bank – is a name that "barely registers" in consumer surveys, says Bruce Brittain, the Atlanta-based credit card marketing analyst.

But card industry insiders certainly know about the bank owned by Household International, which has quietly become one of the five largest in the credit card business.

Card bankers also know Joseph Saunders, the former Continental Bank executive who has put the stamp of his personality, and reputation for industry leadership, on what is arguably the most influential credit card issuer in the country.

GM Talked to the Elite

While it was preparing to enter the credit card fray with a powerful rebate program that could help people buy cars, General Motors Corp. approached other members of the industry elite – Citicorp , Banc One Corp., and Bank of New York Co.

But it was most impressed by Mr. Saunders' willingness to try something completely new, to work out a revenue-sharing agreement, and to let GM's identity overshadow Household's in what became the most massive credit card launch ever.

Household's competitors were reluctant to issue a card that would be identified solely with GM, said Ronald N. Zebeck, managing director of GM card. That was a problem because the automaker didn't want to "dilute" its own recognition by cluttering the front of the card with the name of a less-well-known bank partner.

Amenable to No-Fee Strategy

What's more, Mr. Saunders proved more amenable than the others to issuing a card with no annual fee, Mr. Zebeck recalled. And he was ready to commit the resources required to meet GM's ambitious growth goals.

"When I asked Joe what he would do if he had $3 to invest, he said $2 would go into credit cards and the other dollar would go into the banking business," Mr. Zebeck said. "That indicated how devoted he was to bringing value to the customer."

"We listened to what they had to say," Mr. Saunders said, recalling a video presentation Mr. Zebeck made to Household executives at their Salinas, Calif., headquarters in early 1992. "We ended up collectively buying into the vision that this was a potentially dynamite product."

All signs say their judgment was correct.

Largely thanks to the GM Card, which hit the market 11 months ago, Household Bank has surpassed AT&T Universal Card Services in credit card loans outstanding, to move into fifth place among bank card issuers.

Household credit card loans under management reached $7.3 billion, compared with the $7.2 billion AT&T has amassed since 1990, according to a midyear report released Wednesday by Ram Research Corp.

Consumers have run up $3.3 billion in balances on GM cards and cashed in rebates toward the purchase of some 45,000 GM cars, Mr. Zebeck said.

Household has surpassed AT&T Universal Card Services in credit card loans outstanding.

Analysts point out that Household's example was at least a part of the inspiration for Citicorp to issue a similar card with Ford Motor Co. The presence of still more value in cards also prompted Chase Manhattan Corp., to upgrade its frequent-flyer program with British Airways and Wells Fargo & Co. to offer a card that gives a rebate covering mortgage-closing costs.

For Mr. Saunders, 47, the GM Card is only the latest in a series of credit card successes.

"Joe had a track record of being in a card business that had grown dramatically in a short period of time. And that's what Household wanted," said Stephen P. Topper, who was among the bankers Household hired to staff the unit under Mr. Saunders in 1985.



Chuck Gothard

JOSEPH SAUNDERS won GM's business by agreeing to revenue sharing and by letting the automaker's identity overshadow Household's in what became the biggest launching ever of a credit card.

At Continental, Mr. Saunders had built the Town & Country card division into one of the largest in the nation, before the bank ran into unrelated troubles and sold the portfolio to Chemical Banking Corp., Mr. Topper said.

Household was so impressed, it continued to pursue Mr. Saunders even after he was hired for a brief stint at Bank of America, said Mr. Topper, who is currently senior vice president of direct mail at First Nationwide Bank in San Francisco.

At Household, Mr. Saunders did not disappoint.

A "heavy investment" in data management systems paid off by enabling the bank to target its cards to individual consumers, said Warren Wilcox, executive vice president of planning and development under Mr. Saunders.

"In retrospect, it turned out to be a little chairyoeant," said Mr. Wilcox, who recently announced that he would leave Household Bank to form a data services unit for Fair Isaac & Co.

"Right out of the gate, we were going as low as 16.9% for some people," he said, referring to an interest rate that was considered low at the time. "Some products had fees, some not, some had $10 fees and some had $20 fees. We had a lot of flavors of ice cream."

Buying Card Loan Portfolios

Household also built its market share by aggressively acquiring card loans from other issuers, Mr. Wilcox said. The bank added more than $2.5 billion in receivables in 20 different purchases, starting with the portfolio of Avco National Bank in 1987.

Mr. Wilcox said Mr. Saunders' management style came to the fore in negotiating those purchases, as he delegated all but the final sticking points to staff members.

At one point, Mr. Wilcox recalled, Mr. Saunders got on the phone at 3 a.m. to nail down a purchase from CoreStates Financial Corp. that involved a complex side deal with the investment bank Ranieri, Wilson & Co.

"He's got a strategic focus," Mr. Wilcox said of Mr. Saunders. "He can be tough and demanding one minute, sensitive the next. He has a superb sense of when to push people."

For his part, Mr. Saunders credits teamwork, saying, "You need to get a management team put together that buys into the notion that they are all focused on the same objective. You need

For Mr. Saunders, 47, the GM Card is only the latest in a series of successes.

to create a culture where everybody feels they're competing with other people, not with each other."

The GM Card was the largest in a series of products that Household has issued under strategic alliances with nonbank partners.

"People have been trying to add value to the cards for the past 10 to 12 years," Mr. Saunders said, referring to airline affinity cards and other promotions. Only a bank with the "horsepower" of a Citicorp has the ability to distinguish itself purely on the basis of quality service, the banker added.

For Household, the first such product was the Alliance Compu-Card, associated with a discount buying service, that was issued in a joint venture with CUC International of Stamford, Conn.

More recently, Household issued a card on behalf of Chicago-based Ameritech that offers a 10% discount on long-distance calls. That product was dwarfed by the GM Card, which has been issued to seven million people with five million accounts. But Ameritech's is a substantial success by almost any other measure, with 600,000 cards issued in a five-state region, and $300 million in loans outstanding.

Marketing Advantages

What's new in the GM card, he said, is "the notion of talking to other people and saying how your marketing objectives can be supplemented by associating with a credit card."

Although it is a major force in the credit card world, Household's parent has yet to reap the full rewards of Mr. Saunders' efforts.

Richard S. Goleniewski , who follows the $33 billion-asset Household International for Goldman, Sachs & Co., said credit cards is its fastest-growing asset category but will contribute only 50 cents to 75 cents of the projected $6 a share of earnings this year.

Mr. Goleniewski said the card unit's profitability remains burdened by start-up costs, and that the revenue sharing arrangement with GM may be cutting into its total yield. The unit is earning about 1% on assets, he said, which is good for a commercial bank but shy of the 1.87% average for a credit card issuer.

Some observers have warned that the rapid growth of the GM Card will be followed by a rise in delinquencies and chargeoffs as the accounts mature.

But according to Stuart A. Feldstein, of SMR Research Corp., which recently published a study of "high-value" cards like GM's, there are indications that credit quality will be better than average. Cardholders are seen as reluctant to default because they could lose their rebate points.

And it's clear that Mr. Saunders, who is among the contenders to assume the presidency of Household International left vacant following the recent death of Edwin Hoffman, has no intention of letting up.

Mr. Wilcox hints that there are some new initiatives coming that, if they won't rival the GM Card, will at least keep Household a step ahead of the rest of the industry.

And Mr. Goleniewski notes that with the Chesapeake, Va., processing unit that recently opened to service the GM Card, Household is operating at only about half of its capacity. □

CREDIT/DEBIT/ATMs

MasterCard Moves to Cut Card Delays at Sales Counters

By LISA FICKENSCHER

MasterCard International said it is taking steps to shorten the delays that occur when a card-issuing bank must be called to complete a point-of-sale authorization.

By instituting a system called Automated Referral Service, MasterCard aims to eliminate most of the five to 10 minutes that can be lost when a store's card-reading terminal does not authorize the sale.

"Delays at the point of sale cause inconvenience for cardholders, merchants, acquirers, and often translate into lost sales for issuers," said MasterCard executive vice president Philip P. Verdi.

Toll-Free Number

When fraud is suspected or some other problem arises, a point-of-sale terminal signals the need to call the card-issuing bank.

With the Automated Referral Service, a merchant calls a toll-free number that will put it in touch with the card issuer.

If the issuer's line is busy or the call is not answered in 30 seconds, MasterCard will respond on behalf of the issuer, using pre-approved guidelines.

By centralizing the referral procedure, the system eliminates the need for acquirers to keep many issuers' telephone numbers on file.

MasterCard says it receives 225,000 to 250,000 such referrals in an average month.

Referrals usually occur when an issuer wants to verify the identity of the customer, but the issuer may also be flagging a cardholder who wants to make an expensive purchase or is near or over the credit limit.

MasterCard's offering comes a little over a year after Visa introduced a similar referral service.

Some of the larger merchants and transaction processors already have the capability to get in touch with the issuer.

"The automated referral services really help the smaller banks that can't afford to invest in their own program," said Craig Millington, senior vice president of Family Bank in University Park, Ill.

"They requested this of MasterCard, and the bigger banks developed their programs out of necessity."

A spokeswoman for Master-Card said the Automated Referral System also benefits the larger banks, because they would not otherwise have the advantage of MasterCard intervening in the process and accepting some of the calls. □

With its "Automated Referral Service," MasterCard will automatically intervene when card issuers are unavailable to answer merchants' questions.



Total and AT&T Renew Contract For Processing

By STEPHEN KLEGE

Total System Services Inc. said Wednesday that AT&T Universal Card Services has extended its credit card processing agreement through the end of the decade.

Total is expecting $300 million in cumulative revenue from the contract, which replaces one that was to expire in 1995.

The Columbus, Ga., processor, which is 81% owned by Synovus Financial Corp., did not disclose contract details but said there will be no material change in its earnings.

In three years, AT&T Universal has grown into the second-biggest bank card program. With 16 million cards, it trails only Citicorp and accounts for half of the 32 million cards processed by Total.

The AT&T cards are issued by AT&T Universal Bank, another Synovus subsidiary.

Unrelated to Production

AT&T and Total System officials said the contract change was unrelated to a recent change in the way AT&T has been producing its MasterCard cards, which make up 11.2 million of AT&T's total.

Since March, the cards have been embossed and encoded at AT&T's service center in Jacksonville, Fla. AT&T officials attributed the change to MasterCard antifraud specifications.

Kenneth E. Evans, vice chairman of Total System, said the company is capable of meeting the MasterCard requirements.

The Georgia company is the second-largest nonbank card processor, behind First Data Resources Inc. of Omaha.

Warrants granted to AT&T in 1990 to purchase Total System stock have expired and are not part of the new processing agreement. Total's price on the New York stock exchange was up at midday Wednesday 62.5 cents to $27.

Fed Sees Loan Demand Generally Flat or Down

Continued from page 1

tated much of the Midwest, the Fed said it was likely to have only limited impact on the overall economy. So far, the flood's damage has been "highly concentrated," and has not threatened overall growth in any Fed district, the report said.

Despite the anecdotal reports of soft loan demand, many economists remain optimistic about a pickup later in the year.

"Business loans outstanding is lower than it was a year ago, but the marginal decline has narrowed," said Stuart G. Hoffman, chief economist at PNC Bank Corp. "When this year ends, business loan demand will have come full circle and gotten back to where we were a year ago."

District by District

Highlights of the report, by Fed district, follow:

• **Boston:** The economy continued to expand slowly, with little inflation. The housing market has improved only modestly.

• **New York:** Despite improvements in June, July showed "preliminary indications of some retrenchment." Overall loan demand stabilized. Interest rates were unchanged, lower.

• **Philadelphia:** Loan demand overall has been stagnant, and overall activity steady. Bankers foresee sluggish loan demand continuing, because of uncertain economic conditions and the possibility of increased taxes.

• **Cleveland:** Deposits continue to leave banks, causing some to offer new products, such as certificates of deposit with higher-than-market rates. Business lending softened, and consumer loan volume leveled off after a surge in the spring.

• **Richmond:** Growth has been moderate and uneven. Commercial, consumer, and residential mortgage loan demand was marginally higher, with a pickup in refinancing activity.

• **Atlanta:** The economy grew modestly, with flat commercial loan demand. Consumer lending, especially for cars and home refinancing, has increased in most areas.

• **Chicago:** The economy has expanded overall, but flooding has significantly disrupted activity in affected areas. Although the full impact will not be evident for some time, flooding is not likely to threaten overall economic expansion.

• **St. Louis:** Despite the floods, which will cost the district at least $1.5 billion, much of the area has been unaffected. Banks for the most part have been unaffected by flooding, and many are offering special loan



Stuart G. Hoffman
Sees business loan comeback

products and low rates to flood victims.

• **Minneapolis:** Moderate growth, despite the flood. Price levels have remained stable, and construction continues to be one of the strongest areas in the economy.

• **Kansas City:** Moderate growth, with increasing retail sales, strong housing activity, and a slight pickup in bank loan demand. Demand for home mortgages and commercial real estate loans was unchanged.

• **Dallas:** Slow expansion, with robust residential construction but slowing loan demand. Home mortgage originations and refinancings "remain a bright spot."

• **San Francisco:** Continued weakness in California has offset growth in much of the West. Idaho and Utah lenders report excellent conditions, in part due to strong construction lending. □

2 Accused of Trying To Defraud the RTC

WASHINGTON — Two Florida businessmen have been arrested and charged with bank fraud and money laundering in connection with a scheme to defraud the Resolution Trust Corp. and the Small Business Administration, the RTC announced Thursday. The two were identified as Jack J. Pearson and Patricia D. Richards, both of North St. Petersburg, Fla.

The federal complaint alleges that their company, Largo-Belleair Corp. of Largo, Fla., bought a bank building from the RTC for $450,000 by using false financial information on their application for an RTC loan, which was for 70% of the purchase amount. □

Clinton Tax Bill, a Mixed Bag, Seen Boosting Realty Markets

By ROBERT M. GARSON

WASHINGTON — President Clinton's deficit reduction bill, which faces key votes on Capitol Hill today and tomorrow, is a mixed bag for the banking industry. But the package promises genuine relief in one area crucial to lenders – the nation's flagging real estate markets.

The bill reinstates deductions for passive losses by real estate professionals and permits pension funds to invest more freely in real estate investment trusts, or REITs. It also eliminates a tax barrier to restructuring loans secured by real estate.

"None of these things are a panacea," said Richard J. Boyle, vice chairman of Chase Manhattan Bank, New York. "But it's a smart piece of legislation. All of these things, taken as a whole, bring stability to the market."

Mr. Boyle said the loan restructuring provision may prove particularly important to banks.

A Tax Liability

Under current practice, a restructured loan creates a tax liability for the borrower. If a bank agrees to reduce the loan principal for a cash-strapped borrower and accepts an equity stake in the company in its place, the amount of debt reduction is treated as income for tax purposes.

Real estate lobbies have argued that borrowers often find it cheaper simply to deed the property back to the lender or to declare bankruptcy and avoid the tax altogether. In either case, the lender is worse off.

Under the tax bill, which is a major component of the deficit reduction package, the reduction in debt would not be treated as income. Instead, the borrower's tax basis in the property would be reduced.

'Everybody Benefits'

As a result, the government would still get most of the tax revenue in the long run, through lower depreciation deductions



Richard J. Boyle
Understands bill's limits

rather than a one-time tax on income.

Lobbyists who have been working the bill argue that everybody benefits. Lenders maintain a performing loan, going businesses are saved and the government still gets paid.

"The provisions are critical to addressing the asset-value and liquidity problems that continue to plague real estate markets and, consequently, the economy overall," said Steven A. Wechsler, president of the National Realty Committee, which represents a number of large banks and real estate interests.

In addition, the passive loss provision, which makes it possible for real estate professionals to deduct losses on rental properties, also could prove important, according to industry lobbyists.

"The passive loss rules are an important psychological thing," said Jim Butera, a financial institutions lobbyist. "But psychology is an important part of all markets."

Ambivalent at Best

Still, Mr. Butera and others said that the gains on real estate were offset by losses in other areas. Many bankers and thrift executives are at best ambivalent about the package.

"An awful lot of bankers would say they are concerned that there are not more spending cuts," said Edward L. Yingling, executive director of government relations for the American Bankers Association.

On the plus side, however, bankers beat back an effort to assess new fees on states-chartered banks and won approval of an important provision that permits banks and thrifts to amortize the value of acquired core deposits.

And while lenders did better than expected on student lending, the bill would still transfer a majority share of the market to the federal government.

Even Worse News

For investors that acquired failed thrifts prior to Jan. 1, 1989, the news was even worse. The bill includes a provision repealing a key tax break that cash-strapped regulators used to finance the sale of failed thrifts.

"It is unfair in the extreme that those induced to acquire thrifts by the promise of tax breaks" should lose those advantages retroactively, said Leonard Bickwit, a lawyer with Miller & Chevalier, here.

Still, Chase's Mr. Boyle said the bill as a whole is a step forward.

"On balance, we are at a point where everybody can find something in the bill they don't like," Mr. Boyle said. "But as a whole, it is good for the country." □



Edward L. Yingling
Says more cuts are desired

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Opinion

Comment

By Russell E. Brooks

Expect More Courtroom Dueling On Banks' Insurance Powers

Following a June 7 decision by the U.S. Supreme Court on a rather unusual legal question, the U.S. Court of Appeals for the District of Columbia circuit has upheld a determination by the Comptroller of the Currency that a national bank's small-town subsidiary could solicit and serve insurance customers without geographic limitation.

The District of Columbia circuit court's decision is in direct conflict with a 1992 decision by the U.S. Court of Appeals for the Second Circuit.

The Supreme Court thus would seem to have little choice in its upcoming term but to review and settle, perhaps once and for all, the issue of banks' insurance powers.

'Section 92'

The Supreme Court's June 7 decision had its genesis in a 1984 application to the Comptroller from the Portland-based United States National Bank of Oregon

INTERPRETATION *of section 92 is of great importance for banks and the insurance agents with whom they would compete.*

to sell a full range of insurance through a wholly owned subsidiary located in Banks, Ore., a town with a population of 489.

In a 1986 ruling on the Oregon bank's application, the Comptroller relied on a provision of law that is commonly referred to as section "92."

Enacted by Congress in 1916, section 92 authorizes any national bank "doing business in any place the population of which does not exceed 5,000 inhabitants ... [to] act as the agent for any fire, life, or other insurance company."

No Limitation for Insurance

The Comptroller noted that as originally enacted, section 92 imposed "a geographic limitation in the statute with regard to [a national] bank's brokerage of real estate loans" but that it contained no such limitation with respect to the sale of insurance.

The Comptroller said that permitting a national bank to sell insurance outside the town where its selling office was located was consistent with the original purpose of the law – to provide additional income to banks in small towns that were having problems deriving a reasonable profit from their banking business.

The Comptroller therefore determined that, under section 92, the Oregon bank's subsidiary could sell insurance products to existing and potential customers in Oregon, as well as in those states in which the bank's insurance subsidiary was authorized to do business.

Agencies Return Fire

A number of insurance agency trade associations filed suit in U.S. District Court for the District of Columbia, challenging the Comptroller's ruling. They argued that section 92 placed geographic restrictions on sales of insurance by banks and that the Oregon bank's subsidiary therefore should be limited to sales of insurance in its community.

The court concluded that the Comptroller's interpretation of section 92 was "rational and consistent with the statute" and accordingly upheld the Comptroller's ruling.

The District of Columbia Court of Appeals reversed that decision. The appeals court found that section 92 had been repealed in 1918, and noted that the Comptroller had cited no other authority for its ruling. The appeals court ordered the district court to enter judgment for the insurance agents.

Comptroller Upheld

On June 7, however, the Supreme Court ruled that section 92 had not been repealed by Congress in 1918, accidentally or otherwise. Justice David H. Souter, writing a unanimous opinion for the court, said that section 92 remains in effect.

The Supreme Court sent the case back to the District of Columbia circuit court of appeals for consideration of the main issue – whether to uphold the Comptroller's 1986 decision.

On July 16, the appeals court issued its ruling in the Bank of Oregon case on remand from the Supreme Court.

The appeals court upheld the Comptroller's determination. Examining the words of the statute and its legislative history, the court first found "no specific congressional intent to restrict the geographical reach of the insurance sales authorized by section 92."

It then gave deference to the Comptroller's interpretation of the law and said that it constituted a "permissible construction" that the courts should not overturn because it was not so inconsistent with a "sufficiently clear" statutory policy as to demonstrate that Congress' clear intent had been violated.

Conflicting Interpretations

The District of Columbia circuit court's decision clearly conflicts with the 1992 decision by the U.S. Court of Appeals for the Second Circuit.

There, the second circuit court issued a decision on review of a 1989 decision by the Comptroller to allow two operating subsidiaries of the Chase Manhattan Bank to sell title insurance to lenders and borrowers. The second circuit court first found that section 92 had not been repealed.

It then ruled that section 92, by authorizing insurance agency activities only by those national banks located and doing business in places with 5,000 or fewer inhabitants, barred by implication national banks located and doing business in larger places from engaging in the title insurance agency business.

It said it did not have to decide whether the section of the National Bank Act that authorizes national banks to engage in activities "incidental" to the

IT WOULD APPEAR *quite likely that the Supreme Court will agree to review the 1992 and 1993 circuit court decisions.*

"business of banking" could support the Comptroller's decision, finding that "the specific limits on insurance activity contained in section 92 had to prevail over the more general grant of incidental powers" contained in the section.

In its decision, the second circuit court relied in large measure on a 1986 opinion by the U.S.

THE COMPTROLLER *has determined that a national bank's small-town subsidiary may solicit and serve insurance customers without geographic limitation.*



Court of Appeals for the Fifth Circuit, which struck down a ruling by the Comptroller permitting a national bank to sell to borrowers broad forms of automobile, home, casualty, and liability insurance.

The fifth circuit court had ruled that under section 92, national banks had no power to act as insurance agents in cities of over 5,000 population.

Further, the second circuit court criticized a 1979 decision by the District of Columbia circuit that section 92 did not bar national banks from selling credit life insurance in a town with a population greater than 5,000.

The second circuit court did not mention a 1988 decision by the District of Columbia circuit upholding the Comptroller's determination that a national bank may offer municipal bond insurance through a subsidiary by the use of its incidental powers.

Much at Stake

The interpretation to be afforded to section 92 is of great importance for banks and the insurance agents with whom they would compete if the Comptrollers' 1986 decision is validated.

Today, nearly 200 national banks sell insurance on the basis of section 92 and there are as many as 100 state banks indirectly rely on section 92 as a result of state parity laws that allow them to exercise the powers of national banks. The ability to sell insurance beyond a state's borders under section 92 would certainly increase that total).

Review Is Likely

Given its decision to resolve the conflict among the circuits with respect to the asserted repeal of section 92, it would appear quite likely that the Supreme Court will agree to review the June 15, 1992, decision by the second circuit and the July 16 decision of the District of Columbia circuit.

Of course, it is impossible to predict how the Supreme Court will rule. What is clear, though, is that bankers and insurance agents soon will be focusing all their energies on the Supreme Court in an attempt to persuade the court to rule in their favor. □

Reader Forum

The American Banker welcomes points of view on issues of interest and importance to the banking industry. Please direct letters to Jeffrey Kutler, assistant managing editor, *American Banker*, One State Street Plaza, New York, N.Y. 10004.

Mr. Brooks is a litigation partner with Milbank, Tweed, Hadley & McCloy in New York.

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Comment

By William F. Staats

Banks' Fed Reserves May Be Outmoded

Should the Fed should start paying interest on bank reserves, or at least on the noncash portion of them?

This old issue, which seems to come up every few years, has been revived again.

The substance of the arguments never changes. A principal one in favor of the proposition goes like this:

Banks get no interest on their required reserves, which the Fed invests, turning most of what it earns back to the U.S. Treasury. In effect, banks are paying a tax in the form of lost earnings.

Whatever the merits or deficiencies of such arguments, we should be clear about the central issue.

It seems to be widely assumed that the Federal Reserve System acquires the reserves from financial institutions and then uses those reserves to purchase government securities, upon which the Fed draws interest.

There are two basic misconceptions in that view of what happens.

Creating Money

The first is that the Federal Reserve buys government securities simply because it has the

MISCONCEPTIONS *underlie the argument that banks should be paid for maintaining required reserves.*

"cash" deposited by banks in their reserve accounts.

Commercial banks can be forgiven for thinking that way. After all, that is how things work at a depository institution.

However, the Federal Reserve has a motivation other than to employ deposits in an earning asset. Rather than using reserves to buy government securities, the Fed buys securities in order to create bank reserves. It must in turn enable banks to create money (deposit liabilities) through lending and investing.

The extent to which banks can create money depends upon their reserve position, and it is that reserve position which the Federal Reserve affects by its purchase of government securities.

So, the Fed acquires securities as a result of its attempts to influence the economy by affecting the growth of the money supply.

The Fed's Magic Check

The second misconception is that the Fed needs bank reserves to acquire the securities on which it draws interest.

In no way does the central bank use a financial institution's reserves as a means of payment for government securities.

The Fed does not need any reserves or any cash to buy securities. In fact, the reserves and money supply are created precisely because the Fed writes a check and uses it to purchase government securities.

Fundamental Paradox

It may be a bit difficult to grasp the idea that the Federal Reserve can buy government securities without having any money in a checking account – but that is one of the main characteristics that make the Fed different from any other entity.

Quite simply, the Fed has a checkbook but no checking account. When my students learn how the Fed works, they want to become a Federal Reserve System, if only for 30 minutes!

Let us hope that bankers and politicians, as they debate whether the Fed should pay interest on reserves, understand understand what they will be debating.

A More Basic Question

Also, perhaps the debate should be expanded to consider whether we need reserve requirements today.



Money market mutual funds, insurance company annuities, and other substitutes for bank deposits are not subject to such requirements. In terms of competitive equity as well as regulatory burden, it may be a good time to consider eliminating the requirements entirely. □

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CITATION
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File No. 2814-1990

TO: Louis Rochelle
Otto Hohl
Elfriede Sauerwald
Evelyn Ann Kromoy, personal representative of the estate of Jerome Kromoy a/k/a Jerome Stella
Emergency Medical Services, P.C.
National Health Laboratories
John J. Connolly, Esq.
The Attorney General of the State of New York and to the Distributees of Jerome Kromoy, whose names and post-office addresses are unknown and cannot, after diligent enquiry, be ascertained by the petitioner herein;

being the persons interested as creditors, legatees, devisees, beneficiaries, distributees, or otherwise in the estate of Otto Hohl, deceased, who at the time of his death was a resident of 641 West 169th Street, New York, New York.

Upon the petition of ETHEL J. GRIFFIN, Public Administrator of the County of New York, with offices at 31 Chambers Street, Room 311, New York, New York 10007

You and each of you are hereby cited to show cause before the Surrogate's Court of New York County, held in and for the County of New York, on the 14th day of September 1993, at nine-thirty o'clock in the forenoon of that day, why the account of proceedings of the Public Administrator of the County of New York, as Administrator of the estate of Otto Hohl, deceased and why you and each claiming to be a distributee of the decedent should not establish proof of your kinship and why the possible claims of West Side Emergency Medical Services, P.C. and National Health Laboratories should not be rejected & why the claim of Evelyn Ann Kromoy and Clouise Lee Bentley, personal representative of the estate of Jerome Kromoy in the amount of $1,000,000.00 should not be rejected, and why the Public Administrator should not fix and allow a reasonable amount of commissions payable under Schedule C and C-1 of the account of proceedings to the undersigned, and allow for legal services rendered to petitioner herein and if additional legal services are rendered that the same be adjusted by the Surrogate upon further application by the petitioner, and why the balance of the alleged legal fees, if any, and disbursements, if any, of John J. Connolly, Esq., should not be fixed and determined by the Court and why the Surrogate should not fix and allow as an administration expense as listed in Schedule C-1 of the account an amount equal to one percent of the items reported in Schedules A, A-1, A-2 of the account of proceedings, as fair and reasonable amount payable to the Office of the Public Administrator for the expenses of said office pursuant to SCPA 1810(4).

Dated,Attested and Sealed, June 22, 1993.
(L.S.) HON. EVE PREMINGER
Surrogate
RICHARD A. CONDON
Clerk of the Court

ROBERT M. HEAVEY
Attorney for Petitioner
233 Broadway, Suite 310
New York, New York 10279
(212) 406-6600

This Citation is served upon you as required by law. You are not obliged to appear in person. If you fail to appear it will be assumed that you consent to the proceedings, unless you file written objections thereto. You have a right to have an attorney-at-law appear for you.

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FINANCE

Argentine Interest Deal Said to Be in Jeopardy

By JAMES R. KRAUS

Some $7 billion in past-due interest payments from Argentina to foreign creditor banks may not be paid by Sept. 1 deadline because agent banks have been unable to reconcile who is owed what, senior banking sources said.

Sources added that a failure to reconcile the payments would force the issue into New York State or federal court ajudication and could delay payments for years.

On Wednesday, a Citicorp spokesman said Argentina and Citibank, the closing agent, are working to get an extension notice out to the banks. He flatly ruled out any possibility the deal will wind up in court in September.

The spokesman added that more than half the amounts have been reconciled so far.

'A Real Problem'

However, senior bankers contradicted the spokesman's statement and said there was a real possibility that the payments could be delayed.

"It's a real problem and they're going to have to find some way of getting an extension," said one banker.

"Unless the payments are substantially reconciled by Sept. 1, the whole deal goes to court."

Bankers said large-scale trading in the paper over the past few years was mainly responsible for delaying the reconciliation.

"The syndicate agents have to trace paper trails, some covering over 100 trades in the paper, and the question is who had it at what time and who should have how much of the interest payments," said another banker.

Single Biggest Agent

Sources said Bank of New York, the single biggest agent handling approximately 40% of the reconciliation, has been slowest to complete its reconciliation.

Other banks acting as agents on the reconciliation are Banque Nationale de Paris, Chemical Bank, Citibank, Credit Lyonnais, Midland Bank PLC, J.P. Morgan & Co., and Royal Bank of Canada.

Agent banks have been unable to reconcile who is owed what, sources say.

Argentina resumed partial interest payments on its foreign debt in June 1990, after previously making payments for over two years, and reached an agreement to restructure the debt with banks in April last year.

The country paid $770 million and issued some $6 billion in uncollateralized 12-year bonds at Libor plus 13/16 to cover the arrearage interest on April 7.

The cash and bonds have been held in an escrow account pending distribution to creditors.

In a related deal, banks agreed to reduce $19.3 billion in debt Argentina owed foreign creditors by swapping the debt for bonds at a reduction of either interest or principal. □

Fed: Banks Should Adjust Capital To Reflect Fluctuations in Securities

Continued from page 1

ker for Atlanta-based SunTrust Banks Inc. and chairman of the American Bankers Association's accounting committee, is ready to look at the bright side.

"We fought the good fight and lost, now we're looking for upside," he said.

Mr. Fuhrman doesn't have to look far because SunTrust's capital will balloon by $1 billion

Regulators regard the accounting policy as unsound.

under the new rules. The bank owns 24 million shares of Coca-Cola that are currently valued at cost, which was $100,000 each in 1919. Under the new rules, SunTrust declares the Coke stock as "available for sale" and marks it to market, or $1 billion.

SunTrust plans to label its entire $6 billion securities portfolio as available for sale, he said.

Bob Muth, president and chief executive of Ohio's Andover Bank, said he has already shortened the maturity of the securities in his $30 million portfolio. "In order to prevent that from destroying my entire year's earnings, I just reduced the term of my investment portfolio," he said.

Sacrificing Earnings

But the $120 million-asset bank is sacrificing about 5% of earnings due to the lower rate he is getting on the shorter-term securities, Mr. Muth figured. "I'm willing to give up 5% rather than have my capital impacted."

"My feeling is it [FAS 115] shouldn't be in regulatory capital at all," said Marti Sworobuk, program manager for accounting and financial reporting at the Savings and Community Bankers of America. Unrealized gains or losses on securities available for sale should not be used to measure the strength of a financial institution, she said.

Under the proposal, as spelled out in a Fed staff paper, Tier 1 capital will be adjusted quarterly to reflect changes in the value of securities a bank holds for sale. If these securities go up, Tier 1 will be increased. If the securities decline in value, then the bank's Tier 1 capital also will decrease. □

BANK CALL NOTICES

Consolidated Report of Condition of

MELLON SECURITIES TRUST COMPANY

of New York, New York

"Consolidated Report of Condition of Mellon Securities Trust Company of New York, New York and Foreign Subsidiaries, a member of the Federal Reserve System, at the close of business on June 30, 1993, published in accordance with a call made by the Federal Reserve Bank of the district pursuant to the provisions of the Federal Reserve Act."

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions	
Noninterest-bearing balances and currency and coin	$ 66
Interest-bearing balances	1,309
Securities	
Premises and fixed assets	42
Other assets	3,924
TOTAL ASSETS	$ 5,341
Total assets and losses deferred pursuant to 12 U.S.C.	$ 5,445

LIABILITIES	
Other liabilities	$ 118
TOTAL LIABILITIES	$ 118
EQUITY CAPITAL	
Common stock	$ 500
Surplus	700
Undivided profits and capital reserve	4,127
TOTAL EQUITY CAPITAL	$ 4,327
Total equity capital and losses deferred pursuant to 12 U.S.C.	$ 4,445
TOTAL LIABILITIES AND EQUITY CAPITAL	$ 5,445

I, PREDRAG STOJANOVIC, Vice President and Controller, do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

DAVID K. MOSSMAN, Treasurer
July 12, 1993

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

STEPHEN E. DONOHUE
LEON MCLINDON
HUGH MCCOLL
Directors

CONSOLIDATED REPORT OF CONDITION OF

European American Bank

1 EAB Plaza, Uniondale, New York 11555-0001 and Foreign Subsidiaries, a member of the Federal Reserve System, at the close of business on June 30, 1993, published in accordance with a call made by the Federal Reserve Bank of the District pursuant to the provisions of the Federal Reserve Act. (In thousands)

ASSETS	
Cash and balances due from depository institutions	
Noninterest-bearing balances and currency and coin	$ 560,441
Interest-bearing balances	3,453,230
Federal funds sold	
Loans and lease financing receivables	
Loans and leases, net of unearned income	$ 5,957,236
Less: Allowance for loan and lease losses	276,173
Loans and leases, net of unearned income and allowance	5,681,063
Trading assets	1,000,000
Premises and fixed assets	98,296
Other real estate owned	14,921
Investments in unconsolidated subsidiaries and associated companies	9,750
Customers' liability to this bank on acceptances outstanding	1,000
Intangible assets	215,000
TOTAL ASSETS	$ 11,060,901

LIABILITIES	
Deposits	
In domestic offices	$ 4,232,162
Noninterest-bearing	$ 1,197,788
Interest-bearing	$ 3,034,374
In foreign offices, Edge and Agreement subsidiaries and IBFs	43,706
Noninterest-bearing	41,706
Interest-bearing	2,000
Federal funds purchased	304,031
Securities sold under agreements to repurchase	
Demand notes issued to the U.S. Treasury and other borrowed money	220,650
Mortgage indebtedness and obligations under capitalized leases	10,000
Bank's liability on acceptances executed and outstanding	11,281
Other liabilities	255,000
TOTAL LIABILITIES	$ 5,068,830

EQUITY CAPITAL	
Common stock	50,000
Surplus	300,000
Undivided profits and capital reserves	642,071
TOTAL EQUITY CAPITAL	992,071
TOTAL LIABILITIES AND EQUITY CAPITAL	$ 11,060,901

I, John F. Schwarz, Chief Financial Officer of the above-named bank do hereby declare that the Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

JOHN F. SCHWARTZ

We, the undersigned directors, attest to the correctness of this Report of Condition and declare it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

EDWARD TRAVAGLIANTI
JAMES M. SPIOTTA, JR.
TOM DE BOER

LEGAL ADVERTISING

AUCTION NOTICES

Garagemen's Lien Sale U. Stall DCA LIC # 648119 and/or S. Specter DCA Lic # 769437 Subs 8/25/93 9:30AM 37-11 58TH ST Queens 718-335-3333 FAX #3419023-2680M020847 Re: Dronco, Ferraro, 1987 Ford Escort #1FAPP90U7HW159007 Re: Armao,Bolivier, 10:00AM 57-17 QUEENS BLVD Q185 1988 CHEVROLET Corsica #1G1JC1111J7252951 Re: Ortiz, Abrahams, 10:15AM 52-01 QUEENS BLVD Q193 1987 CHEVROLET Camaro #1Z6-870N526040 Re: Rivera, Lloyd; 10:45AM 53-13 VERNON ST Q191 1987 CHEVROLET MonteCarlo #1G1AZ37H0DE820290 Re: Wingate, Thompson; 11:30AM 1135 GREENE AVE BKLYN 1983 PLYMOUTH 250 #P4W8YW393DG 789 Re: Crespo, Prospero, 1983 BUICK Regal #1G4AH47N9DH448038 Re: Fraser, Willie;Larry; 11:45AM 1358 ATLANTIC AVE BKLYN 1979 GMC/GMAS-BILE TORONADO #3Z37S9E144498 Re: Waal,Arnon; 12:15PM 883 BROADWAY BKLYN 1989 MAZDA 323 #JM1BF2223K0364398 Re: Alfonzo Inc Co; 12:45PM 389 DEAN ST BKLYN 1985 CHEVROLET Astro #1GCDM19Z5FB107016 Re: Dospini,Lester; 1:15PM 99 3RD ST BKLYN 1988 VOLKSWAGEN Jetta #WBGA0430XJP065086 Re: EDS; 1:45PM 34 COFFEY ST BKLYN 1990 NISSAN Sentra #1N4HB13D4LC172660 Re: Diallo,Alieu,Jr.; 2:15PM 296 4TH AVE BKLYN 1990 CHEVROLET Corsica #1GILT53W7E5378369 Re: Kerpen, Peter; 815PM 28 HECTOR ST BKLYN HYUNDAI Excel #KMHLF224AKU564128 Re: Cruz, Francisco; Subs 8/27/93 9:00AM 550 EAST 84TH ST BKLYN 1984 MERCEDES Benz #WDBAA51D6EA011236 Re: Beaurima, Hiroiki; 9:30AM 1041 EAST 163 ST BRONX 1985 CHEVROLET Caprice #1G1BL51E4FR118270 Re: Sanchez, Carlos; 10:00AM 1358 ATLANTIC AVE BKLYN 1990 LINCOLN Towncar #1LNCM81F8LY645221 Re: Gonzalez, Carlos; 10:30AM 2328 TILDEN AVE BKLYN 1977 VOLVO 240 #YV22402H1107123 Re: Lopez,Cesar; 11:00AM 1135 GREENE ST BKLYN 1988 OLDSMOBILE Cutlass #1G3AL54T3J1301210 Re: Rainville, Paul;Lillian; 11:45AM 1672 EAST 8TH ST BKLYN 1988 OLDSMOBILE Cutlass #2G3AR47AC2N237348 Re: Knowles, Charmaine; 12:15PM 1358 ATLANTIC AVE BKLYN 1989 CHEVROLET C20 #1GCBR33K1KF134644 Re: Cusick,Thomas; 12:45PM 923 39TH ST BKLYN 1988 MAZDA MPV #JM3LV5327J0-D31C951123534 Re: Salandy, Bernard.

□

C. Lentini & Assocs. Inc. DCA#0696634 nsct'ys sell Aug. 20, 1993 at 10 AM at 170-28 Jamaica Ave., Qns. 1983 Kawasaki M/C #JKAZXA4A3FA002890 Acct. T.D. Adams; 187 Chds 2 dr. #1GJW0711U3101-304 Acct. J. Zolensinski; 12:30PM at 70-11 50 Ave., Qns. 1987 V/W 2 dr. #WVWBA81H9VD177756 Acct. Rosario Lopez; 1:30 PM at 96-14 Northern Blvd., Qns. 1987 Ford Flatbed #1FDKE37-1XHNA32519 Acct. B.A. Benson and/or J.A. Vasbuerser. 3 PM at 420 E. 91 St., NYC 1976 Jaguar 2 dr. #UGF9C5293BW 1981 Chev 2 dr. #1G1AW11H0B7-Acct. #3N1PB2545H1031233 Acct. R. Gonzalez. 4 PM at Kawasaki Lot #1FAXZP5E0HF-3-7792 Acct. A.D. Farrest. Published Aug. 5th & Aug. 12th, 1993.

Schiffman Auctioneers, Inc. will sell for cash on August 10, 1993 9:30 am at 137-21 Sunrise Hwy., Freeport NY, 1978 Honda Mcy. #CB750K7-048419 sr/ J. Mongel. Can Farley. 11:00 am at 97-16 Southpin Ave.,Jamaica NY. 1980 3dr Chevrolet, #1G1Y1-0788G5103596 rr: B. Vickers, J. Garris, Pius Am Credit Union. S. Melito. 1:00 pm at 3260 Flatbush Ave., Brooklyn, 1991 Yamaha waverunner, VIN #YRH/F ... Incr. 307X120' homemade Barge. no. reg numbers re: L. Depodesteno.

FOUNDATION NOTICES

NOTICE

The first annual report of the 1812 HOMESTEAD-EDUCATIONAL FOUNDATION, INC. for the period ending December 31, 1992 is available at its principal office located at Long Beach Island, Beach Haven 19096, (518) 963-8366, for inspection during regular business hours by any citizen who requests within 3 years hereof. The Principal Manager of the Foundation is Jeri F. Spade.

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Affidavits and proofs are furnished at no additional charge. Closing dates are two days prior to publication date if no proof is required. For additional information call, fax or write:

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BANK AND THRIFT STOCKS

Highlights for Wednesday, August 4

Top 10 GAINERS %

First United Corporation	8.3
Colonial BancGroup, Inc.	6.8
BOK Financial Corporation	5.0
National Penn Bancshares, Inc.	4.6
Farmers Capital Bank Corp.	3.8
One Valley Bancorp of WV, Inc.	3.5
Southwest Georgia Financial	2.3
Sumitomo Bank of California	2.3
USBANCORP, Inc.	2.3
1st Source Corporation	2.1

Top 10 LOSERS %

Shoreline Financial Corp.	-4.2
Western Bank	-4.0
Provident Bancorp, Inc.	-3.6
Trans Financial Bancorp, Inc.	-2.8
National Bancorp of Alaska	-2.4
Norwest Corporation	-2.4
Southwest National Corporation	-2.3
Worthen Banking Corporation	-2.3
Victoria Bankshares, Inc.	-2.1
First American Bancshares	-2.0

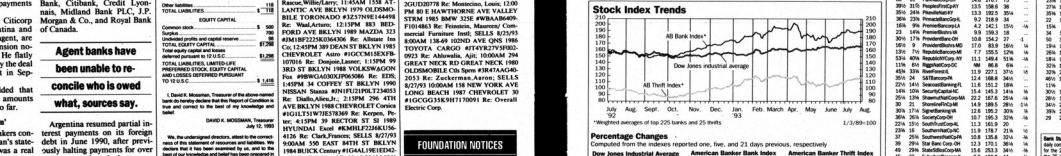
MOST SHARES TRADED

Citicorp	1272000
Chase Manhattan Corporation	906800
BankAmerica Corporation	893400
Chemical Banking Corp.	833300
Signet Banking Corporation	831600

VOLUME AS % OF AVERAGE

Colonial BancGroup, Inc.	1616.0
Hubco, Inc.	804.8
Independence Bancorp	642.8
Provident Bancorp, Inc.	442.8
First Western Bancorp, Inc.	429.5

Stock Index Trends



Percentage Changes

Computed from the indexes reported over time, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.26	0.04	2.96	0.13	0.50	0.94	0.41	1.49	6.13

Top 225 BANKS

52 Wk High	Low	PE	Mkt Cap.	Chg.	52 Wk High	Low	PE	Mkt Cap.	Chg.
26¾	16¼ 1stSavingsCpNH	11.5	19M	25	⅛	33¼	20¼ FirstAmerCp TN	7.4	267M	24¾ -¼
27¼	18¼ AMCORE Fncl IL	10.9	124.4	23¾	-¼	33¾	23¾ FirstNiagara NY	11.9	182.4	31¾ -¼
17½	8¼ AMRESCO Inc TX	10.4	109.2	15¾	-¼	33¾	29¼ FirstSecurity UT	11.5	1.2B	33¾ -¼
35¾	26¾ AmSouthBancorp AL	10.6	1.4B	32¼	-¼	62¼	35¼ FirstUnionNC	8.3	17.3	47¾
36¾	30 AmSouthBancorp FL	10.6	1.4B	32¼	-¼	30¾	22¾ FirstVirginia VA	8.8	1.1B	28¾ -¼
35¾	27¾ BB&T FinCorp NC	11.7	151.7	33¾	-¼	40	28¾ FirstCommercial AR	9.8	185.7	37¾ -¼
27½	17 BancFirst OK	11.1	59M	25¾	-¼	34¾	24¾ FirstCommercial IN	10.7	1.2B	34¾
33	21¼ BT FinCorp PA	11.3	139.3	30¾	-¼	34¾	27¼ FirstCommercial LA	10.7	159.0	32
31¾	24¾ BancTennessee MD	11.5	122.2	31¾	-¼	31¾	25¾ FirstCommercial NC	10.7	1.1B	31¾ -¼
31¾	24¾ BankBoston Corp MD	10.0	122.8	29	-¼	25¾	19¾ FirstFederalCA	NM	185.3	25
31¾	24¾ BankBoston Corp MD	10.0	4.2B	29	-¼	29¾	19¾ FirstFinancial IN	10.3	1.2B	29¾ -¼
32¾	24¾ BancorpHawaii HI	9.3	1.0B	32¾	-¼	49¾	37¼ FirstFinancial TX	11.5	1.0B	49¾ -¼
34¾	25¾ BancorpSouth MS	8.3	186.6	32¾	-¼	49¾	37¼ FirstFSBancOH	16.0	214.2	48¾
54¾	41 BankAmerica Corp CA	9.1	17.2B	54¾	-¼	56	39¾ FirstHawaiian HI	10.4	1.2B	55¾ -¼
36¾	30 BankGranite Corp NC	10.9	267.1	36¾	-¼	35¾	26¾ FirstMidAmIL	10.1	150.7	27¾ -¼
34¾	26¾ BankSouth GA	10.3	1.4B	32¾	-¼	27¾	19¾ FirstMichiganCp MI	12.5	173.6	26¾ -¼
78¾	59 BankersTrust NY	8.5	17.0B	78	-¼	27¼	19¾ FirstMichiganCp MI	12.5	173.6	26¾ -¼
34¾	26¾ BankAtlantic FL	8.5	1.1B	34¾	-¼	26¾	19¾ FirstMutual IL	10.6	174.4	26¾ -¼
28¾	18¾ BankerStnCon MD	9.9	112.3	25	-¼	22¾	15¾ FirstNorthern CA	12.7	155.9	20
61¾	39¾ BankersCorp NJ	9.3	140.0	56¾	-¼	30¾	22¾ FirstOhioBanc OH	10.3	1.1B	30¾ -¼
78¾	59 BankersTrust NY	8.5	17.0B	78	-¼	47¾	32¼ FirstRepublic TX	12.7	1.1B	47¾ -¼
28¾	18¾ BankersTrust NY	8.5	17.0B	78	-¼	22¾	15¾ FirstSecurity KY	12.7	155.9	20
28¾	18¾ BankersStnCon MD	9.9	112.3	25	-¼	47¾	32¼ FirstTennessee TN	12.7	1.1B	47¾ -¼
61¾	39¾ BankersCorp NJ	9.3	140.0	56¾	-¼	47¾	32¼ FirstTennessee TN	12.7	197.3	42¾ -¼
50¾	34¾ BarnettBanksFla FL	18.0	17.4	49¾	-¼	47¾	32¼ FirstTennessee TN	12.7	197.3	42¾ -¼
50¾	34¾ BarnettBanksFla FL	18.0	17.4	49¾	-¼	29¾	17 FirstUnionNC	8.9	143.7	28¾
54¼	49¾ BeaverValleyMA MD	11.6	155.8	53¾	-¼	29¾	17 FirstUnionNC	8.9	143.7	28¾
31¾	23¾ BeneficialCorp DE	11.5	1.3B	31¾	-¼	29¾	17 FirstUnionNC	8.9	143.7	28¾
31¾	24¾ BrentonBanks IA	10.5	137.0	30¾	-¼	28¾	19¾ FirstWestMichigan MI	14.4	184.5	28¾ -¼
31¾	24¾ BrentonBanks IA	10.5	137.0	30¾	-¼	28¾	20 FirstWisconsin WI	12.1	1.6B	28¾ -¼
42¾	32¾ CCB FinCorp KY	11.7	145.8	36¾	-¼	37¾	27¾ FirstWisconsin WI	11.1	1.9B	37¾ -¼
42¾	32¾ CCB FinCorp KY	11.7	145.8	36¾	-¼	37¾	27¾ FirstWisconsin WI	11.1	1.9B	37¾ -¼
28¾	21¼ CFB Inc IN	8.0	140.7	28¾	-¼	37¾	26¾ FirstFinancialCp	14.0	155.2	33¾
28¾	21¼ CFB Inc IN	8.0	140.7	28¾	-¼	37¾	26¾ FirstFinancialCp	14.0	155.2	33¾
34¾	26¾ CNB Bancshares IN	13.6	157.7	34¾	-¼	31¾	24 FlorIntFinCorp KS	11.5	155.5	29¾ -¼
34¾	26¾ CalFedBancorp CA	10.4	1.3B	34¾	-¼	31¾	24 FlorIntFinCorp KS	11.5	155.5	29¾ -¼
34¾	26¾ CalFedBancorp CA	10.4	1.3B	34¾	-¼	30¾	26 FortBendCorp TX	11.0	170.7	30¾
34¾	22¾ CentralFidelity VA	11.7	175.5	29	-¼	30¾	26 FortBendCorp TX	11.0	170.7	30¾
34¾	22¾ CentralFidelity VA	11.7	175.5	29	-¼	28¾	18¾ FulbrtCoOrgPA	13.5	189.6	22¾ -¼
34¾	16¾ CenturaBanks NC	10.8	149.2	19¾	-¼	28¾	18¾ FulbrtCoOrgPA	13.5	189.6	22¾ -¼
34¾	16¾ CenturaBanks NC	10.8	149.2	19¾	-¼	17¾	12¾ GBCBancorp CA	10.8	141.1	17¾
44	30¾ ChemicalBanking NY	8.9	12.0	42¾	-¼	25¾	15½ GeneseeSelServ MS	10.8	141.1	23¾
47¾	34¾ ChemicalBanking NY	8.9	12.0	42¾	-¼	25¾	15½ GeneseeSelServ MS	10.8	141.1	23¾
32¾	21¾ ChittendenCorp VT	11.8	109.0	29¾	-¼	39½	34¾ HarleysvilleNat PA	11.8	189.5	39½
32¾	21¾ ChittendenCorp VT	11.8	109.0	29¾	-¼	39½	34¾ HarleysvilleNat PA	11.8	189.5	39½
28	19¾ CitizensBancorp MD	14.2	129.2	24¾	-¼	18½	12¾ HeritageFedCorp	12.8	178.0	16
28	19¾ CitizensBancorp MD	14.2	129.2	24¾	-¼	18½	12¾ HeritageFedCorp	12.8	178.0	16
76¾	29¾ CitizensFinCl	12.1	201.8	75¾	-¼	23¾	19¾ HibernaCorp FL	13.8	224.6	20¼
76¾	29¾ CitizensFinCl	12.1	201.8	75¾	-¼	23¾	19¾ HibernaCorp FL	13.8	224.6	20¼
37¾	30¾ CityNational CA	9.5	1.3B	37¾	-¼	29¾	21¾ IndependenceBcp PA	38.7	153.8	29
37¾	30¾ CityNational CA	9.5	1.3B	37¾	-¼	29¾	21¾ IndependenceBcp PA	38.7	153.8	29
34¾	26¾ CmmrcBncrpNJ	10.3	1.2B	34¾	-¼	12¾	12 InterstateBk IL	11.8	151.2	12¾
34¾	26¾ CmmrcBncrpNJ	10.3	1.2B	34¾	-¼	12¾	12 InterstateBk IL	11.8	151.2	12¾
34¾	25¾ CommercialBcSys MO	11.5	139.5	29¾	-¼	54¼	28 IrwinFncCp IN	8.5	204.9	46¼
34¾	25¾ CommercialBcSys MO	11.5	139.5	29¾	-¼	54¼	28 IrwinFncCp IN	8.5	204.9	46¼
30¾	23¾ CommercialFedCorp NE	10.2	144.6	26¾	-¼	23¾	13¾ JeffersonBnshrs VA	12.7	198.1	21¼
30¾	23¾ CommercialFedCorp NE	10.2	144.6	26¾	-¼	23¾	13¾ JeffersonBnshrs VA	12.7	198.1	21¼
38	15¾ Continental IL	4.7	88.3	24	
40¼	25¾ CoreStatesFinCpPA	10.9	3.0B	37¾	-¼
40¼	25¾ CoreStatesFinCpPA	10.9	3.0B	37¾	-¼
37¾	30¾ CrestarFinCorp VA	13.9	180.9	35¾	-¼
37¾	30¾ CrestarFinCorp VA	13.9	180.9	35¾	-¼
37¾	30¾ DauphinDeposit PA	12.3	185.5	35¾	-¼
37¾	30¾ DauphinDeposit PA	12.3	185.5	35¾	-¼
29¾	22¾ DimeBancorp NY	10.3	1.4B	29¾	-¼
29¾	22¾ DimeBancorp NY	10.3	1.4B	29¾	-¼
29¾	24¾ DominionBkshs VA	10.2	1.1B	29¾	-¼
29¾	24¾ DominionBkshs VA	10.2	1.1B	29¾	-¼
38	25¾ EastWestBcp CA	10.2	1.1B	38	-¼
38	25¾ EastWestBcp CA	10.2	1.1B	38	-¼
34¾	27¾ EmpireDistrict MO	11.5	146.3	30	
34¾	27¾ EmpireDistrict MO	11.5	146.3	30	
34¾	24¾ FamilyBancorp CA	11.8	57.4	32¾	-¼
34¾	24¾ FamilyBancorp CA	11.8	57.4	32¾	-¼
34¾	24¾ FarmersBcp KS

STOCKS: Massachusetts Seen Due for Merger Action

By GORDON MATTHEWS

With its economy stabilized, Massachusetts may be ripe for another wave of consolidation. Attention is focused on the remaining independent banks and savings banks. .

"The current prices of smaller Massachusetts bank and thrift stocks offer substantial appreciation potential for investors" because of prospective deals, said Brian D. Bertonazzi; an analyst at H.C. Wainwright & Co., Boston.

A particularly appealing target, he said, is NBB Bancorp., New Bedford, the largest independent bank left in the state, with assets of $2.4 billion. It has

Bay State Banking Targets

	Stock price 8/5/93	Market to book ratio
BankWorcester Corp.	$25.75	123%
Cooperative Bank of Concord	15.25	99
Independent Bank Corp.	4.31	116
Massbank Corp.	34.75	92
Medford Savings Bank	27.00	85
NBB Bancorp.	32.88	119
Peoples Bancorp of Worcester	31.25	103
Quincy Savings Bank	9.38	81
Sterling Bancshares	23.25	111

Sources: H.C. Wainwright & Co., SNL Securities

strong capital and reserves as well as a dominate share of its home market.

NBB shares on Wednesday were up 12.5 cents to $33 in late trading and are at a 52-week high, priced at 120% of book value. But Mr. Bertonazzi thinks a minimum takeover price of 1.5 times book, or $41.25, is possible in the event of a deal.

Next to Go?

The most likely takeover candidate in the state, according to most banking analysts, is BankWorcester Corp., Worcester. However, the Boston analyst said he felt its takeover value "is substantially reflected" in its current price.

On Wednesday, shares of BankWorcester were up 25 cents to $26, trading at 125% of book value. The bank, with $1.2 billion of assets, is in a recovery phase from loan problems incurred during the state's recent, deep recession.

Desirable targets near the Boston area with healthy balance sheets and more upside potential in share prices, he said, are Sterling Banchares, Waltham; Massbank Corp., Reading; and two thrifts, Medford Savings Bank and Peoples Bancorp of Worcester.

On Wednesday, Sterling was up 50 cents to $23.75, Massbank was unchanged at $34.75, Medford was unchanged at $27, and Peoples was unchanged at $31.25.

Packaged Purchase Advised

Mr. Bertonazzi cautioned that some of the banks and thrifts are small in terms of market share and have limited market liquidity and are best acquired by investors as a package.

"The analyst believes fill-in acquisitions will be made by the four large organizations now dominating the state: Bank of Boston Corp., BayBanks Inc., Fleet Financial Group, and Shawmut National Corp.

Bank of Boston, Fleet, and Shawmut have all said they are interested in expanding their franchises in local markets, particularly in Middlesex County, which encompasses many affluent Boston suburbs.

But deals by out-of-state institutions cannot be ruled out, he said. As proof, he cited the pending acquisition of Boston Five Bancorp. by Citizens Financial Corp., Providence, R.I., a savings bank wholly owned by the Royal Bank of Scotland.

'Late-Cycle Plays'

Independent Bank Corp., Rockland, and Quincy Savings Bank cannot boast the same degree of balance sheet health, he noted, but are in recovery phases and should be regarded as "late cycle plays."

Co-operative Bank of Concord, is an attractively situated merger candidate. With small, but strategic shares of the banking markets in both Middlesex and Norfolk counties, he said the institution is "a classic fill-in candidate."

Independent was unchanged at $4.31 on Wednesday while Quincy was down 25 cents to $9.125 and Co-operative Bank was down 62.5 cents to $14.625.

WEDNESDAY'S MARKET

Major bank stocks, like the overall market, were mixed Wednesday as investors awaited further developments from Washington on the federal budget.

The top gainers were BankAmerica Corp., up $1 to $44.875 in late trading, First Fidelity Bancorp, up $1 to $48.25, and Bank of New York, up $7.5 cents to $56.

Among losers, Northern Trust Corp. was off 75 cents to $41.25, Society Corp. was down 62.5 cents to $32.375, and Norwest Corp. was off 62.5 cents to $25.75. □

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THE MARKETS

Long Bond Rebounds from Record Low

Investors in the bond and stock markets marked time Wednesday, while watching last-minute maneuvers to get the federal budget passed.

Interest rates rose across the board, with the 30-year bond yielding 6.55% Wednesday afternoon, up from a record low 6.52% on Tuesday. The 10-year note yield was 5.86% Wednesday afternoon, compared with 5.80% on Tuesday. Traders are looking ahead to Friday's key July employment report, which is expected to show a rise of 174,000 in nonfarm jobs.

The Dow Jones industrial average fell 9.22 points, to close at 3,552.05. But the Nasdaq Composite rose 4.73, or 0.7%, to close at a record 713.74.

Spot gold prices dropped below $400 an ounce for the first time since Friday, closing at $398.75 an ounce in New York.

— David Siegel

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Glenfed Forced To Drop Price In Rights Offer

By SAM ZUCKERMAN

Glenfed Inc. is making a ninth-inning move to sweeten terms of its $425 million recapitalization in order to overcome Wall Street skittishness.

Potential investors backed away from the initial proposal after California Federal Bank and several other major California thrifts posted hefty second-quarter losses, Glenfed officials said. Glenfed itself lost $29.9 million in the period.

On Thursday, the Glendale-based thrift trimmed the price of common stock to be issued in a rights offering from $10 to $9 a share. Investors can now buy

NEWS ANALYSIS

shares at about 59% of the company's tangible book value, down from 65%.

But the action's fifth-largest thrift holding company is scrambling to keep other stakeholder groups from jumping ship. Opposition from bondholders or preferred or common stockholders could block the recapitalization.

"In order to get new investors to come in, we've had to give them a little bit more," explained Richard A. Fink, Glenfed's chief legal officer. "That's got to come out of the other constituents."

The stakes are enormous. Federal regulators have given Glenfed until the end of this month to complete its recapitalization or face a takeover.

Goal of $250 Million

Glenfed, which has $17.9 billion of assets, has proposed a far-reaching plan that includes raising $250 million through the rights offering. While the subscription price is now $9 per share, various enticements, including stock warrants, could reduce the real cost to as low as $8.

Bondholders, meanwhile, have a new offer of about 52 cents in stock and other payments for every $1 of debt they hold, down from 57 cents, Mr. Fink said. Preferred stockholders would recover around 57 cents on the dollar, down from more than 60 cents. Common shareholders would suffer additional dilution because they would receive new shares worth less than the amount provided under the original proposal.

Given that bankruptcy is the alternative to accepting the new terms, the old stakeholders probably will accept them. "We still think it's a good transaction," said Cary J. Stanford, a lawyer who represents bondholders. □

INSIDE NEWS

WASHINGTON

THE FED proposed revising its payments system risk policy, saying the changes would cut the regulatory burden on lenders. *Page 2*

REGIONAL BANKING

ONE VALLEY Bancorp of West Virginia said it agreed to buy Mountaineer Bankshares in a stock swap valued at about $130 million. *Page 4*

COMMUNITY BANKING

A CEASE AND DESIST order has been filed by the Federal Reserve Board against Missouri's Colonial Banchares Inc. and four of its officials. *Page 6*

CREDIT UNIONS

A $91.9 MILLION BUDGET was approved by the National Credit Union Administration for fiscal year 1994, representing a 3.3% increase from the prior year. *Page 8*

MORTGAGES

NEW POLICIES are delaying the Resolution Trust Corp.'s efforts to sell billions of dollars of mortgage servicing rights seized from failed thrifts. *Page 11*

INVESTMENT PRODUCTS

VANGUARD GROUP chief John Bogle promises banks hoping to gain a share of the burgeoning 401(k) management business that they're in for a fight. *Page 12*

CREDIT DEBIT ATMs

CONSUMER SENSITIVITY to interest rates and their personal debt loads may be slowing the growth in credit card loans, a survey found. *Page 14*

TECHNOLOGY

A **START-UP** technology firm has won a broad patent over the use of automated teller machine technology for home banking services. *Page 3*

FINANCE

CHICAGO CORP. sliced its investment rating for Mark Twain Bancshares to "hold" from "buy." *Page 22*

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GE Purchase of Shearson Unit Rattles the Mortgage Industry

By PHIL ROOSEVELT and CHRISTOPHER NOBLE

Friend or foe? Increasingly, that is the question mortgage bankers are asking about GE Capital Corp.

The issue heated up this week when the financial services giant announced an agreement to acquire the large Shearson Lehman Hutton Mortgage Corp., Irvine, Calif.

The deal, slated to close by early September, will make GE the nation's third-largest mortgage servicer, processing monthly payments on nearly $60 billion of mortgages. The General Electric Co. unit is currently ranked No. 7.

In the view of many mortgage bankers, the deal makes clear that GE has become a serious competitor. But mortgage bankers have historically viewed GE as a trusted ally, because the company is a leading supplier of default insurance.

'Having Your Dog Bite You'

"It's disconcerting," says Angelo Mozilo, vice chairman of the huge Countrywide Credit Industries, "it's like having your pet dog bite you."

He and others said GE already is an aggressive competitor in wholesale mortgage banking — the business of buying loans and servicing rights from other lenders.

In the wake of the acquisition, GE plans to pick up the pace of those purchases — and for good reason. Based on recent prepayment rates, GE will have to take in about $15 billion of rights a year just to hold its massive portfolio even.

"We're having an internal debate about whether they're an ally or a competitor," says Marc Smith, chief executive of Crestar Mortgage Corp. The Crestar Bank unit uses GE for mortgage insurance but competes "head to head with them in wholesaling," Mr. Smith said.

High Marks for Service

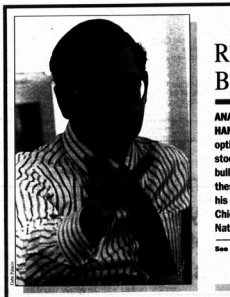
To be sure, few lenders are expected to pull their insurance business from GE, which han-

See **GE** *page* **10**

Servicing Surge
GE Capital's mortgage servicing portfolio, in billions



*After acquisition of Shearson Lehman Hutton Mortgage, announced this week
Source: GE Capital Corp.



John Zimmerman

Raging Bull

ANALYST THOMAS HANLEY, a longtime optimist on bank stocks, is more bullish than ever these days. Among his picks: First Chicago, Wells, and NationsBank.

See story on page 24

J.P. Morgan Gearing Up For Push in Mutual Funds

By MICHAEL O'D. MOORE

J.P. Morgan & Co. has completed a massive reorganization of its Pierpont Funds and is now poised to expand its proprietary mutual fund sales efforts.

The bank recently restructured its 11-year-old family of Pierpont Funds, originally aimed at private banking clients, adopting the innovative hub-and-spoke structure developed by Signature Financial Group.

The change should enable Morgan to tailor investment products to specific market segments, such as retirement plans, without incurring the expense of starting up new funds.

The New York bank is also eyeing opportunities to develop "private label" mutual funds for other banks. The funds would be managed by Morgan, but the banks selling them could put their own stamp on the products.

A Matter of Leverage

"You can sum up the term hub-and-spoke with the word 'leverage,' " said Evelyn E. Guernsey, managing director of Morgan's U.S. funds management division.

Under the structure, mutual fund assets are managed as a sin-

See **Morgan** *page* **13**

NEWS *briefs*

Andersen Pays RTC $65 Million Settlement

WASHINGTON — Arthur Andersen & Co. has paid the Resolution Trust Corp. $65 million to settle government charges of professional negligence, an agency official said.

The RTC had filed a $400 million suit against the accounting firm accusing it of negligence in its auditing of Houston-based Ben Franklin Savings Association. That thrift collapsed in 1989 at a cost of $1 billion to the government.

The accounting firm reached a global settlement with the RTC.

Separately, the Office of Thrift Supervision announced that Arthur Andersen has agreed to follow certain reporting and other standards in its auditing of thrifts.

Ala.'s Central Adopting 'Compass' Name

BIRMINGHAM, Ala. — Central Bancshares of the South Inc. is changing its name to Compass Bancshares Inc. to ease future expansion and to capitalize on the advantages of operating under one name, the company's chairman and chief executive officer, D. Paul Jones Jr., has announced.

The change becomes official in November when all Central Bank offices in Alabama, Florida, and Texas will be united under the Compass Bank name.

Compass was first chosen as the name for Central's Texas banks in 1987 because the name "Central" was unavailable when the company acquired its first bank in the Houston area. The name was selected because of its compatibility with the company's established logo and its availability in target markets.

Central's Nasdaq national market system trading symbol will change from CBSS to COMP in November.

SunTrust Ratings Get Upgrade from S&P

NEW YORK — Standard & Poor's Corp. said it revised its ratings outlook on SunTrust Banks Inc. to positive from stable.

S&P also said it affirmed its ratings on SunTrust Banks Inc.'s senior debt at A-plus; senior/subordinated debt, filed under a shelf registration, at preliminary A-plus/A, and commercial paper at A-1.

S&P said it affirmed its AA-/A1-plus certificate of deposit rating on Sun Bank-Orlando, and Third National Bank, Nashville, and its AA-/A-1-plus rating on the letter-of-credit-backed issues of Sun Bank-South Florida, Fort Lauderdale.

S&P said about $475 million of outstanding long-term debt is affected.

Morgan Plans Put, Call Warrants on Gold

HONG KONG — Morgan Guaranty Trust Co. said its Hong Kong branch plans to issue put and call warrants on gold.

The warrants, exercisable at any time over two years, will permit investors to sell gold at $406 an ounce or buy it at $411 an ounce. Settlement is in Hong Kong dollars, rather than the metal itself.

The briefs were compiled from staff and wire reports.

Corrections

An article Wednesday on the Resolution Trust Corp. sale of Chase Federal Savings and Loan Association of Philadephia was incorrect in saying Chase had been minority owned.

* * *

Thursday's Stocks column misidentified the H.C. Wainwright & Co. analyst whose assessments of Massachusetts bank and thrift stocks were quoted. The article was based on a report by Jeffrey L. Cohn.

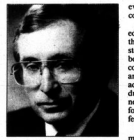
Fed Proposes Easing the Rules For Calculating Bank Overdrafts

By CLAUDIA CUMMINS

WASHINGTON — The Federal Reserve on Wednesday proposed revising its payments system risk policy, saying the changes would cut the regulatory burden on lenders.

The Fed proposed simplifying the way banks calculate their "net debit cap," or limits on daylight overdrafts in their Fed accounts. It also proposed publishing a short overview of its payments system risk policy plan, for use by smaller banks that are not required to set a debit cap.

"We really believe this will simplify the procedures," said Wayne Angell, the Fed governor who oversees payment system policies.



Wayne Angell
An "interim arrangement"

A Simplification

Large banks that use Fed Wire frequently are currently required to set a limit on their daylight overdrafts, based on three assessment factors: creditworthiness, intraday funds management, and customer credit policies.

The Fed's new plan would simplify the way banks gauge the first of these factors. This factor would be determined by a simple matrix based on a lender's prompt corrective action capital category and supervisory rating.

A Fourth Component

Under the new rules, the Fed predicts that about 54% of banks would retain their current cap rating, 26% would be eligible for an upgraded cap, and 20% would have their caps downgraded. But it predicted that even the lower caps would not constrain bank activity.

Although the Fed said it wanted to ease the burden on banks, the proposal does include one step that will increase it. The board proposed that a fourth component – operating controls and contingency procedures – be added to the assessment procedures that determine lenders' net debit caps. If approved, the fourth factor would not take effect until Jan.1, 1995.

The Fed has proposed this move "because the potential losses that depository institutions could incur as a result of fraud could be large, and because operating outages experienced by major payment system participants could disrupt markets," a staff memo said.

The way banks calculate their "net debit cap" would be simplified.

Market-Based System

In the board meeting Wednesday, Mr. Angell said the Fed is anxious to move to a more market-based system for daylight overdrafts, instead of relying on quantitative caps.

"This is an interim arrangement," he said. "We hope to move in to a more market-driven daylight credit allocation program."

The board unanimously approved the proposal. □

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We've been talking lately with some of your enemies.

Many association publications give you reports from the front lines that make it sound as if the war's half won. We know better. At American Banker's Washington Watch, we spend much of our time dealing with the people who cause you grief. Then our staff—Washington's biggest group of banking reporters—adds its own analysis to give you the news about regulatory developments that you need. And we keep things concise, to give you time for all your other duties. No matter whether you run a bank, a thrift, a credit union or some other financial company, we keep in close contact with the people you'd never let in the front door.

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Start-Up Wins Key Patent in Home Banking

By BARTON CROCKETT

A start-up technology firm has won a broad patent over the use of automated teller machine technology for home banking services.

With the patent, top officials of Online Resources and Communications Corp. of McLean, Va., have stirked a claim as the inventors and owners of the concept of using ATM networks and security controls to operate a home banking service.

While such a coupling of ATM technology and home banking is rare now, many bankers believe it will be commonplace in the future.

May Raise 'Obstacles'

But, to move in this direction, bankers may have to grapple with the Online patent, industry officials said.

"On the face, it seems as though it could raise some obstacles, although we'll have to wait until our patent attorneys review it," said David A. O'Connor, chief executive of Internet Inc., which runs the Most ATM network.

The Online patent was granted June 15.

Online, a privately held vendor which has only been in business for a couple of years, sells a home banking service bureau now used by MNC Financial Corp. to offer home banking services to its customers.

Two credit unions, Combined Science Technology and Research Federal Credit Union, also known as Comstar, of Gaithersburg, Md., and Eastman Credit Union, of Kingsport, Tenn., also have struck agreements with Online.

Banking over the Phone

The patent basically covers the way Online's business operates.

As part of its service, Online supplies telephones with screen displays to bank customers, who use the phones to pay bills, check account balances, and move funds between accounts.

Later this year, Online plans to let customers buy mutual funds and other investment products over the phones.

For security, consumers must enter their ATM personal identification numbers into the phones before doing any transactions.

ATM executives said that many companies are looking to process transactions through ATM networks, using an approach similar to Online's.

Such a combination of home banking and ATM technology could let home banking services benefit from the economies of scale and sophisticated security controls of ATM networks.

But companies considering such a marriage would be well-advised to study the Online patent, said Arthur S. Kranzley, president of Task Inc., a bank technology consulting firm in Westmont, N.J.

"This is a very awesome patent," Mr. Kranzley said. "It covers a great deal of ground."

One group that may have to pay particularly close attention to the development is MasterCard International, which is teaming with Checkfree Corp. of Westerville, Ohio, to roll out a new home banking service bureau, called MasterBanking.

The MasterBanking service bureau calls for Checkfree to process electronic bill payments, and for MasterCard to market the service and process other transactions.

More Technology News
Pages 15 and 16

Checkfree plans to start using the Cirrus ATM network, which MasterCard operates, to expedite the delivery of bill payments.

But, depending upon how the link is engineered, it could be covered by the Online patent.

This means that either Checkfree or MasterCard may have to get permission from Online to incorporate Cirrus into Master-Banking, said Matthew P. Lawlor, Online's president, and one of two inventors listed on the Online patent.

"We're going to defend our patent," Mr. Lawlor said. "We did invent it."

Mr. Lawlor added, however, that he does not yet know of any entity violating the patent. He also said that Online plans to be "reasonable" about licensing the invention to others.

Michael M. Sapienza, a Checkfree vice president, said the Online patent "doesn't present any stumbling blocks with what we are doing with MasterCard." But he declined to comment further. □

The Private Market ... Revealed

Clues to the shadowy world of private placements come to light each week under the magnifying glass of —

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Fleet Financial Chief Won't Shrink from Cuts

People in the News

By YVETTE D. KANTROW

EUGENE MCQUADE, THE NEW CHIEF financial officer of Fleet Financial Group, has accepted an assignment that could easily turn him into a pariah among his peers.

He is the point man for "Fleet Focus 1994," a "reengineering" designed to help reduce Fleet's efficiency ratio from 67% to 60%. Translation: He will be responsible for across-the-board layoffs at New England's biggest banking company once the seven-month review period is over.

But Mr. McQuade, who joined Fleet 18 months ago after 12 years at Manufacturers Hanover Corp., is not worried about winning popularity contests. The consummate corporate man, he said he believes his low-key style and Fleet's employee-centered approach will stand him in good stead.


Eugene McQuade

"You can't be effective at changing anything if you're not accepted by the players," the 43-year-old executive said in a recent interview.

Mr. McQuade noted that Fleet's plan is democratic to the core.

"The expense programs I have seen have all come from the top down," he said. "Fleet Focus is different, he said, because it "empowers" the company's 20,000 employees to examine how they do their jobs and come up with ways to do them better.

Mr. McQuade was recruited by Fleet at the end of 1991 after he was passed over for the post of controller of Chemical Banking Corp., which was was about to absorb Manufacturers Hanover. The executive, who was Hanover's controller, was offered the strategically crucial post of director of management information systems.

Fleet must have a better offer. He went to work for John W. Flynn, the New England company's vice chairman and chief financial officer, who was widely considered second-in-command to chairman Terrence L. Murray.

Mr. Flynn decided to retire shortly after Mr. McQuade's arrival. When he left two months ago to begin a teaching career, Mr. McQuade took the title of chief financial officer and was promoted to executive vice president.

Mr. McQuade, a certified public accountant, now calls himself Fleet's "lead commentator," since a big part of his job involves talking to analysts, investors, and the media.

"It's put me on the firing line," Mr. McQuade said. "I'm held accountable for the good things and the bad things that happen here."

For example, when Fleet took a $100 million charge in the second quarter related to heavy mortgage prepayments, Mr. McQuade had to explain the move to analysts and journalists.

The native New Yorker admitted that the post can be stressful, but he also said that life outside the Big Apple makes the recovery much easier. Mr. McQuade lives with his wife and three children in pastoral East Greenwich, R.I., and the family has a vacation home on Cape Cod.

New England "is a tremendous place to have spare time," Mr. McQuade said. "Sometimes I like to just sit on the ocean and play with my kids." □

One Valley Buying Mountaineer, West Virginia Rival, at Twice Book

By JED HORowITZ

CHARLESTON, W.Va. — One Valley Bancorp of West Virginia said it agreed to buy Mountaineer Bankshares in a stock swap valued at about $130 million.

The deal, which One Valley said will make it the state's biggest bank in assets and deposit share, is valued at a hefty 2.06 times Mountaineer's book value. The price reflects the fervid takeover activity characterizing West Virginia banking.

In recent months, powerful Ohio companies have been moving in.

Banc One Corp. bought Key Centurion Bancshares, the state's largest independent bank.

Huntington Bancshares bought CB&T Financial Corp. last year and is waiting to close on its purchase of Commerce Bank Corp., which has $894 million of assets in west-central West Virginia.

The purchase prices hovered around twice book value.

West Virginia Deal At a Glance

	One Valley	Mountaineer
Assets	$2.7 billion	$738 million
Offices	57	23
Employees	1,600	400
Profits*	$16 million	$4.5 million
ROA*	1.19%	1.22%
Indicated purchase price	$130 million	
Multiple of book value	2.06	

*First half of 1993

No Other Talks Held

A spokesman for Charleston-based One Valley quoted Mountainner chief executive Lacy I. Rice Jr. as saying that the Marshall, Va.-based company had not negotiated with any other potential suitors.

Mountaineer has $738 million of assets, $604 million of deposits, and loans of $323 million.

Both companies have been strong earners. In the first six months of the year, Mountaineer reported a profit of $4.5 million, for a return on assets of 1.22%. One Valley netted $16 million in the same period, up 12.1% from the first six months of 1992, for a return on average assets of 1.19%.

Mountaineer, which granted One Valley a lock-up option to purchase up to 19.9% of its outstanding common shares, operates 23 offices in eight counties in northern West Virginia and in the panhandle regions of the state.

Mr. Rice, Mountaineer's chairman, will be named vice chairman of One Valley. Brent D. Robinson, chief operating officer and chief financial officer of Mountaineer, will assume the title of executive vice president of One Valley Bancorp with direct responsibilities for achieving timely and effective integration of the merger.

J. Holmes Morrison, president and chief executive of One Valley, will retain his position.

The transaction, which is subject to approval by regulators and by stockholders of both companies, is expected to be completed during the first quarter of 1994.

Merrill Lynch & Co. represented One Valley and McDonald & Co. represented Mountaineer. □

One Valley will have total assets of about $3.5 billion when the deal closes.

The merger, which is based on a fixed exchange ratio, will be accounted for as a pooling of interests.

Mountaineer's stock soared 14.6%, or $5.25 a share, to $41.25 on Thursday. One Valley's shares fell 75 cents to $29.

Both Strong Earners

One Valley estimated it will shave at least 22% of Mountaineer's operating expenses through merger efficiencies. It said it has identified at least four market areas where the companies have overlapping branches.

Barclays' First-Half U.S. Loss $427.5 Million

By JAMES R. KRAUS

Barclays Bank PLC lost $427.5 million dollars in the United States in the first half of this year, versus an $82.5 million loss a year earlier, the bank said Thursday.

The London-based bank attributed the loss to substantially higher provisions for nonperforming property loans and to $90 million in losses at its homelending unit, Barclays American/Mortgage. The value of the unit's purchased mortgage servicing rights declined because of heavy loan prepayments.

The bank added that nonperforming loans in the United States remain high. It expects to take large provisions in the second half of this year for real estate lending.

Separating Assets

Barclays has $254 billion of assets worldwide, including more than $33 billion in North America.

The group earned $336 million before taxes for the first six months, up from a $337.5 million loss over the previous six months.

In a move to separate its problem and so called nonstrategic assets from operations it seeks to develop, the bank last year placed $6.4 billion in U.S. assets under the management of Barclays de Zoete Wedd, the group's investment banking arm. □

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EXECUTIVE *changes*

Wachovia Corp. Names McLean, A Longtime Exec, as Controller

John C. McLean Jr., an 18-year veteran of **Wachovia Corp.**, has been named controller of the North Carolina-based holding company.

Since 1990, Mr. McLean has been manager of management accounting and financial analysis, with responsibility for financial analysis of acquisition candidates, budgeting, strategic planning, and oversight of expense-management programs.

A native of Savannah, Ga., Mr. McLean has held various Wachovia assignments in loan administration, including loan administration manager for corporate banking activities in the company's Georgia banking operations.

He was elected a senior vice president in 1983.

Wachovia also announced that **R. Elaine Addison** had been elected senior vice president of **Wachovia Bank of North Carolina** and **Alton M. Jones** of **Wachovia Mortgage Co.**, both in Winston-Salem, N.C.

Ms. Addison is a counselor in the capital management area of the bank's personal financial services division. Mr. Jones is manager of the mortgage company's loan servicing division.

PNC Taps Schatteman For Kentucky Unit

PNC Bank Corp., Pittsburgh, has promoted **Stephen C. Schatteman** to president and chief executive officer of **PNC Bank Northern Kentucky** in Fort Mitchell.

He succeeded **Ronald P. Cooney**, who retired after 15 years at the bank, including 13 as CEO.


S.C. Schatteman

Ralph S. Michael remains chairman of the board of PNC Bank Northern Kentucky and president and CEO of **PNC Bank Ohio** and of **PNC Banc Corporation Ohio**, the holding company for both banks. Mr. Schatteman had been executive vice president of administration at PNC's Cincinnati bank subsidiary since 1990.

He joined the Ohio holding company in 1988 as general counsel and was promoted that year to senior vice president of it and the Ohio bank. Last year he became a director of both.

Before joining PNC Banc Corp., Mr. Schatteman was an attorney with Frost & Jacobs, Cincinnati, in its banking and commercial group.

— **Franklin Smith**

WEST

FIRST INTERSTATE Bancorp, Los Angeles, said **Randall Kahn**, head of its corporate electronic products department, has been promoted to senior vice president.

Mr. Kahn's responsibilities include electronic information reporting, wire transfer, automated clearing house, and online point of sale products that First Interstate offers through its banks in 13 western states.

MIDWEST

FIRST NATIONAL BANK of Chicago has established a division to coordinate its push into supermarket banking.

The division is headed by vice president **Maria Scumas**, who previously managed First Chicago's branches in downtown Chicago and on the near North Side.

The bank is a unit of **First Chicago Corp.**

LaSALLE National Bank, Chicago, said its newly formed business banking division is expanding.

Anthony D. Schiller has been appointed a vice president in charge of new relationships and the division's newest product, the Business Credit Account.


Anthony D. Schiller

The account is also being offered to customers of **LaSalle Talman Bank**, the thrift recently acquired by LaSalle.

Mr. Schiller was formerly with Chicago's Colonial Bank, where he was vice president and manager of commercial lending.

LaSalle National is a subsidiary of **ABN Amro Bank** of the Netherlands.

MERCANTILE Bank of St. Louis, lead bank of **Mercantile Bancorp.**, said **Stephen F. Milstid** has been appointed senior vice president of operations at **Mercantile Information Management Co.**

Mr. Milstid is responsible for item processing, noncredit services, and payment systems, as well as trust, international letter of credit, and commercial loan operations.

SOUTHWEST

FIRST SECURITY CORP., Salt Lake City, has elected **David R. Wilson** executive vice president. He continues as manager of its capital markets division.

SOUTHEAST

CRESTAR BANK, Richmond, Va., has named **Warner L. Blunt 3d** as manager of its financial institutions division.


Warner L. Blunt 3d

Mr. Blunt, who is a senior vice president, directs correspondent banking activities. These include check clearing, investment sales, safekeeping, portfolio accounting, loan participation, cash management, and investment bank products.

Before joining Crestar in 1992, Mr. Blunt was president and chief operating officer of Investors Savings Bank. □

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Fed Orders Four Officials At Colonial of Missouri To Return Stock Bonuses

By BILL ATKINSON

The Federal Reserve Board has filed a cease and desist order against Colonial Bancshares Inc., Des Peres, Mo., and four of its officials.

The order requires the officials to tender to Colonial a total of 98 shares from stock bonuses that were distributed to them more than three years ago.

It also orders them to submit a joint written plan for an appraisal of Colonial stock purchased by the two affiliate banks' employee stock plans. The stock was acquired for $250,292 in five transactions between September 1990 and July 1992. The Fed wants to determine whether the plans overpaid for the shares. Prices ranged from $422 to $535 a share.

"I don't think this particular order will have any great impact on Colonial Bancshares in the long run," said Gene Brockland, a partner with Herzog, Crebs & McGhee, St. Louis, who represents the bank.

In agreeing to enter into the order, the company and its officials made no admission of wrongdoing.

Mr. Brockland said the officials have already tendered the 98 shares, and the bank is selecting a appraiser.

The action comes two months after Firstbank of Illinois Co., a $1.5-billion banking company in Springfield, Ill., signed a definitive agreement to acquire Colonial for $11.9 million. Colonial has 20,002 shares outstanding, and shareholders will receive about $614 a share.

Stepping in
The Federal Reserve has ordered Colonial to:

- **Not declare or pay** dividends without Fed approval.
- **Submit a written policy** on payment of dividends by subsidiary banks.
- **Not directly or indirectly** pay fees or salaries or make any payments to its directors or officers without Fed approval.
- **Submit a written plan** to improve the capital position of the consolidated organization.
- **Not increase its borrowings** or incur any debt without written approval.

Source: Federal Reserve

Mr. Brockland said the banks are conducting due diligence. He expects the merger to close by the end of the year.

Chris R. Zettek, Firstbank's chief financial officer, said the company isn't unduly concerned with the order. Firstbank officials knew about it before they agreed to acquire Colonial.

"It is not something we think is going to preclude us from completing the merger," Mr. Zettek said. "We have to get the Fed's approval, so they will have to be comfortable."

It would be Firstbank's initial foray into Missouri.

Colonial operates Colonial Bank, Des Peres, and the Village Bank of St. Louis County, Ellisville, Mo. Combined assets were $169 million at the first quarter. It also owns Guido Insurance Agency Inc., and Minuteman Properties Inc.

The Colonial officials named in the order are: Kenneth Tiemeyer, chairman; Kenneth Davis, chairman emeritus; David Fairchild, a director; and John Weber, vice president.

Under the July 13 order, Mr. Davis must pay Colonial $35,788 in interest on the redemption price of his Colonial stock on those redemptions made since December 1989.

Mr. Brockland said Mr. Davis has made full payment.

San Diego Group Out to Double Its Community Lending Volume

By PETER SCHOENKE
Special to the American Banker

A group of bankers hopes to double its community development lending in San Diego County during the next 12 months.

As of June, the Bankers Small Business Community Development Corporation of San Diego had made 10 loans totaling $311,000 to businesses owned by women or minorities.

The for-profit group is made up of 27 banks and one thrift. Currently, the corporation has commitments for $775,000 in 1993-1994 lending.

Need as 'Great as Anticipated'

"We have learned that the need for microloans to minority- and women-owned businesses is as great as anticipated," said Jeffrey A. Stone, the group's president. "We are trying to develop them into bankable clients."

Most of the member banks, which own Community Reinvestment Act credits for their contributions, have assets below $1 billion.

Mr. Stone, also general auditor for San Diego Trust and Savings, says the group was set up as a for-profit "to attract more banks and to prove that this isn't



Jeffrey A. Stone
Seeking "bankable clients"

a CRA giveaway. The main thing we gave up by incorporating as a for-profit is the ability to attract foundation grants."

No Collateral Required

Loans issued by the group range from $5,000 to $50,000. They require no collateral, but run just three years, with payments calculated as though the loans were for five years.

Mr. Stone, who was his bank's urban lending officer and has been active in community groups, said the repayment approach builds credit borrowers will need to obtain larger loans.

Although the lending is being done in a high-risk area, corporation leaders say the eligibility requirements – at least one year in business and six months of profitability – increase lenders' chances of making a profit.

"It is a CRA program, but it is a program that will have some return on investment," said corporation loan officer Jeni Burgess.

Eligible Borrowers Scarce

Since the program does not loan money to start-up companies, only a few businesses owned by women and minorities qualify.

Lee Fenn, a loan officer with the Small Business Finance Corp., the San Diego community development corporation with which the loan program collaborates, said that only 50% of the businesses his organization helps could qualify for loans from the bankers' group.

However, Mr. Fenn is pleased the loans have yielded 73 new jobs while establishing larger credits in overlooked areas.

"They're basically character loans – the loans banks did 20 years ago," he said. "These are the types of loans that are needed to really help these kinds of small businesses get off the ground. The difficult part for us is to get the word out."

Mr. Schoenke writes for the Medill News Service.

Bankers Hail Dropping of Duplicate Reports

By TERRENCE O'HARA

On May 10, the Office of the Comptroller of the Currency proposed a rule that would eliminate the duplicative reporting requirements under two fair-lending laws.

Currently, all national banks must compile mortgage lending data for both the Comptroller's office's Fair Housing Home Loan Data System and the Home Mortgage Disclosure Act.

National banks now subject to both reporting requirements would be subject only to HMDA's; they would file the data monthly.

The 39 bankers responding to the rule change came out unanimously in favor of it – with some reservations. Following are excerpts from letters the Comptroller's office received on the proposal. The comment period ended July 9.

At our institution, the employee commitment for the collections and reporting of information required for the home loan activity report could be reduced from the current level of three individuals to the level of one individual.

Kayla Carpenter
Assistant vice president
First National Bank of Amarillo
Texas

We urge the OCC to use restraint in increasing the requirements in HMDA during the process of eliminating FHHLDS record keeping. The physical updates should be required on, at most, a quarterly basis, rather than monthly as proposed.

Lucille Stietz
Senior vice president
National Bank of Alaska
Anchorage

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Va. Thrift Cools Regulatory Heat with Stock Offering

By TERRENCE O'HARA

Washington Federal Savings Bank, Herndon, Va., resolved four years of regulatory pain when it raised $15.3 million in a June stock offering to its existing shareholders.

The Office of Thrift Supervision terminated Washington Federal's capital directive on June 27, which mandated that the District of Columbia-area thrift raise the capital by July 1 or succumb to prompt corrective action measures.

Earlier Capital-Raising

"We sought to raise $15.3 million and received subscriptions for more than $19 million," said Washington Federal chairman William Calomiris.

Washington Federal was the second Washington area thrift to raise capital in the last year through a stock offering. American Savings Bank in Annandale raised $30 million in equity last December to bring it into capital compliance.

Washington Federal's risk-based capital, which was less than the required 8% before the offering, now stands at 11.89 percent of total assets. The thrift now qualifies as a "well-capitalized institution" for regulatory purposes.

Such was not always the case. Though Washington Federal has a highly profitable mortgage operation and has earned money over the last four years, the thrift's balance sheet was hammered by the capital requirements imposed by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Washington Federal sought $15.3 million and raised over $19 million.

Washington Federal in 1990, under then-president William Sinclair, a well-known local banker, had its recapitalization plan approved by the OTS. But in August 1991, as shrinkage and earnings proved unable to resolve the thrift's capital problems, the OTS revoked the approval.

Convincing the OTS

At least one prior effort to recapitalize the thrift, through a rights offering and a $9 million private placement of stock to a local investor group, fell through late last year.

But Washington Federal's management, under chief executive Carroll Amos, convinced the OTS that the prospects for raising capital were good enough to extend the thrift's deadline. Legg Mason Wood Walker Inc., the Baltimore brokerage, advised Washington Federal on the offering.

The thrift shrunk its footings from more than $1 billion in 1990 to $655.8 million in March. Nonperforming assets, however, remained at 4.35 percent in March, the latest period for which figures are available. In its most recent quarterly statement, Washington Federal said reducing nonperformers is its No. 1 priority.

Mr. Among said the bank expects to dispose of a high percentage of its other real estate owned "at nondiscount prices" in the next fiscal year. He cited the slightly improved real estate market. □

Indecorp in Deal To Maintain Black Ownership

By ROBERT B. COX

CHICAGO — Indecorp the largest black-owned banking company in the country, with $267 million in assets, signed a letter of intent to be acquired by an African-American investor group from Detroit.

The investor group is headed by William T. Johnson, a Detroit banker and cable television franchiser who bought a troubled savings bank in 1988 in River Rouge, Michigan The bank, now called Omni Banc Corp., had assets of $22 million at yearend 1992.

Nonbinding Deal

Specific terms of the deal have not been released. Alvin J. Boutte, Indecorp's chairman, said the nonbinding deal met board directors' concerns that the bank remain black-owned.

"Keeping the bank in African-American hands had some relevance in this," said Mr. Boutte. "We have many constituents, and we have many fiduciary responsibilities, but we also have a responsibility to our own."

Inside and Outside Debate

Earlier, the possibility of the bank's selling out to South Shore, which is not minority-owned, sparked debate inside and outside of Indecorp.

At yearend, Indecorp's two banks, Drexel National Bank and Independence Bank of Chicago, had loan-to-deposit ratios substantially below the average 60% for Chicago institutions of similar size, according to data provided by Ferguson & Co., at 28% and 31% respectively.

Omni Banc had a loan to deposit ratio of 53% at the end of 1992.

"I hope as a consequence of this sale Indecorp's community lending will be strengthened," said Malcolm Bush, president of the Woodstock Institute, a Chicago firm that tracks lending patterns.

Bankers are Bullish on Mutual Funds



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13 Start-Ups in 1st Half Reverse Longtime Trend

By JAMES B. ARNDORFER

For the first time in 23 years, the number of credit union start-ups is on the rise. During the first six months of 1993, 13 credit unions opened their doors, compared with two in 1992, and seven in 1991.

The figures are based on a running tally of operating credit unions kept by the Credit Union National Association. This is the largest increase in start-ups since 1969, when 515 credit unions opened their doors, said the Madison, Wis.-based trade group.

"Now the thinking is that it's O.K. to start a credit union," said William Hampel, senior vice president of research and development for CUNA. The group's numbers do not include credit unions that failed before 1980.

Political support for community-based lending to fight poverty is one reason for the upsurge, industry experts said.

The number of start-ups won't add up to a net increase of credit unions. Attrition through liquidation or merger claimed 293 credit unions through May 1993, continuing a longtime decline in the total number of institutions even as membership increased.

The yearend total for 1992 was 13,379 institutions, and Mr. Hampel predicted that number will drop to between 10,000 to 12,000 by the end of the decade.

Mr. Hampel said as many as 30 to 50 credit unions will start up each year over the next three or four years. NCUA officials said that number is optimistic, but added there will be an appreciable increase.



William Hampel

Low-income credit unions are driving this surge. Seven of the new starts this year are geared toward people with low incomes, and the National Credit Union Administration expects to charter 10 such institutions a year over the next three or four years.

A credit union is considered in the low-income group if the majority of members earn wages below 80 percent of the national average. These institutions, usually community chartered, are allowed to accept nonmember deposits. At yearend 1992, NCUA recognized 139 such credit unions, down from 231 in 1987.

Why the second chance for low-income credit unions?

Under Mr. Swan's prodding, the NCUA began administering the Community Development Revolving Loan Program for Credit Unions in 1989, which offers loans and technical assistance. But the real watershed was the Los Angeles riots.

"What happened in L.A. was a wake-up call to politicians and financial institutions that a new social policy was needed in inner cities and poor communities," said Clifford Rosenthal, executive director of the National Federation of Credit Unions.

In July 1992 the NCUA announced a pilot program that would look into ways it could better serve low-income credit unions. And some of the low-income credit unions that started this year received their charters in late 1992.

Since then, the election of President Clinton has been a "positive reinforcement," said Christopher Kerecman, executive assistant to NCUA board member Robert Swan. □

Regulator Increases Budget 3.3%, To $91.9 Million, and Cuts 18 Jobs

By JAMES B. ARNDORFER

The National Credit Union Administration approved a $91.9 million budget for fiscal year 1994, representing a 3.3% increase from the prior year.

The budget, however, contains the agency's first staff cuts since 1985. The cuts bring the number of NCUA staff to 978.

"That reduction was made possible by a decline in the number of problem-case credit unions and a decline in the shares held by those credit unions," said Herbert Yolles, the regulatory agency's controller.



Ken Robinson
Glad to see belts tighten

Driving Factors

Several factors drove the agency's budget increase. They were:

- Annual merit pay adjustments, due to take place in December, will increase by 2.3% to $1.4 million.
- Employee benefit costs will increase by about $1 million.
- The agency's new headquarters building in Alexandria, Va., will add $1.1 million to the 1994 budget over 1993 rental costs, but is $1.6 million less than continued leasing at the current downtown location would have been.
- Three planned regional conferences will increase the budget by an estimated $1 million.

To hold down the budget increase, the regulatory agency's board of directors agreed to cut 18 positions.

Ken Robinson, president of the National Association of Federal Credit Unions, was glad to see the belt tightening.

'Deliberate Staff Decline'

"I want to see a deliberate decline in the staff that parallels the decline in number of credit unions," he said. "Otherwise we're going to wind up with one big credit union west of the Mississippi, one big credit union east of the Mississippi, and about 600 examiners."

Charles Zuver, executive vice president of Credit Union National Association Governmental Affairs, criticized the budget in a statement. He said the NCUA's figures actually represent a 9% increase because the agency will come in under budget by three to 5%.

Mr. Zuver's comparison is "not valid," Mr. Yolles said.

"It's mixing apples and oranges," he said. "Either you have to compare budgets to budgets or expenditures to expenditures."

NCUA will finish the year between 3% to 5% under budget, largely due to long lapses in filling vacant positions, he said. □

EDS Takes over Systems of Nevada League, Hoping to Bolster Its Share of the Market

By JAMES B. ARNDORFER

EDS Credit Union Services, with an eye toward expanding its market share in Nevada, has assumed operation of the state credit union league's information systems.

Under an agreement, the unit of Plano, Tex.-based Electronic Data Systems Inc. will take over all technology services the Nevada Credit Union League and Affiliates has been providing to its members.

The league, which has endorsed EDS systems since 1975 and began supplying EDS check-processing services in 1990, will continue to handle marketing and customer service.

Already 20 of Nevada's 34 credit unions use EDS, a unit of General Motors, for their deposit and loan accounting systems. By increasing convenience and offering new services, such as remittance processing and credit and debit cards, EDS is hoping more credit unions will sign on.

'More Cost Effective'

"By expanding the product offering and supplying the services all at once instead of one at a time, we're making things more cost effective for credit unions," said Albert Ku, EDS product manager.

Since the agreement went into effect July 1, EDS has installed new hardware and personal computers, as well as a new telephone system, at the league's Las Vegas headquarters.

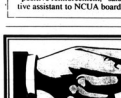
The league may not be one of the biggest in the country, but its 34 credit union members have $1.4 billion in assets.

Mr. Ku wouldn't say what sort of income EDS or the league expect to bring in through the venture, but he did say, "It's a significant piece of new business."

This relationship is the first of its kind, Mr. Ku said. Discussion of starting such a service dates back to July 1992.

EDS hopes to enter into similar alliances with other state credit union leagues, but it has no definite schedule as of now, Mr. Ku said.

"We haven't gone knocking on anyone's doors," Mr. Ku said. □



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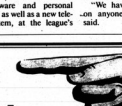

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Trade Groups Show Their Prowess in Lobbying Efforts

Banking lobbyists could be excused if they took an older credit union brethren in envy when pondering the mess they're in, thanks to the 1991 Federal Deposit Insurance Corporation Improvement Act.

For credit unions were in much of the same bind – the heightened regulatory scrutiny, greater auditing requirements, and mandated capital standards that were imposed on banks and thrifts by the act, until some crafty work by credit unions' lobbyists.

It was in the early morning hours following one of those sweltering summer nights in Washington when the credit union lobby engineered its greatest coup.

A joint House-Senate conference committee was meeting to discuss what would become of the landmark banking bill and debate was raging on whether to include security provisions exclusive to credit unions.

Among them were measures that would have allowed the National Credit Union Administration to assess a deposit insurance premium twice a year instead of once, would have prevented the agency from reimbursing insurance deposits until after the fund reached a 1.5% equity ratio, required the regulator to set minimum a capital level for the industry, and reduced allowable limits on loans to a single borrower.

Winning Exemptions

But House conferees, wellobbied by the leading credit union trade associations, balked at the provisions and eliminated them from the final bill.

$700,000 was donated to campaigns.

By then the industry lobby, mostly the Credit Union National Association and the National Association of Federal Credit Unions, had already won credit unions an exemption from the more onerous provisions of the improvement act that haunt banks and thrifts.

Those little-loved provisions include mandatory audit requirements for large institutions, imposition of a risk-based capital system, and a concept known as prompt corrective regulatory action, which allows the regulator to move in immediately after an institution's capital falls to a defined level.

Making Its Own Rules

Instead, Congress was persuaded to leave the imposition of mandatory audits for big institutions, a risk-based capital system, and prompt corrective action to the credit union regulator's discretion.

The exclusion of credit unions from the audit provisions enabled the regulator to propose its own mandatory audit standards, then reject them on its own, as it did last month.

The credit union lobby even persuaded Congress to let the regulator draft its own version of the Truth-in-Savings Act provision of the improvement act while standards for banks and thrifts were covered by the Federal Reserve Board's guidelines.

Gaining Strength

The success of the lobby may be attributed mainly to two things. First, credit unions and

Political action committees buttress grassroots strength.

the National Credit Union Share Insurance Fund, though hit by numerous failures over the past five years, are in better condition than their banking and thrift brethren.

Gun-shy about negative publicity and any similarities to savings and loans, the credit union administration regularly trumpets such positive industry indicators as asset and share growth and record-low loan delinquencies.

Second, the nation's 65 million credit union members have become more active politically. They write letters to Congress, participate in congressional campaigns, and stage petition drives.

Capitol Hill has probably never seen a petition drive as overwhelming as Credit Union National's "Operation Grassroots."

Power of the Purse

In 1991, an incredible 6.5 million signatures were gathered on a petition calling for the maintenance of the credit union administration as an independent agency.

This grass-roots power has been buttressed over the past few years by the emergence of the trade groups' political action committees, especially Credit Union National's, as legitimate campaign fund-raisers.

During the last two-year election cycle, Credit Union Legislative Action Council, the trade group's political action committee, distributed more than $700,000 in campaign contributions, making it one of the top 100 such committees in Washington.

The national fund-raising network allows the committee to donate the maximum $10,000 to targeted power brokers on Capitol Hill and to congressional allies who may be threatened by challengers. □

Capitol Notes



BY ED ROBERTS

Mr. Roberts is editor of *NCUA Watch* and *Credit Union Accountant*, which are produced by *American Banker* Newsletters. For information about the newsletters, call 800-733-4371.

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GE Purchase of Shearson Unit Rattles the Industry

Continued from page 1

dles more than 25% of all new mortgage insurance. Indeed, mortgage bankers still give GE high marks for service in insurance.

But lender anxiety is clearly on the rise, making the GE situation a classic case of the often-conflicting relationships in the modern mortgage market.

Consider thrifts' relations with Federal National Mortgage Association and the Federal Home Loan Mortgage Corp.

Some thrifts complain bitterly that the government-sponsored titans have unfairly muscled in on the business of funding mortgages. But these same thrifts routinely sell sizeable portions of their own loans to the agencies.

The debate over GE is likely to play out in a similar manner, observers say.

"Lenders will huff and puff about it, and some won't use GE for mortgage insurance," said Charles Wendel, a vice president with Mercer Management Consulting, New York. "But most will take a more pragmatic view. If GE offers quality service, lenders will continue to use it, even if another part of GE is competing with them."

Newcomer to Servicing

GE entered the servicing business three years ago by acquiring a $12 billion servicing portfolio from Travelers Corp. That deal included a major servicing facility in St. Louis.

Since then, GE has more than tripled the portfolio by purchasing servicing rights from other lenders.

The acquisition of Shearson Lehman Hutton Mortgage, which carries a price tag of $70 million, will give GE another $17.5 billion of servicing and a new facility in San Bernadino, Calif. Shearson is a unit of Lehman Brothers Holdings, which in turn is part of American Express Co.

GE was clearly hungry for a another big servicing unit. Before settling Shearson, it made bids earlier this year for Sears Mortgage Corp. and GMAC Mortgage Corp., according to industry sources. The Sears, Roebuck & Co unit ultimately was sold to PNC Bank Corp., while the General Motors unit was pulled from the auction block last month.

All-Star Bidding Cast

In snaring Shearson, GE reportedly beat an all-star cast of bidders, including Chase Manhattan Corp. and Margaretten Financial Corp. (See related story on this page.)

Why is GE so bullish on servicing? The company likes both the income and the opportunity to cross-sell other financial services to homeowners, says Alan Hainey, president of GE Capital Mortgage Services.

That unit, GE's mortgage servicing and production arm, is based in Cherry Hill, N.J. The insurance unit, GE Capital Mortgage Insurance, is based in Raleigh, N.C.

Mr. Hainey played down lenders' complaints about competition from an old ally.

"There are times when you are providing services to others throughout the mortgage banking industry and there are times when, if you buy loans, you are competing with someone else."

However, he said, the company focuses on "underserved" segments of the wholesale market. For example, it recently started a special service aimed at getting business from very small banks. It also operates as a "wholesaler's wholesaler," buying new servicing rights from other big purchasers.

"We believe that the service we bring to the industry as a whole far outweighs the competitive nature of individual deals," he said.

Though he declined to reveal any growth targets for servicing, the potential is vast. The California facility and the existing one in St. Louis each have the capacity to handle about $60 billion of loans, Mr. Hainey said.

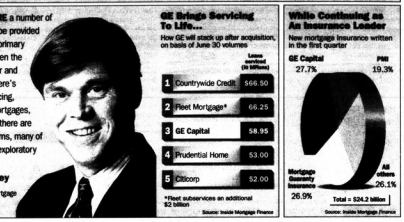
Mr. Wendel of Mercer Management, who has studied the mortgage insurance industry closely, says he believes the earnings GE reaps from its expanding servicing business will more than offset any customer defections from the mortgage insurance business.

"GE Capital is so good at taking costs out of processing businesses that they're a natural for servicing," he said.

Such words, of course, are of little comfort to anxious mortgage bankers. "I'm not too pleased about seeing GE as a competitor and they definitely are," said a production chief at one large mortgage company.

All the same, a number of mortgage bankers are taking GE's ambitions in stride.

"We compete with them head to head in some areas and they bring value added in others," said Mark Oman, president of Norwest Mortgage Inc. "If I get angry, I don't have to use them for mortgage insurance. We use them, so obviously I'm not that angry." □



Three Years of Deals That Couldn't Quite Fly

By PHIL ROOSEVELT

The GE-Shearson deal capped a tortuous sales effort that stretched out for more than three years.

In 1989, Michigan National Corp. appeared to be on the brink of buying Shearson Lehaman Hutton Mortgage. Then, in 1991, BankAmerica showed serious interest. GE Capital itself thoroughly investigated the unit that year.

Sale Unravels

Next, some Arabian investors moved into the picture, teamed with the owners of a San Francisco thrift. But their deal unraveled.

Sources say the selling effort was intensified this year by Harvey Golub, who in February became chief executive of American Express 10 Co., the unit's parent.

In the latest round of bidding, GE Capital apparently squared off with Chase Manhattan Corp., Margaretten Financial Corp. and Source One Mortgage Services Corp.

Eyebrows Raised

The final sale price, $70 million, struck some observers as unusually low – certainly far below the norm for big servicing deals.

But others said it was impossible to evaluate the price without seeing the unit's balance sheet. GE bought the unit's stock, not just the servicing assets. That means the company effectively assumed the unit's liabilities.

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MORTGAGES

An RTC Review Stalls Servicing Rights Sales

By JAMES H. SAPT

New Clinton administration policies are delaying the Resolution Trust Corp.'s efforts to sell billions of dollars of mortgage servicing rights seized from failed thrifts.

The RTC is reviewing the way it awards contracts to broker the servicing portfolios, according to Carol Weatherly, the executive in charge of servicing rights.

The review will slow the sale of at least two properties, Standard Federal Savings Bank of Gaithersburg, Md., and Home Federal Savings Bank of San Diego, by 60 to 90 days.

May Cost Millions

This may end up costing the federal government millions of dollars in sales proceeds, according to industry sources.

The value of the portfolios continues to decline because of prepayments, and there is little origination capability to replace it. But the losses could be offset to some extent by the continuing flow of revenues from the servicing.

Though Standard Federal has a mortgage originations unit, it has seen its servicing portfolio, $34.5 billion at the end of 1992, erode to $27.5 billion, according to Ms. Weatherly.

Home Federal of San Diego, another RTC property, is also suffering attrition in its portfolio, according to Ms. Weatherly. However, because the RTC has bundled in assets from other properties, the amount of loans serviced has grown from $6 billion to $7 billion since Jan. 1.

The Clearwater, Fla.-based mortgage banking unit of Carteret Savings Bank of New Jersey will be especially impaired by any delay in coming to market because, unlike Home Federal and Standard Federal, it has no origination capacity.

"We want to bring Carteret to market as soon as possible," said Ms. Weatherly. Carteret was seized in December 1992.

Selection Process Changes

The section of the RTC that markets the portfolios is examining the way it contracts with brokers who then sell the properties to third parties.

"We're trying to bring our selection process more in line with the RTC as a whole," said Ms. Weatherly.

She also said the RTC wanted to do more business with brokers owned by women and minorities, in keeping with administration policy. The RTC has a pool of pre-qualified companies. □

PNC Bank Corp. Abandons Its Plan To Sell Sears Mortgage's Western Units

By CHRISTOPHER NOBLE

PNC Bank Corp. has scrapped its plans to sell Sears Mortgage Corp.'s western production branches later this year when it acquires Sears Mortgage Banking Group.

Pittsburgh-based PNC said Tuesday that negotiations to sell the branches to a group led by Arthur D. Ringwald, executive vice president at Sears Mortgage Corp., were "discontinued." No reason was given. The bank said it would not try to sell the branches to anyone else.

The decision to retain the branches comes as a surprise. PNC had said when it announced the Sears deal that it wanted to maintain an extensive regional bank and appeared eager to shed Sears' western assets.

No executives from PNC were available for comment but a spokesman said the bank changed its mind because "those are high-production offices and we've determined it's more profitable to retain them."

Mr. Ringwald and his group would have gained control of about 30 branches in 12 states west of the Mississippi that in 1992 produced $2.5 billion in loans.

At the time that PNC announced its plans, Mr. Ringwald said he was excited at the prospect of having his own mortgage company.

He said the deal presented him with "an opportunity to do something I've always wanted to do: be an entrepreneur." □

Average Rate Falls to 7.24%

The national average interest rate on 30-year fixed-rate mortgages dropped fairly sharply this week, to 7.24% from 7.36% a week earlier, according to preliminary figures from HSH Associates of Butler, N.J. The points charged by lenders averaged 1.37%, little changed from 1.38% a week ago.

The Washington, D.C., area continued to have the lowest average rates in the country, 7.12%, but was also the highest in points, 1.86%.

The highest rates were in Minneapolis, 7.35%, but lenders in the area were apparently marketing low-fee mortgages aggressively, as points averaged 1.03%.

The national average for 15-year fixed loans was 6.82%, down from 6.9%, while the one-year adjustables averaged 4.4%, down from 4.45%.

Geographic spreads in mortgage rates generally reflect regional differences in the cost of doing business and the secondary market's estimation of prepayment experience and credit quality for each region. — Edward Kulkosky

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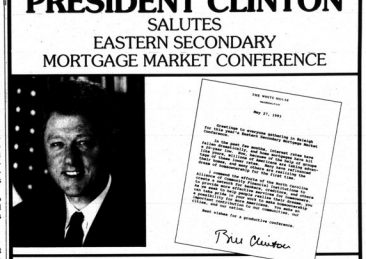

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Vanguard Chief Promises a Fight for 401(k) Market

By KEITH DuBAY

John Bogle, chairman of Vanguard Group, is known for his frugal ways.

So it's no surprise to hear his advice to banks that want to face off with the giant mutual fund company for a share of the burgeoning business of managing 401(k) retirement plans.

Be prepared, Mr. Bogle says, to do battle on the field of cost containment.

"If banks can provide better performance with better service at a lower price, we're going to lose every penny we have," Mr. Bogle said in an interview from the company's headquarters in Valley Forge, Pa. "But they've not been traditionally good at service."

The company has $29.5 billion of 401(k) plan assets under management. That's about a quarter of Vanguard's $117 billion book of business.

Changing Market

Banks once dominated the field in managing retirement plans, but in recent years their market share has dipped.

One reason is that the market is changing.

Defined-benefit plans, in which employers have to pay predetermined benefits no matter how investments perform, are disappearing. Managing these plans has been banks' strong suit.

Instead, defined-contribution plans such as 401(k)s are sprouting up. These plans, which typically use mutual funds as the primary investment vehicles, put the burden on employees to choose their investments.

In 1992, insurance companies led the 401(k) field, managing 37% of assets, according to Access Research Inc., Windsor, Conn. Banks followed, with 27%.

Mutual fund companies, ranked third, with 24%, but were gaining market share faster than any other group.

According to a recent survey by *Institutional Investor*, Vanguard is the No. 3 manager of defined-contribution plans, after Fidelity Investments and Prudential Insurance Co.

Its nearest bank competitors are State Street Bank and Trust, which placed fourth, with $29 billion; and Bankers Trust Co., which tied for fifth place with Merrill Lynch, at $25 billion.

Penny-Pinchers

Tightfisted cost control is a religion at Vanguard. The company charges its customers no sales fees and its total expense ratios are the lowest in the business, according to *Money* magazine.

Mr. Bogle said his company hasn't had to beat the bushes for new 401(k) customers. "They come to us, by and large." Vanguard's institutional assets, including 401(k) plans, have grown 125% over the past three years, versus 90% for retail assets.



John Bogle
Sees banks as the losers

Mr. Bogle believes that in the next few years 401(k) plan assets at Vanguard will grow 35% a year, versus 25% a year for individual accounts. Investors are "looking for a mutual fund company that has funds you can get the price of in the daily paper," he said.

Costly Customers

Mr. Bogle worries about the onslaught of 401(k) business. It generally costs more to service such accounts, and the added reporting – which includes yearly tax reports for each plan – clogs computers and requires more staff. The cost per year ranges from $20 to $50, he estimated.

"It's so expensive to operate these plans on a fee basis," he said. "Just trying to cover our operating costs is hard. It's difficult to do anything for a company for under 500 employees."

Banks see the big mutual fund companies as havens for defined-contribution plans from big companies. And, in fact, Vanguard manages 401(k) plans for giants including Texaco and Federal Express.

But Mr. Bogle points out that many smaller companies, too, have Vanguard plans.

B of A's Plans

Debra McGinty-Poteet, who heads the mutual funds management business at Bank of America, said she'd rather concentrate on midsize and small companies for their institutional business.

Banks have an edge in this market because of their commercial relationships with these companies, she said.

Bank of America has $19.3 billion under management, 95% of it institutional money. Ms. McGinty-Poteet said her division is putting together a plan to attack the 401(k) market, in which it has not been a player.

"The larger corporations are choosing to deal with some fairly major competitors," she said.

The bank is looking at developing more international funds through the new structure. Under the old system that would not have been viable, Ms. Guernsey added.

The cost to convert funds to hub and spoke varies according to the attributes of a fund family, according to Signature's Mr. Hoolahan.

IRS Opinion Awaited

For Morgan, the majority of conversion work involves preparing proxy materials for a shareholder vote on the issue, Ms. Guernsey said.

Shareholders agreed to the change in March.

Now Morgan is waiting for an opinion letter from the Internal Revenue Service before converting one last fund to the structure.

The conversion has been seamless, Ms. Guernsey said.

When the mutual fund company Eaton Vance Corp. began converting its funds to the structure last year, it ran into numerous regulation issues surrounding tax laws for assets moving between hubs and spokes, Mr. Hoolahan said.

With rulings on those issues now on the books, those adopting hub and spoke have an easier time, he explained.

Another advantage to the structure is the ease with which outside companies can offer their own portfolios spoked into Morgan's hubs, Ms. Guernsey said.

With conversion almost complete, Morgan executives are beginning to talk with smaller banks and trust companies that may want to create private-label spoke funds using a Pierpont hub.

'Significant' Increase Seen

Though Ms. Guernsey wouldn't project how much new business that could generate for Morgan, she said, "I've got to believe it will be significant."

Ms. Guernsey said she is developing basic guidelines that Morgan will follow as it forms private-label relationships with other banks.

"I think we want to make sure that we're dealing with responsible people and that they're going to market our funds in a responsible manner," she said. □

Boston's Liberty Financial Recruits Exec to Run a Sales Unit

By MICHAEL O'D. MOORE

Liberty Financial Co. of Boston, a leading marketer of mutual funds through banks, has named Reginald L. Truman to head its institutional sales unit.

As a vice president in the company's Liberty Financial Bank Group subsidiary, Mr. Truman will be responsible for expanding and strengthening relationships with financial institutions.

Worked for a Rival

The company currently markets investment products through 65 banks and thrifts.

Mr. Truman was recruited from Marketing One, a rival firm based in Portland, Ore. As vice president of sales, he was in charge of recruiting new accounts, retaining existing ones, and building sales in the western states.

A veteran banker, Mr. Truman started his career at First Interstate Bank California in 1968. He later worked at Mercury Savings and Loan Association.

Mr. Truman holds a bachelor's degree from Pepperdine University's School of Business and Management.

Liberty also named Paul G. Mattaliano to the post of chief financial officer.



Reginald L. Truman
To expand relationships

He is responsible for overseeing and managing finance, accounting, analysis, and information resources, among other areas.

Mr. Martins was hired away from Berkeley Financial Group, where he was controller.

He previously worked for John Hancock Mutual Life Insurance Co. and Alden Corrugated Container Corp.

He holds a bachelor's degree in accounting and an MBA from the University of Massachusetts at Dartmouth.

* * *

Adrian J. Waters has been named managing director of BankAmerica can provide with companies that employ 50 to 5,000 people, she said.

"The General Electrics of the world are going to be different to deal with than the middle market," Ms. McGinty-Poteet said. "There are only so many Fortune 500 companies, but there are thousands and thousands of companies with $50 million in revenue."

Shift in Focus

But William McNabb, vice president in charge of institutional marketing at Vanguard, said banks shouldn't count companies like his out of this sector of the market.

The institutional management industry has undergone a fundamental shift away from catering to plan sponsors – that is, employers – and toward serving the individuals invested in funds, he said.

The shift has intensified in the last two years, Mr. McNabb said. It translates into providing more personal contact, more information, more choices, and more services – such as instant fund transfers and 24-hour phone access to fund valuation.

"Banks have been super at master trust or custody," Mr. McNabb said, "but they don't have it as part of their culture to deal with individual investors." □

J.P. Morgan Gearing Up for Big Push in Mutual Funds

Continued from page 1

gle pool, or hub. Shares in funds, or spokes, that invest in the central pool can then be offered to different investors at different prices.

The spoke funds share the investment objectives of the hub, but each has its own board of directors.

Fund companies can share their expenses by managing assets in a single pool rather than setting up separate funds for institutional, trust, and retail investors.

Signature's Largest Convert

With $4.8 billion in hub assets, Morgan becomes the largest bank fund using Signature's structure.

More and more banks and mutual fund companies are switching to Signature's trademarked structure or similar "master/feeder" setups.

Signature's convert now has $25 billion in more than 100 hubs, according to James Hoolahan, a senior vice president.

The Pierpont funds were rolled out in 1982.

Another Alternative Rejected

With the old "plain vanilla" mutual fund structure, setting up new portfolios also required an individual investment engine and fund administration.

Some mutual fund companies have opted for another alternative, known as the classes-of-shares structure.

But Morgan rejected that approach, because it would have had to present information on all share classes in a single prospectus.

"We wanted to be able to separate information out and tailor the prospectuses for different purposes," Ms. Guernsey said.

20 Spokes in All

Morgan, still waiting for some prospectuses from the regulator, will have nine Pierpont funds and 11 new JPM Institutional funds feeding 10 hubs. Four more Pierpont funds and two new JPM funds are planned, Ms. Guernsey said.

A hub-and-spoke structure for its Pierpont Funds should enable Morgan to tailor investment products to specific market segments at reduced cost.

Morgan may launch private-label funds for other banks.

Omega Offers Seminar On Mutual Fund Sales

Omega Performance is offering a three-day seminar to teach bankers how to boost mutual fund and annuity sales.

The San Francisco-based company, which specializes in bank training, designed the program last year for First Chicago Corp.

Seven more banks have signed up since then.

Called "Making Investment Referrals," the seminar is designed to teach platform employees how to identify sales prospects and refer them to investment specialists. — Karen Talley

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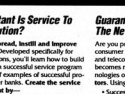

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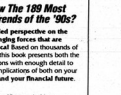

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Consumer Money Index — **Personal loan rates and fees**

Here are the personal loan rates and fees being charged by selected large banks and thrifts nationwide on August 3. The rates are those offered to the general public for a $3,000, unsecured personal loan, with a fixed rate and a 24-month term. During the past eight weeks, the trend of these rates has been declining. The eight week trend is based on the rates being charged by the ten largest banks and thrifts in the ten largest markets. The highest rate reported over the period was 15.59% on June 14th and July 6-12. The lowest rate reported over the period was 15.57% on June 21-28.

Source: Olsen Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

Banks

BANK	RATE %	FEES
Bank One, Texas, Dallas	14.00	None
First American Bank, Wash., D.C.	13.45	None
First Nat'l Bk of Chicago, Chicago	14.90	None
First of America Bank, Detroit	15.00	$50 processing fee
Sanwa Bank of California San Francisco	19.25	$60 document fee

Thrifts

THRIFT	RATE %	FEES
Dime Savings Bank, New York	18.00	None
Eastern Bank, Boston	16.75	None
First Heights Bank, Houston	14.00	None
Germantown Savings Bank, Philadelphia	15.99	None
Great Western Bank, Los Angeles	16.89	$50 loan fee

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Outstandings Grow At Half the '92 Rate

By MICKEY MEECE

Consumers' sensitivity to interest rates and their personal debt loads may be slowing the growth in credit card loans.

A midyear survey by RAM Research Corp. shows the annual growth rate for outstandings is 4.2%, compared with last year's 9% level. But card-spending volume is up 9.8%, which is nearly consistent with last year's rate.

The Frederick, Md., researcher's study covers the portfolios of 300 credit card issuers, representing 85% of the industry, and weights the results according to market share.

"I think it's disappointing," Robert B. McKinley, RAM president and chief executive officer, said of the growth trends. "We're running way below where we should be."

He added, however, that he expects the receivables growth rate to rise to to 8% by Christmas.

Growth was flat at most of the top 10 credit card issuers, but Mr. McKinley noted a few bright spots. Household Bank outstandings grew 20%, Bank of New York's grew 10%, and AT&T Universal Card Services grew 8.3% in the first six months.

"Those are very strong increases," Mr. McKinley said. He attributed Household's growth to the success of the General Motors card that it issues.

Bank of New York, meanwhile, modified its pricing, he said, and stepped up marketing on its low-rate Consumers Edge card. And the sheer size of the three-year-old AT&T program aided its growth.

Card balances rose by only 4.2% in the first half of the year.

He said that AT&T ranks second in accounts and volume to Citicorp, but ranks seventh in outstanding loans, with $7.2 billion. But the card issuer had solid increases for the first half of the year, he said, doing a good job of getting customers to revolve their balances, and to switch from other issuers.

Trying to Outbid Competition

Mr. McKinley found that issuers remain aggressive in pricing, trying to outdo each other with reduced-rate programs. The average annual rate for a standard card stands at 17.25%, down from 18.22% a year ago. Gold card rates dipped less than a percentage point, to 16.08%.

"You're seeing a lot of those single-digit promotional rates," Mr. McKinley said. ("And there's no indication the interest rates are going to rise."

Big banks have been aggressive with promotional rates this year to compete with smaller issuers, he said. As a result, attrition has slowed.

Two Basic Strategies

In general, card issuers have been keeping with two strategies, Mr. McKinley noted: cards at 16% to 17% interest rates with enhancements, or more basic packages at 14% or below, often with single-digit promotional rates.

But issuers pay a price in lower profitability for their aggressive pricing and marketing.

Despite the reduced-rate plans, Mr. McKinley said consumers are not piling up credit card loan balances as they once did. □

Document Imaging On the Rise at Banks

By MATT BARTHEL

About one in 10 financial institutions plans to install document imaging software in its branch offices by 1996, according to two recent studies.

Separate research by the American Bankers Association and Mentis Corp. in Eden, Md., have found that document imaging is an integral part of the branch automation upgrade boom that has seized the banking industry in recent years.

Imaging systems, which convert paper documents into digitized images that can be accessed by personal computer, have become more popular for check processing applications but few institutions are currently using the technology to reduce the volume of paper and microfiche in their file cabinets.

Low Percentage Expected to Jump

According to Mentis, only about 2% of banks and thrifts with less than $1 billion of assets use imaging to streamline such functions as credit applications and signature verification. And only about 7% of financial institutions with more than $1 billion in assets are using imaging at the branch level.

In terms of absolute numbers, this means that only about 300 of the nation's more than 13,000 financial institutions are currently employing document-imaging applications in branches. But according to both Mentis and a recent ABA bank automation survey, financial institutions – both large and small – are busy to embrace imaging technology in the hopes that it can make branch workers more productive.

The ABA's annual retail operations and automation survey found that more than 13% of U.S. financial institutions plan to invest in branch-based image applications within two years.

Percentage Higher at Bigger Banks

Similarly, Mentis found that 17% of banks with more than $1 billion of assets will buy imaging systems, as will 7% of banks with less than $1 billion of assets.

The average of these projections, culled from surveys of more than 2,000 financial institutions, indicates that about 10% of U.S. institutions – about 1,300 banks and thrifts – will be using document imaging applications by 1996.

The most important development spurring the move to imaging in branches is the rising number of personal computers at teller and platform locations. According to Mentis, more than 71% of all branch workstations installed last year were personal computers – as opposed to "dumb" terminals, which rely on a host computer for processing power.

PCs are ideal for imaging applications because they allow the user to rotate and otherwise manipulate document images on the screen. Such capabilities on a dumb terminal would require a significant amount of host computer programming.

"The arrival of the PC will almost certainly boost the amount of imaging that we'll see at the branch level," said Stanley E. Militko, an imaging consultant at Littlewood, Shain & Co., based in Exton, Pa.

According to Mentis, institutions with assets ranging from $500 million to $1 billion will be the most aggressive implementers of branch imaging applications. Just 1.5% of those institutions currently employ imaging in branches. But by 1996, that percentage is expected to climb to 27%. Smaller banks will be much slower to install the technology, Mentis found.

The most common imaging systems installed at branches were for loan applications and signature verification. □

Q: What impact will multimedia technology have on banking?



ROBERT E. LUND
Chief operating officer
Newtrend
Orlando

The most important factor to consider is acceleration. Today's desktop PCs, for example, have more power than the mainframes we ran entire banks on 20 years ago. Not only is the pace of change increasing, but so is the complexity of the technology.

If you look at the progress to date, it's clear that bankers are making "incipient" use of multimedia technology particularly as it relates to imaging and interactive video both at the ATM level and in conferencing.

These initiatives, though, tend to be segmented efforts undertaken only by the really big players.

So how quickly can these capabilities begin extending themselves to the rest of the industry? Two factors are critical at this stage: expertise and economies of scale.

I anticipate that community banks and other small institutions who can't afford the costs of proprietary development will have to create alliances with vendors and consulting firms.

It's also a good idea for smaller institutions to designate a staff member to become knowledgeable in cutting edge technology issues. □



TODD RULON-MILLER
Chief Executive Officer
Software Alliance Corp.
Berkeley, Calif.

When it comes to assessing the future of multimedia in banking there are three questions to consider: Is there a demand? Are the hardware and telecommunications capabilities affordable? And will the application software follow?

My sense is that the demand is clearly there. People have had such a multimedia-rich life over the past decade that I think they absolutely want to use multimedia professionally.

The hardware is extraordinarily affordable too. A desktop PC at a $1500 price point can now deploy multimedia.

In addition, telecommunications companies can broadly deliver and connect just about anyone to anything.

As for software applications, today's headlines are dominated by stories about billion-dollar companies getting into this market. These firms are sinking a lot of research and development dollars into multimedia.

At this stage, what's a banker to do? I don't think there is a single answer.

Pilot projects will have to be installed to show bankers how they might increase revenues or cut expenses. □



WILLIAM E. STORTS
Partner, retail financial services
Andersen Consulting
Columbus, Ohio

Bankers first have to consider the fact that their products and services are going to be delivered through a variety of alternative delivery channels.

These include home banking, remote banking, and variations on the traditional branch. In each delivery channel there is going to be an increasing reliance on self-service.

This is important in terms of multimedia because the general population is already very comfortable dealing in various media forms. As bankers consider new channels of distribution, audio, video and image will be critical – particularly video.

When making a decision about multimedia as part of their delivery channel, bankers need to carefully consider the technology's benefit and its maturity.

But even if a bank decides not to deploy multimedia right away, that institution should not box itself off from the future.

They should not deploy products, services, architectures, or other capabilities that preclude them from being flexible and moving to alternative channels later on. □

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TECHNOLOGY/OPERATIONS NEWS

Republic Signs Up with Systematics for Check Processing

By JEANNE IIDA

Republic National Bank of New York has hired Systematics Information Services Inc. to process its checks, on an imaging system from Unisys Corp.

Republic, with $36 billion in assets, is the first large bank to contract for a vendor to provide image-capture services.

The bank anticipates savings of 20% of its annual check-processing budget in the first full year of the contract, an executive said.

Republic officials said that, by outsourcing its check operations, the bank will move to image technology at least a year earlier than it could have done had it kept the operations in-house.

Both the bank and Systematics declined to disclose the contract terms.

N.J. Processing Site

Republic's 200,000 items a day will be processed in Systematics' Piscataway, N.J., check-processing facility. The software and services vendor is based in Little Rock, Ark.

The New Jersey site will also be the first that Systematics converts to technology for capturing images of deposited checks.

"These are very exciting times in check processing," said Thomas Rea, senior vice president of Littlewood Shain & Co., a consulting firm in Exton, Pa.

The bank is the largest to contract for image-capturing services.

"There are clear opportunities to drive costs down by consolidating operations or relegating functions such as check processing to a utility status," Mr. Rea said.

"The questions senior executives have to ask themselves are 'What is the role of check processing in my strategic plan?' and 'What do I have to gain or lose by outsourcing?' "

Many banks have been hesitant to invest in image systems for proof-of-deposit functions because of the multimillion-dollar price tag.

But for several years bankers have been interested in sharing check-processing facilities to reduce unit costs and share the investment needed to take advantage of image processing.

Rethinking the Issue

Until recently, talks along these lines have failed because of technical and competitive concerns.

Last month, however, Bankers Trust New York Corp. and First Fidelity Bancorp agreed to establish a shared check-processing utility, leading other banks to rethink the entire question.

Systematics acquired the Piscataway check-processing facility last year from the Federal Home Loan Bank of New York.

The facility already provides conventional check processing to 130 financial institutions.

Abandoning IBM

The company is converting the facility from International Business Machines Corp. technology to Unisys systems and is testing Unisys image processing technology there.

Systematics expects to have the image capture system up and running by November.

The Republic deal will bring Systematics' expected throughput at the facility to 600,000 checks daily. The company plans to move all its New Jersey clients to the image processing system by next year.

Republic National plans to move about half its check-processing operation to the Systematics facility while retaining customer service, research, and adjustment functions in its Manhattan data center.

Big Savings

Bank senior vice president Nicholas A. Calabro said Republic expects to reduce its check-processing budget by 20% overall.

He said the outsourced portion of the operation, which includes encoding, reading and sorting of items, and computer-assisted recognition of handwritten amounts on checks, would cost 35% less than Republic has been spending on similar functions.

Systematics will be replacing an operation in which Republic employs 48 full-time operators and 27 temporary workers.

The processor plans to hire 15 bank employees. Republic is moving 20 to 30 to other jobs in the bank and laying off six or eight, Mr. Calabro said. □

Meyer, Datatron Linking Services

The Meyer Interest Rate Survey and U.S. Datatron Inc. have agreed to jointly sell deposit and loan pricing information and service-fee data to financial institutions nationwide.

The linkup calls for Meyer to provide its rate-related surveys to clients of U.S. Datatron, and for U.S. Datatron to provide its fee-related surveys to Meyer's clients.

Meyer, based in Calabasas, Calif., produces daily studies of deposit, consumer loan, and mortgage loan rates offered by competing institutions. U.S. Datatron, based in Palm Beach Gardens, Fla., concentrates on fee-based product studies.

Datatron recently bought the customer contracts of RateLine, a New Jersey company that had produced rate surveys for Datatron clients. RateLine customers will be served by Meyer.


Kevin Calhoun

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Opinion

Comment

By Nathaniel E. Butler

Official Confusion a Brick Wall To Debt Cancellation Contracts

Debt cancellation contracts were approved by the Comptroller of the Currency for national banks in 1963. They were upheld for national banks by a federal court in Arkansas and by the U.S. Court of Appeals for the Eighth Circuit in the First National Bank of Eastern Arkansas case. But they have not taken off.

The reasons debt cancellation contracts have not been widely used by national or state-chartered banks is that neither the Office of the Comptroller of the Currency nor the courts have addressed the many legal questions that must be answered before a debt cancellation program can be safely undertaken for installment loans, credit cards, or other credit products without regulatory and legal risk.

While this article is limited to contracts that parallel credit life insurance, and it does not specifically relate to other credit insurance types that products such as disability and unemployment, many of the issues raised here are relevant to these products.

Forgiving a Debt

In a debt cancellation contract, the bank agrees that in return for a payment, it will forgive the debt if the borrower dies.

This looks like credit insurance and "quacks" like credit insurance. Under the Eighth Circuit opinion, debt cancellation contracts are not "the business of insurance" but may be treated or considered as insurance for certain regulatory purposes.

Rather, the contracts are viewed as "incidental" to the business of banking.

State Versus Federal Authority

The court further holds that even though these contracts were perhaps insurance under state law purposes, the Arkansas insurance commissioner was overzealous unable to prohibit a national bank from offering debt cancellation agreements.

Finally, the court comments that the comptroller conceded that particular state insurance regulations, such as those limiting premium rates, may apply to national banks because they do not "conflict" with, that is, essentially prohibit, the exercise of national banking powers.

Ford Barrett, a senior attorney with the Office of the Comptroller of the Currency, commenting on the district court decision in *American Banker* in 1989, speculated that a particular insurance activity could be both the "business of banking" and the "business of insurance."

In this event, the appropriate solution from a public policy standpoint would be for the states to regulate the activity but not prohibit it.

Insurance ?

Hence, the debate continues: Are debt cancellation contracts insurance or not? Are these contracts insurance for some regulatory purposes and not for others? If so, for what purposes are these contracts insurance?

The Eighth Circuit Court has suggested that rates ceilings by states on credit life insurance may apply to a national bank's debt cancellation contracts. A question arises concerning Section 85 of the National Bank Act, which limits national banks to the highest rate of interest permitted a competing lender.

Is the amount paid by the debtor to the bank interest under state law? Is it material to the determination of the interest rate under the comptroller's interpretation of Section 85? Since the cost of funds now is low, this may not for the moment be a crucial question, but it may become so for usury purposes in the future.

Truth-in-Lending Angle

Another troubling area is how the amount paid for the debt cancellation agreement should be treated under Truth-in-Lending. Truth-in-Lending provides special treatment for premiums for credit life insurance.

If certain steps are taken, insurance premiums for credit life can be excluded from the finance charge. If, on the other hand, the amount paid for the debt cancellation contract is not a premium and the contract is not insurance, then presumably the amount paid would have to be included in both the finance charge and the annual percentage rate, no matter what is disclosed.

Risking Absurd Results

The staff of the Federal Reserve Board, the group to whom such Truth-in-Lending matters are entrusted, seems to be leaning toward leaving the question of whether the fee for a debt cancellation contract is an insurance premium up to state law.

While this may appear to be a solution, in fact it produces absurd results. For example, it will not be very helpful to interstate issuers of credit cards. Issuers would face the prospect of offering a different annual percentage rate, depending on a state characterization of what is insurance.

Furthermore, it may not be helpful in any given state. For example, the Oklahoma Banking Department has ruled that debt cancellation contracts are not insurance and therefore may be offered by state banks. The Oklahoma Department of Consumer Credit, on the other hand, ruled that the contracts were insurance.

Similarly, the federal Equal Credit Opportunity Regulation permits differences in rates, availability, and terms in credit-related insurance products. If a debt cancellation contract is not insurance, would age rating, for example, violate the Equal Credit Opportunity Act?

Which Law Prevails?

Assuming national banks can offer these contracts because they are incidental and necessary to banking, what about state banks? If a state bank is prohibited under the State Banking or Insurance Code from offering insurance, but is permitted to engage in any activity that a national bank can offer under the so-called wild-card statute, which prevails?

THE DEBATE *continues:*
Are debt cancellation contracts insurance or not?

This question has not been addressed by the courts but it has been addressed by many state attorneys general. They appear to favor prohibiting the contracts for state banks.

There are several other state issues. The Circuit Court made it clear that the prohibition on the exercise by state agencies of visitorial powers over national banks, and the status of national banks as "federal instrumentalities" would prevent extensive state regulation.

It did not address many other state-oriented issues. For example, if state law requires a credit life insurance contract to be filed or approved, does that apply to a debt cancellation contract issued by a state or a national bank? What about an AIDS exclusion prohibited by a state? What about state premium taxes? And so it goes with other lesser state requirements.

Tax Issues

There are also several tax issues relating to both the bank and the debtor. The bank under the comptroller's ruling is supposed to take a certain amount into reserve to protect against amounts which would be forgiven in the event of death.

Is this treated differently as fee income to a bank as compared to premium income to an insurance company? The tax accounting for both premium income recognition and deductions for policy reserves and claim liabilities apply only to insurance companies as defined in the Internal Revenue Code. Banks do not qualify as insurance companies.

Lacking access to the applicable Internal Revenue Code sections reserved for bona fide insurance companies, banks would appear to be subject to normal corporate tax treatment where general tax principles would appear to force immediate tax recognition of the income and defer deduction of claims until paid.

With respect to the debtor, if the amount forgiven is the proceeds of insurance, presumably it is not taxed as income to the estate of the debtor.

If, on the other hand, it is a simple debt forgiven and not insurance, then presumably it is income and taxed as such to the debtor's estate. Does this raise withholding and reporting questions?

More Questions than Answers

Debt cancellation contracts ostensibly have been a legal activity for national banks for 30 years. Credit life insurance has been regulated by the states even longer. The questions surrounding these contracts seem to have proliferated faster than answers. The Eighth Circuit Court of Appeals decision leads to a regulatory morass.

The court suggests that the issues be taken up on a case-by-case basis. This is not a practical solution. Until a vehicle is found to resolve comprehensively most if not all the issues, debt cancellation contracts will continue to languish. □

Mr. Butler, a former Federal Reserve staff official, is with the law firm of Kaye, Scholer, Fierman, Hays & Handler, Washington.

IN A DEBT *cancellation contract, the bank agrees that, in return for a payment, it will forgive the debt if the borrower dies.*

THE REASON *these contracts have not been widely used is that neither the Office of the Comptroller of the Currency nor the courts have resolved the necessary questions.*

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M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 17, 1993 9:30 A.M. 4642 White Plains Rd Bronx 1986 Plymouth Grand Voyager Victoria 4 Dr Sdn 2FABP34P8GX204573 Rt 1, Chalet; 10:00 AM 6609 Fairman Ave Bronx 1987 Lincoln Town Car 4 Dr Sdn 1LNBM81F3HY687885 Re:Star Mobile Car Leasing Ltd/E Dumay/A Dideroz; 10:30 A.M. 3037 Boston Rd Bronx 1979 Chevrolet Caprice 2 Dr Sdn 1N47J232-7065 Re: W Odell, Jr.; 1985 Plymouth Vista Sedn 1B3BC46J1FN270196 Re: J Palermo; 1985 Chevrolet Grumman Step Van 1GBHP32N6F3301466 Re: Fulton Sabbos; A.M. 3318 DeLavall Ave Bronx 1984 Ford Econoline 250 Van 1FTHE24H4EHA03425 Re: Fruit to Nuts Inc./A Cisneros; 11:30 A.M. 1364 Brandreth Ave Bronx 1978 Chevrolet Chevette 4 Dr Sdn 1B8EBY1-3059M Re:If Kontostavlos; 12:00 P.M. 1779 West Farms Rd Bronx 1983 Mazda 626 4 Dr Sdn JM1BC2213D1239 Re: A Mujuco/V Scott; 12:30 P.M. 4729 Third Ave Bronx 1988 Chevrolet Cavalier Sedn 1G1AD35PE7201071 Re: E Rosenthal, Gonzalez; 1:00 P.M. 4396 Park Ave Bronx 1990 Honda Accord LX 4 Dr Sedan 1HGCB7636-9LA000662 Re: State Farm Ins. Co./N Karuspe; 1978 Mercedes Benz 450SL 2 Dr Conv WN23891 Re: United Community Ins./F Scaduto; 1:30 P.M. 1941 Jerome Ave Bronx 1977 Datsun 280Z 2 Dr H/B HLS30411223 Re: Marino Auto Body; 2:00 P.M. 1300 Grand Ave Bronx 1991 Nissan Sentra 2 Dr Sdn JN1CB31S4MU000000 Re: NER Auction System Of Pa /A Fernandez; 2:45 P.M. 1300 Grand Ave Bronx 1986 Jaguar Xj6 4 Dr Sdn SAJAV1340GC935138 Re: Surgeon Auto Inc./J Suppiger; 3:15 P.M. 31 Nagle Ave NYC 1980 Glastron 19 ft 1/2 Boat 1400FC0-8M Re: Pierson; 3:45 P.M. 103 W 108th St NYC 1982 Nissan Stanza 4 Dr Sdn JN1HT13S6-CT020677 Re: W Infante. Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 17, 1993 10:00 A.M. 827 Throop Place Bklyn 1984 Toyota Tercel 2 Dr H/B JT2AL32G8E0034766 Re: Schaefer; 1982 Ford Granada 2 Dr Sdn 1FABP26-BCG122698 Re: Pizzo Construction Inc./JAFIUA; 10:30 A.M. 270 Greene Ave Bklyn 1978 Datsun 280Z 2 Dr H/B Sdn JF9K31106 Re: Harper Associates; 11:00 A.M. 898 Kent Ave Bklyn 1990 Oldsmobile Cutlass Supreme 4 Dr Sdn 1G3AR56-9A4JB372430 Re: E Rose; 11:30 A.M. 34 Carlton Ave Bklyn 1970 Mercedes Benz 250 4 Dr Sdn 11401102-2UA Re: Mc Clement; 12:00 P.M. 16 Clermont Ave Bklyn 1990 Honda Accord 2 Dr Sdn 1HGCB7-26ML041142 Re: Ben E Keith; 12:30 P.M. Honda Civic 2 Dr Sdn JHMAG4315ES00-5118 Re: K E Dove Co./Inc.; 1:00 P.M. Sylvania Ave Bklyn 1984 Honda Accord 4 Dr Sdn 1HGAD9426EA048442 Re: State Farm Auto Sales/T Santiago; 2:00 P.M. 2914 Atlantic Ave Bklyn 1984 Saab 900S 4 Dr Sdn WAUFB0460EN154359 Re: E Chevalier; 2:30 P.M. 406 Autumn Ave Bklyn 1984 BMW 528 4 Dr Sdn WBADK-83DE0273932 Re:A Alford/ C Watson; 3:30 P.M. 1062 Utica Ave Bklyn 1987 Chevrolet Spectrum 4 Dr Sdn 1G8JU54-1791840193 Re: J Quaendo. 4:00 P.M. 1385 Rogers Ave Bklyn 1988 Chevrolet Van Chevy Van 10 Van 1GCDG31D3XE7189-723 Re:Newark Police Auto Sq/G Sirpaul. Metropolitan Auctioneers Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 25, 1993 9:45 A.M. 4440 Austin Blvd Island Park NY 1983 Ford Mustang 2 Dr H/B 1FABP28F6DF130303 Re: P Brennan/E Collins; 10:30 A.M. 10-09 Beach 21st St Queens 1980 Chevrolet Camaro 2 Dr Sdn 1P87HAN544330 Re: J A Woodward/T Hauer; 11:00 A.M. 10-17 Beach 21st St Queens 1991 Honda Accord 4 Dr Sdn JHMCB7650MC030210 Re: Colonial Resources Corp/S Divnick; 11:30 A.M. 222-19 Nero Road Queens Village 1990 Toyota Cressida 4 Dr Sdn JT2MX62E-8J0023919 Re: J Rivera/J Donlevy; 12:00 P.M. 123-40 Merrick Blvd Queens 1984 BMW 318 2 Dr Sdn WBAAB7409E876-2473 Re: M Lamour; 12:30 P.M. 116-21 Merrick Blvd Queens 1986 Mazda 626LX 4 Dr Sdn JM1GC2213G1846460 Re: G Arroyo/C Rowland; 1987 Toyota Corolla 2 Dr Sdn JT2AE82E4H3489406 Re: S Emanuel; 1:00 P.M. 107-53 Merrick Blvd Queens 1987 Mazda 626 4 Dr Sdn JM1-BF2222K0055308? Re: M Hall; 1980 Ford Mustang 2 Dr Sdn 1FBDB2274A63 Re: A Smith; 1:30 P.M. 116-60 Sutphin Blvd Queens 1969 Oldsmobile Cutlass 2 Dr Sdn 3317T6149206 Re: J Thomas; 2:00 P.M. 110-11 Sutphin Blvd Queens 1962 Ford Thunderbird 2 Dr Sdn 2Y83Z177418 Re: R Bradshaw; 1979 Mercury Zephyr 2 Dr Sdn 9E33T631785 Re: P Chappell; 2:30 P.M. 133-01 Atlantic Ave Queens 1991 Jeep Duvidson Electra Glide M/C 1HD1-FALI8MY810183 Re: E Rosenthal; 3:00 P.M. 406 Autumn Ave Bklyn 1980 Chevrolet Camaro 2 Dr Coupe 1Z87A8A451637 Re: H. Garcia; 3:45 P.M. 796 Rockaway Parkway Bklyn 1986 Chevrolet Camaro Z28 1G8CT18RGG0106407 Re: M Lavinghok/ A Fishman; 4:15 P.M. 1911 Utica Ave Bklyn 1987 Chrysler Lebaron 4 Dr Sdn 1C3BH48EdHN346257 Re: R Brasco. Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC#793108 and/or S.GORELICK DCA LIC # 841437 Sell Aug. 18, 1993 10:00 AM 43-05 111th St. Queens Corona 1986 Chevrolet 4dr Van 1GCDL15N5KF175394 Re: American Mortgage Leasing Corp./ Puro Corp. Of America/M. Puro; 10:30 AM 78-15 Queens Blvd Queens 1984 Datsun 300ZX 2 Dr H/B JN1HZ14S-4EX021163 Re: R Bell/ Insurance; 11:15 AM 12-14 Broadway Queens 1987 Plymouth Voyager 2Pm 2P5HB2833KH618 Re: T. Mennit; 12:00 PM 172-02 Hillside Ave Queens 1987 Nissan 810SS 4 Dr Sdn JN1FU-15S4HM126392 Re: R. Walker; 1988 Chevrolet Camaro 2 Dr Sdn 1G2FW1484-3JC66631 Re: A & M Raggins 12:45 PM 110-20 Farmers Blvd Queens 1983 Volvo 760 GLE 4 Dr Sdn YV1DX6946D2023363 Re: Volvo Finance/ J & J Auto Sales; 1:30 Sutphin Blvd Queens 1985 Ford F350 Flatbed 1FDJF37H1FNA53310 Re: C Gonzalez/ Agnco Repair Inc; 2:00 PM 109- 70 Van Wyck Exp. Queens 1982 Pontiac Grand Prix 2 Dr Sdn 1G2AF37J4CP533310 Re: C Vagnoni; 1982 Oldsmobile Cutlass Supreme 4 Dr Sdn 3G3AM69AX3C239237 Re: E. Yam; 2:45 PM 103-39 100th St. Queens 1993 Chevrolet Pickup 1GCGC2-6WR1035724 Re:Midnite Auto Collision Inc./ Marty; 3:15 PM 161-11 Cross Bay Blvd Queens 1986 Kawasaki 550 Jet Ski JKAJ-BAW2657SC606 Re: G.Obrien: Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 25, 1993 10:00 A.M. 1988 Zerega Ave Bronx 1986 Chevrolet Cavalier 2 Dr H/B 1G1JD7PG7FG143838 Re: K Taylor; 10:30 A.M. 4729 Third Ave Bronx 1979 Toyota 4X2 P/U Truck JT4RN50R-7802026593 Re: Circulaire; 11:15 A.M. 1941 Jerome Ave Bronx 1979 BMW 320i 2 Dr Sdn 5480737 Re: V Mroncy/J Regaldo; 11:45 A.M. 253 Jackson Ave Bronx 1986 Mazda 323 4 Dr Sdn JM1BF2221G01-71121 Re: C Beedle; 1:00 PM 3007 W 70th St NYC 1985 Pontiac Sunbird 4 Dr Sdn 1G2JB0838F7395142 Re:M Stevens; 1:45 P.M. 245-247 10th Ave NYC 1989 Honda Prelude 2 Dr Sdn JHMBA3259KC032163 Re: A & M Inkoyev; 1979 BMW 633 2 Dr Sdn 4387641 Re: J Price 2:15 P.M. 249 10th Ave NYC 1983 Oldsmobile Regency 4 Dr Sdn 1G3AX69Y8DM803349 Re: C Rochester; 2:45 P.M. 110 W 20th St NYC 1983 Jaguar Xj6 4 Dr Sdn SAJAV13-4DCW30131 Re: I. Feinberg/Bevlord Broking Inc. Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell AUGUST 24, 1993 10:00 AM 2201 Tilden Ave Bklyn 1987 Chrysler Lebaron 4 Dr Sdn 1C3BH48E4HF142135 Re: John Kennedy Chevrolet Inc./D. Williams; 1985 Oldsmobile Royale 4 Dr Sdn 1G3BL-Y69YFM595194 Re: P.M. Clark; 10:30 1285 Bayou Ave Bklyn 1986 Honda Civic 2 Dr H/B JHMAF3337GS034669 Re: C. James; 11:00 AM 1300 Grand Ave Bklyn 1981 Chevrolet Malibu 4 Dr Sdn 1G1A-W6B9XBH204466 Re: Ford Motor Credit; Cherokee 1/V 1JCUL7823FT179681 Re: J. Ulysse; 11:30 AM 2456-590 Flatbush Ave Bklyn 1984 Audi 4000S 4 Dr Sdn WAUE-AH8E3GA063115 Re: L.A. Kelson; 12:00 PM 885-905 Dean St. Bklyn 1980 Oldsmobile Cutlass Supreme 2 Dr Sdn 3R47FAG-400571 Re: F. Morgan Jr.; 1978 Chevrolet Caprice Classic 4 Dr Sdn 1N60H130207347 Re: J. Santiago; 1982 Chevrolet Caprice Classic 4 Dr Sdn 1G1AN69R9CC205367 Re: J. Ramirez; 12:45 PM 132 Flushing Ave Bklyn 1989 Nissan Sentra 4 Dr Sdn 1N4GB21S8C718899 Re: M. Cox; 1:15 P.M. 620 Broadway Bklyn 1972 Pontiac Grand Prix 2 Dr Sdn 2B57N7M-170-1 Re: N. Diaz; 2:00 PM 1602 Bergen St. Bklyn 1979 Ford Mustang 2 Dr Sdn 9F07Y-83223 Re: F. Eugene; 2:30 PM 1877 Atlantic Ave Bklyn 1984 Ford Bronco II U/V 1FMBU14S3EUA54125 Re: A. Jones; 3:15 PM 234 Russell St. Bklyn 1990 Ford Clubwagon Van 1FBJS31H0LHB06632 Re: Lorenz Corp; 3:45 P.M. 201 Liberty Ave Bklyn 1986 Volkswagen Jetta 4 Dr Sdn WVWGB0169GW-000-1 Re: Ford Sysl 4:15 PM 500 Dumont Ave Bklyn 1988 Honda VIN # Sdn 1HGCB7216JH-100780 Re: Honda Amerikan Credit Service/ M. Lubel: Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 25, 1993 9:30 A.M. 1964 Ave Bklyn 1982 Honda CM250 MC/ JH2MC0606CK503644 Re: B. Cannon; 10:00 A.M. 261 58th St Bklyn 1985 Chevrolet Caprice Classic 2 Dr Sdn 1G1-BN47Z2FH111 Re: C Chalmers; 10:45 A.M. 361 91st St Bklyn 1986 Pontiac Trans Am 2 Dr Sdn 1G2FW2184GL-220-1 Re: A Cordova; 11:00 A.M. 106 Central Park South NYC 1987 Dodge 600 4 Dr Sdn 1C3-CS3ED3H1007135 Re: R Pathma; 11:30 A.M. 329 W 35th ST NYC 1993 Jeep Grand Cherokee Sdn 1J4GZ58S3PC514-194 Re: J Rivera; 12:00 PM 330 W 20th St 524.75 Rent to a point.

NYC 1976 MG MGB 2 Dr Conv GHN5-GHN5G1240979 Re: H Wong; 1973 MG MGB 2 Dr Coupe GHD5UE3299SG Re: Mc Clement; 1978 MG MGB 2 Dr Conv GHN5G1240972G Re: G Goodman; 1978 MG MGB 2 Dr Coupe GAW3G0410A Re:L Lucerno; 12:30 P.M. 7 E 14th St NYC 1983 Oldsmobile 98 4 Dr Sdn 1G3CW69-H3D406834 Re: E Little 1:15 P.M. 349 Canal St NYC 1980 Vespa PIAGGIO MC VNX1T7613J Re: R Binotti. Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August 25, 1993 9:30 A.M. 2492 Mc-Donald Ave Bklyn 1971 Mercedes Benz 280SEL 4 Dr Sdn 10804412-004 Re: Mc Mondesir/R Diejante; 10:00 A.M. 1281 36th St Bklyn 1985 Dodge Caravan V/N 2B7FK13C3FR146558 Re: JG Leasing-Owens Driving Inc./L Ackerman; 10:30 A.M. 539-549 Sackett St Bklyn 1985 Mercury XR4Ti 2 Dr H/B WF1BPBW3-FM630435 Re: C McGeachy; 11:00 A.M. 134 10th St Bklyn 1989 Chevrolet Camaro 2 Dr Sdn 1Z337PN526360 Re: M Scott. 1983 Chevrolet Camaro 2 Dr Sdn 1G1-AW9XKFG127601 Re: A Shahid; 1980 Cadillac Cpe de Ville 2 Dr 6d2 6J4S-7A4910B166 Re: J Villaverac 12:00 P.M. 1300 Grand Ave Bklyn 1981 Volkswagen Beetle 2 Dr Sdn 1332612661 Re: F Hall; 12:45 P.M. 267 Broadway S.I. 1948 Jeep Willys 4 Dr Sdn 1P47T47134387 Re: V Bombara; 4:00 P.M. 1717 Gravesend Neck Rd Bklyn 1988 Honda Accord 4 Dr Sdn JN1HU11P0JT601498 Re: F Clement Metropolitan Auctioneers, Inc.

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LEGAL NOTICE

SCHEDULE A
DESCRIPTION OF
MORTGAGE PREMISES

PARCEL I

ALL that certain piece or parcel of land situate, lying and being in the Town of Taghkanic, County of Columbia and State of New York being bounded and described as follows:

BEGINNING at a point on the northerly right of way line of Pumpkin Hollow Road where the same is intersected by the westerly line of the premises herein described and being the southeast corner of the lands in described premises;

RUNNING THENCE north 06 degrees 20 minutes 06 seconds east for a distance of 1735.02 feet to a point marking the northwest corner of the parcel herein described;

RUNNING THENCE south 71 degrees 51 minutes 51 seconds east for a distance of 1037.32 feet to a point marking the northeast corner of the parcel herein described;

RUNNING THENCE south 22 degree 08 minutes 06 seconds west for a distance of 1691.00 feet to a point marking the southeast corner of the parcel herein described;

RUNNING THENCE along the northerly right of way line of Pumpkin Hollow Road north 67 degrees 52 minutes 47 seconds west for a distance of 47.00 feet and north 75 degrees 40 minutes 31 seconds west for a distance of 314.91 feet to the point and place of BEGINNING. Containing 31.24 +/- acres and being Parcel 1 on the herein below mention map.

PARCEL II

ALL that certain piece or parcel of land situate, lying and being in the Town of Taghkanic, County of Columbia and State of New York Being bounded and described as follows:

BEGINNING at a point on the southerly right of way line of Pumpkin Hollow Road which point is distant the following two courses and distances from the northeast corner of the residence on the premises (as of 6/28/74;

1) south 85 degrees 21 minutes 21 seconds east 188.04 feet and

2) south 67 degrees 52 minutes 47 seconds east 43.50 feet to a point marking the northeast corner of the herein described parcel, which point is also on a point on the division southwesterly of the easterly line of Parcel I, to the south side of Pumpkin Hollow Road;

THENCE RUNNING south 22 degrees 08 minutes 06 seconds west for a distance of 524.75 feet to a point;

THENCE along a stone wall on the following five courses and distance:

1) south 21 degrees 27 minutes 34 seconds west for a distance of 136.04 feet to a point;

2) south 20 degrees 02 minutes 41 seconds west for a distance of 195.95 feet to a point;

3) south 24 degrees 23 minutes 46 seconds west for a distance of 121.37 feet to a point;

4) south 23 degrees 31 minutes 55 seconds west for a distance of 165.25 feet to a point and

5) north 66 degrees 16 minutes 24 seconds west for a distance of 207.89 feet to a point;

THENCE RUNNING north 66 degrees 16 minutes 24 seconds west for a distance of 353.11 feet to a point;

THENCE RUNNING north 53 degrees 28 minutes 23 seconds west for a distance of 553.10 feet to a point, maker by a pin found.

THENCE RUNNING north 60 degrees 16 minutes 30 seconds east for a distance of 968.72 feet to a point;

THENCE RUNNING north 06 degrees 20 minutes 06 seconds east for a distance of 165.75 feet to appoint on the southerly right of way line of Pumpkin Holow Road, and being the northwesterly corner of the lands in described parcel;

THENCE along the southerly right of way line of Pumpkin Hollow Road, south 75 degrees 40 minutes 31 seconds east for a distance of 504.57 feet to a point; and south 67 degrees 52 minutes 47 seconds last for a distance of 43.50 feet to the point or place of

BEGINNING. Containing 18.82 +/- acres and being Parcel 2 on the herein below mentioned map.

The above Parcel 1 and 2 are shown and delineated on a certain map entitle "Lands of Mildred Anna Ock. Town of Taghkanic, Columbia County, New York" by F. Robert Brew, dated 6/28/74 and filed in the Columbia County Clerk's Office on 11/8/74 as Map #5248.

NOTICE OF FORECLOSURE

SUPREME COURT OF THE
STATE OF NEW YORK
COUNTY OF COLUMBIA
Index No. 2220/93

Federal Home Loan Mortgage Corporation.

Plaintiff,

SUPPLEMENTAL
-against- SUMMONS AND NOTICE

Stanley Jehsman and Dorianne Beyer if living, and if any be dead, any and all persons who are spouses, widows, devisees, mortgagees, heirs, heirs, devisees, destributees or successors in interest of each of them as may be dead, and their spousers, heirs, devisees, distributees and successors in interest, all of whom and whose names and places of residence are unknown to Plaintiff,

Defendants

PROPERTY ADDRESS:
111 Pumpkin Hollow Road,
Taghkanic, NY 12502

TO THE ABOVE NAMED DEFENDANTS:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance on the attorneys for the Plaintiff within twenty (20) days after the service of this summons, exclusive of the day of service, or within thirty (30) days after the service is complete where is made in any other manner than personal delivery within the State. The United States of America, if designated as a defendant in this action, may serve a reply in sixty (60) days of service hereof. In case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded in the complaint.

NOTICE OF NATURE OF ACTION AND RELIEF SOUGHT

THE OBJECT of the above captioned action is to foreclose a Mortgage in the sum $75,000.00 and interest, recorded in the Office of the Clerk of the County of Columbia on April 1, 1987, in Liber 432 of Mortgages. Page 385 covering premises known as 111 Pumpkin Hollow Road, Taghkanic, NY 12502.

The relief sought in the within action is a final judgment directing the sale of the premises described above to satisfy the debt secured by the Mortgage described herein.

Plaintiff designates Columbia County as the place of trial. Venue is based upon the County in which the mortgage premises is situated.

Dated: June 3, 1993
Shapiro & Krezman
Attorneys for Plaintiff
Powers Bldg., Suite 100
2 Clinton Square
Rochester, New York 14614
(716) 454-3550
Our File No. 9623-93

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Affidavits and proofs are furnished at no additional charge. Closing dates are two days prior to publication date if no proof is required. For additional information call, fax or write:

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CUNA Mortgage is a successful and dynamic mortgage banker with an origination volume exceeding $1.4 billion offering mortgage services to credit unions in 39 states. We are currently seeking an Assistant Vice President - Underwriting to orchestrate and monitor national underwriting and training functions for CUNA Mortgage. Responsibilities are to manage the Underwriting Directors at our multiple-site offices and work with the credit union leagues on a national level to create new underwriting facilities. The qualified applicant will possess a BA/BS degree in Economics, Finance or Business plus 5 years executive management experience in mortgage banking. Working knowledge of secondary market investment guidelines, risk management, training design and policy development experience. Ability to travel approximately 80-100 days annually. We offer a competitive salary and an excellent benefits package. For consideration, submit resume and salary expectations by deadline date of Friday, August 20, 1993, to: (please specify position title)

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- **Federal Consumer Protection Laws**
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CHIEF EXECUTIVE OFFICER

The North/Northeast Portland (Oregon) Development Bank is in formation, and we are seeking CEO candidates. The Bank will be organized in a holding company model, with commercial bank and real estate development subsidiaries. Business emphasis will be on providing bank credit services to stimulate the revitalization of the market community, focusing on real estate and small business lending. The South Shore Bank in Chicago is the model on which our bank is patterned.

Candidates must have successful experience in senior bank management, minority/disadvantaged community relations and community development (economic, not social service). Proven entrepreneurial, leadership and presentation skills are essential. We are seeking a CEO interested in a long term commitment to our bank and its community development effort.

If interested, please submit your complete resume to our search consultant: The Pringle Company, One S.W. Columbia, Suite 1050, Portland, OR 97258. *E.O.E.*

CITATION NOTICE

SURROGATE'S COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
File No.375/93

C I T A T I O N

THE PEOPLE OF THE STATE OF NEW YORK
BY THE GRACE OF GOD
FREE AND INDEPENDENT
TO PUBLIC ADMINISTRATRIX
The heirs at law, next of kin and distributees of HENRY OTTLEY, Deceased, if living and if any of them be dead, to their heirs at law, next of kin, distributees, legatees, executors, Administrators, assignees and successors in interest whose names are unknown and cannot be ascertained after due diligence.

A petition having been duly filed by VERA CANTON JONES, who is domiciled at 480 St. Nicholas Avenue New York City New York 10030

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court, New York County, at Room 503 31 Chambers Street, New York, on September 21, 1993, at 9:30 a.m., why a decree should not be made in the estate of HENRY OTTLEY, Deceased, lately domiciled at 2569 Adam Clayton Powell Blvd. New York New York 10039 in the County of New York, admitting to probate as a will a real and personal property a paper dated November 25, 1985, a copy of which is attached, and ordering the Letters of Testamentary issue to VERA CANTON JONES. (Here follow further relief sought)

Note

Dated, Attested and Sealed, July 19, 1993.

(L.S.) HON. EVE PREMINGER,
Surrogate, County of New York

ROBERT M. REAVES
Clerk of the Surrogate's Court

Name of Attorney:
IRVING J. PANZER, ESQ.
Address of Attorney:
800 Grand Concourse
Bronx, New York 10451
Telephone Number:
(718) 665-2246

This citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that you do not object to the relief requested.

FOUNDATION NOTICES

NOTICE
The annual report of the OLD MILL FOUNDATION, INC, for the fiscal year ended May 31, 1993 is available at Investors Tax Services 225 Broadway New York, NY 10007, (212) 406-6866 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Denis P. Coleman, Jr.

NOTICE
The annual report of ANATOL SHULKIN MEMORIAL SCHOLARSHIP FUND for the fiscal year ended May 31, 1993 is available at its principal office located at 481 Carol Place, Pelham, NY (914) 738-4998 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Arthur Rabin, President.

NOTICE
The annual return of OLGA AND MICHAEL ZEZIMA MEMORIAL SCHOLARSHIP FUND for the fiscal year ended May 31, 1993 is available at its principal office located at 481 Carol Place, Pelham, NY (914) 738-4998 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Arthur Rabin, President.

NOTICE
The annual report of THE AMY MORGAN SOMMER FOUNDATION INC, for the fiscal year ended June 30, 1993 is available at its principal office located at 810 Seventh Avenue, New York, N.Y. 10019, (212) 581-9340 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Herman Abbott.

AUCTION NOTICES

Hal Zakow Lic #0735454 Sells 8/20/93 NY 1P&I 206 Dealer Rs 86 Fleet #1FAHP23 X7GK182360 Rr: A. R. Cruz; 2PM 511 Sedan 4dr Rs 84 Chev #1G1AB5SC1 1GA131824 Rr: O. Bain; 82 Buick #1G4AH55CC7136407 Rr: F. Nunez/Steen Cen Fin Cla 3P&I 917 W. 169 NY 917 Mark Tilt #9788STE28 Rr: J. Dunne; 4P&I 1088 Book Av. Rs 87 Isuz #JS5CC52C5H4 115914 Rp: J. Dun. Pub 8/6 & 8/13/93.

L. Posner lic #847081 sells for cash 8/16/93 at 10:30AM at 1003 McDonald Ave. Rts: 81 Chevr #1G1AN69RXBH130174 Rr: F. Jeanpierre.

Have an Important Legal Notice? Call Lina Lopez at 212/943-8230

Prominent Bull Stays Optimistic

Continued from page 24

lock in spreads. We have loan-loss reserves up front now. This is the first time I recall banks zeroing on in productivity. Mergers will let banks buy loan volume, which will smooth out earnings.

Q.: Who do most like now?

HANLEY: We just put First Chicago on our recommended list. The other money center we like is Chemical. Both can generate earnings internally. Among the regionals, we like NationsBank, which is cheap, and Keycorp, for its earnings and the possibility that it will be taken over in 1995 or 1996. We also like First

He is betting on Integra Financial Corp. as a takeover target.

Union Corp and Wells Fargo. We raised Wells' 12-month target from $125 to $146.

Q.: Do you stick with your forecast that the trading multiples will be higher for bank stocks?

HANLEY: If I've noticed one thing during my career at banks, it's the corollary between bank stock moves and the macroeconomy. I'm not very adherent, as which we've seen in the early 1960s and now: modest but improving growth in the GNP, controlled inflation, and relatively stable short rates. In the 1960s, the merger and acquisition activity heated up and the stocks went wild. We saw the same thing in the early 1970s and mid-1980s.

Those two are very powerful factors. When you add them together, these multiples do well. Bank stocks traded at a 40% discount against the market. Excluding an overall downturn, I think those multiples will expand to 70% to 75%.

Q.: You put a lot of takeover candidates. Who is likely to go next?

HANLEY: We think Integra and Union Planters are next. Then there's Liberty Bancorp, the largest independent in Oklahoma. In Texas, there are a few, and we've talked about Cullen/Frost.

Remember, there were 40 bidders for First City Bancorp. in Houston, and 38 came away with nothing. And Cullen/Frost is the largest independent left in the state. □

Missouri Merger Approved

KANSAS CITY, Mo. — Central Mortgage Bancshares said it received approvals from the Federal Reserve Board, the Missouri Commissioner of Finance, and the Federal Deposit Insurance Corp. to acquire the Blue Springs Bank.

Central Mortgage said it expects to complete the transaction through its Citizens Bancshares Country Bank subsidiary by Aug. 31. — Reuters

STOCKS

Mark Twain Bancshares Declines After Second Analyst's Downgrade

By GORDON MATTHEWS

Chicago Corp. on Thursday sliced its investment rating for Mark Twain Bancshares to "hold" from "buy," saying shares of the St. Louis bank have reached their price target and are now fairly valued.

It was the second such downgrade for the stock in three weeks. Alex. Brown & Sons Inc. cut its rating to "buy" from "strong buy" on July 15, also citing the price.

After Thursday's move, Mark Twain shares were off 50 cents to $28 in late-afternoon trading. Earlier in the day the stock had slumped as much as $1.25.

Chicago Corp. bank analyst Christine A. Pavel said there is no change in the fundamental outlook for Mark Twain, which has a record of strong profits, and she did not reduce earnings estimates.

But she noted that the stock has gained 280% in value since October 1990, the most recent low point for bank stocks, compared with a 164% gain for other banks traded in the over-the-counter market, The Standard & Poor's Corp. 500 stock index rose 43% in the period.

So far this year Mark Twain shares have risen 24%, in line with the 22% gain for other over-the-counter bank stocks and much better than the S&P 500, which is ahead 3%.

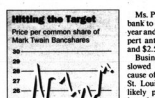
"During the last month, however, Mark Twain has been hovering around our target price of $29," Ms. Pavel said. "We think the market is valuing the stock appropriately."

The stock has been trading at 216% of its per-share book value, compared with 161% of book value on average for other mid-western regional banks, Ms. Pavel noted.

Analyst Mark Alpert of Alex. Brown similarly said his rating change was based "solely on the rich valuation of this equity compared to other banks." But he also said he feels Mark Twain shares deserve a premium valuation, since the company's 13% annual growth rate in per-share earnings should remain "well above the group average."

Hitting the Target

Price per common share of Mark Twain Bancshares



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CAPITAL

Bankers Trust's Novel Hybrid Issue Seen Competing with RJR Preferred

By DAVID SIEGEL

Bankers Trust New York Corp. has begun marketing a $100 million issue of a hybrid security that starts as debt and can be exchanged for preferred stock.

The issue is expected to have a tough time competing for investor interest against a preferred stock issue by RJR Nabisco that is offering a higher yield and a simpler structure.

The Bankers Trust issue will start as 40-year subordinated debt. The bank has the option of lowering the rate by 1.5 percentage points.

At that point, investors can opt to exchange the debt for preferred stock, with a dividend equal to the debt's original rate. Because the issue starts off as subordinated debt, with tax-deductible interest payments, the preferred issue is less costly to Bankers Trust than straight preferred stock, whose dividends cannot be deducted from taxes.

Sole manager Goldman Sachs & Co. is marketing the issue to carry a rate of 7.38% to 7.5%, with pricing expected as early as today. Market sources said that a number of investment banks with large retail brokerage networks declined to be co-managers of the issue due to its complex structure and its low rate.

They also noted that the Bankers Trust issue may have a hard time attracting investor interest while RJR Nabisco Holdings is marketing a $750 million issue to have a dividend of around 9.25%.

In addition, RJR is rumored to be seeking to raise the offer to anywhere from $1 billion to $1.25 billion, which would take a lot of liquidity out the preferred market.

Earlier this year, a preferred stock issue by International Business Machines Corp. of more than $1 billion saturated the market and put a damper on the sales of a number of bank preferred issues. □

BANK CALL NOTICE

REPORT OF CONDITION OF

Barclays Bank of New York, N.A.

of New York City

In the state of New York, at the close of business on June 30, 1993, in response to a call made by Comptroller of the Currency, under title 12, United States Code, Section 161. Charter number 158-41. Comptroller of the Currency 82 Maiden Lane

ASSETS	In thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin.	$ 92,208
Interest-bearing balances	102,397
Securities held-to-maturity	60,000
Securities held-available under agreements to resell	0
Securities held-for-trading purposes	0
Federal funds sold and securities purchased under agreements to resell:	
Federal funds sold	100
Securities held-available	155,071
LESS: Allowance for loan and lease losses	0
Allocated transfer risk reserve	0
Loans and leases, net of unearned income, allowance, and reserve	149,971
Premises and fixed assets (including capitalized leases)	1,260
Other real estate owned	0
Investments in unconsolidated subsidiaries and associated companies	0
Intangible assets	0
Other assets	41,582
TOTAL ASSETS	$ 1,242,443

LIABILITIES	
Deposits:	
In domestic offices:	$ 1,031,192
Noninterest-bearing $ 1,008,139	
Interest-bearing 23	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Demand notes issued to the U.S. Treasury	0
Mortgage indebtedness and liability for capitalized leases	0
Liabilities for nonconsolidated and associated companies	0
Subordinated notes and debentures	0
Other liabilities	29,917
TOTAL LIABILITIES	$ 1,069,679
EQUITY CAPITAL	
Common stock	$ 67,000
Surplus	58,518
Undivided profits and capital reserves	49,846
TOTAL EQUITY CAPITAL	$ 174,364
TOTAL LIABILITIES, AND EQUITY CAPITAL	$ 1,242,443

I, SUSAN PORTANOVA, Vice President & Controller, of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

SUSAN PORTANOVA
July 29, 1993

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

(Signed) John J. Scopps
(Signed) Marc H. Stenfeld
(Signed) William J. DuMont
Directors

JOHN EDMONDSON
JOHN BAERST
ROBERT VINCENT
Directors

BANK CALL NOTICE

Report of Condition of

PARTICIPANTS TRUST COMPANY

of New York, a member of the Federal Reserve System, at the close of business June 30, 1993 published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Thousands of Dollars
Cash and balances due from depository institutions	$ 247
Securities	450
Federal funds sold and securities purchased under agreements to resell	94,920
Premises and fixed assets (including capitalized leases)	7,243
Intangible assets	4,259
Participants fund	1,000
Other assets	11,326
TOTAL ASSETS	$ 323,614

LIABILITIES	
Obligations under capitalized leases	$ 4,390
Other borrowings	6,239
Participants fund - cash	54,689
securities	264,167
Other liabilities	34,576
TOTAL LIABILITIES	364,061
EQUITY CAPITAL	
Common stock	5,000
Surplus	10,000
Undivided profits	16,553
TOTAL EQUITY CAPITAL	41,553
TOTAL LIABILITIES AND EQUITY CAPITAL	$ 1,669,675

EQUITY CAPITAL	
Common stock	$ 67,000
Surplus	58,518
Undivided profits and capital reserves	49,846
TOTAL EQUITY CAPITAL	$ 174,364
TOTAL LIABILITIES, AND EQUITY CAPITAL	$ 1,242,443

I, SUSAN PORTANOVA, Vice President & Controller, of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

SUSAN PORTANOVA
July 29, 1993

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

JOHN EDMONDSON
JOHN BAERST
ROBERT VINCENT
Directors

Highlights for Thursday, August 5

TOP 10 GAINERS %

Mountaineer Bankshares	16.2
USBANCORP, Inc.	6.2
Chemical Financial Corporation	6.2
NBT Bancorp	6.1
City Holding Company	5.7
North Fork Bancorporation	4.3
Western Bank	4.1
F&M Bancorp	3.7
Trustcompany Bancorporation	3.5
Zions Bancorporation	2.8

TOP 10 LOSERS %

Harleysville National Corp.	-8.9
FNB Corporation	-6.8
BOK Financial Corporation	-4.8
CPB Inc.	-3.7
United Counties Bancorporation	-3.4
Trustmark Corporation	-3.1
Hubco, Inc.	-3.1
Central Benchares South, Inc.	-3.0
Pinnacle Banc Group, Inc.	-2.9
Lake Shore Bancorp., Inc.	-2.8

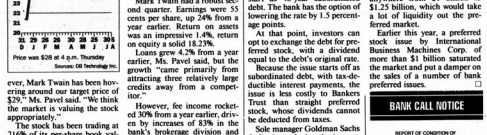
MOST SHARES TRADED

Citicorp	1722000
Chase Manhattan Corporation	858100
Signet Banking Corporation	586800
NationsBank Corporation	572400
Chemical Banking Corp.	566700

VOLUME AS % OF AVERAGE

Citizens Bancorp	2184.3
Mountaineer Bankshares	1681.9
Colonial BancGroup, Inc.	1018.2
First United Corporation	959.6
Park National Corp.	746.1

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts. 1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.09	-0.52	2.07	0.09	-0.27	0.66	-0.37	0.40	4.76

Top 225 Banks ▼

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cap.	Chg.
33¼	20¼	1stSourceCorp IN	11.5	108.3	3%
27¾	18¼	AMCORE Finl,	10.9	134.4	23%
17¾	9¾	AmeriServFncl PA	13.5	109.2	3%
35¾	26⅝	AmSouthBancorp AL	10.7	146.4	31⅛
38½	30	AssociatedBanc WI	12.5	121.3	37½
35¾	27¾	BB&T FinCorp NC	11.7	151.7	33⅝
32¾	23¾	BancFla Finl Corp	10.3	107.2	30⅛
33	21⅜	BFFinCorpA	11.5	141.6	31
11⅜	5	BalboaInsurance CA	10.7	109.5	10⅛
31¼	24⅜	BancCorpSouth MS	10.1	124.9	29½
17¾	12¾	BancFirst OK	14.4	230.2	16⅞
53¾	40⅜	BancorpHawaii HI	9.3	137.4	43
32¾	23¾	BancorpSouth MS	11.3	124.3	30⅝
40¾	30¼	BankAmerCorp CA	10.5	1,035.1	38⅜
30¾	26	BankSouthCorp GA	16.9	367.1	29¾
19¾	14⅜	BankUnitedCorp A	10.8	1,100.0	19¼
78¾	59	BankersTrust NY	8.5	170.8	78
19⅛	12⅝	BarnettBanks FL	10.7	1,185.2	18⅝
28⅜	18⅝	BarnettBanks WI	8.8	110.6	24¾
30⅜	24⅜	BayBanks MA	10.6	1,185.5	30⅛
50¾	34¾	BarnettBanksInc FL	18.2	178.0	47
30¾	24⅜	BayBanks MA	10.6	1,185.5	30⅛
64¾	49⅜	BostonCo&BostonMA	11.6	151.6	59¾
31¾	24⅜	BostonPrivFnl MA	11.6	185.5	30⅛
31¾	24⅜	BremerBankn MN	10.2	133.2	29¾
31¾	24⅜	BremerBankn MN	10.2	133.2	29¾
42¾	32¾	CBT FinCorp NC	11.8	147.3	39¼
42¾	32¾	CBT FinCorp NC	11.8	147.3	39¼
29¾	21¼	CFB Inc IN	8.6	125.8	29¾
29¾	21¼	CFB Inc IN	8.6	125.8	29¾
24⅜	13⅜	CalFed Bancorp CA	10.6	1,057.7	13

WALL STREET VIEW

Hanley of 1st Boston, Prominent Bull, Liked What He Saw in 2d-Quarter Data

By RICHARD LAYNE

Thomas Hanley, a prominent bull on bank stocks, has turned even more bullish after looking over banks' second-quarter earnings reports.

The First Boston analyst sees strong earnings growth from dramatic reductions in loan-loss provisions and from loan growth. And he thinks bank earnings are more stable now, because of new attitudes among bankers, productivity gains, and the use of derivatives to lock in margins.

Mr. Hanley has been a bank analyst for 27 years, the last two at First Boston. His experience tells him that mergers and acquisitions activity combined with low-rate environments are a powerful stimulus to bank stock prices.

That's part of the reason he is convinced that bank shares will trade at a higher multiple relative to the broad market.

He's had some luck in picking takeover targets, which he publishes. Recently, two of his picks have accepted takeover offers: First United Bank Group and Constellation Bancorp. Who's next? He is betting on Integra Financial Corp. in Pittsburgh.



Gabe Palacio

EVER THE BULL on bank shares, First Boston analyst Thomas Hanley saw good things in second-quarter earnings reports. He thinks shares will trade at a higher multiple relative to the broad market.

Q: You've been bullish for a while. Did second-quarter earnings make you more or less optimistic?

HANLEY: I came out more bullish. I feel better about the industry's fundamentals.

We changed earnings estimates on 24 banks in our 35-bank universe. The percentage change in 1993 earnings was 9.95%. The percentage change for 1994 is6.68%.

I think the first half of the 1990s could be the best of all worlds for bank stocks.

Q: What in the earnings reports convinced you?

HANLEY: Loan volume is just a little bit better than what we thought, especially on the consumer side.

Net interest margins weakened a touch more than what we would have thought. But there wasn't a bank that showed a decline in margins that didn't have an increase in net-interest income.

The improvement in credit quality is still running six months ahead of where we thought it would be. So are the productivity ratios.

Q: Is the loan growth significant?

HANLEY: According to the Federal Reserve numbers I saw on June 2, it was the first time the industry broke into positive loan growth, at 0.5%. If you excluded two of the districts, New York and San Francisco, the other 10 districts were up 5.8%.

Ideally, loan growth more or less parallels nominal growth in the economy, which is about 6%.

Even on the West Coast, you are seeing lending commitments picking up.

If you look at the past 30 years, after the economy bottomed, it took five quarters before total loan growth ran at an annualized 7% rate. We think it will be 10 quarters in this case, which puts normal loan growth around the first quarter of 1994.

He sees earnings growth from loan-loss provision reductions.

Q: You've been talking about falling loan-loss provisions as a source of earnings. Did this happen last quarter?

HANLEY: Several banks have shown a negative loan-loss provision, including Deposit Guaranty and First American.

In conference calls, managements have been dancing around this issue. They've indicated they will recapture part of this reserve in 1994 and 1995.

NationsBank said its has $700 million in unallocated reserves. NationsBank viewed a lot of that $700 million as excess reserves that would be brought back into the income statement over the next year or so. Wells said an $800 million in unallocated loan-loss reserves.

In our forecasts, we assumed reserve coverage in 1995 would be 126%. It now looks like that number will be 80%, which we've had confirmed by several banks.

For the 35 banks we cover, that works out to be worth $9.9 billion dollars in pre-tax income. About $6 billion after-tax. That's equal to about 37% of what we thought the banks would earn in 1995.

This will prove to be a real cushion to banks when many outside observers are apprehensive about loan volume or margins.

Q: Are you talking about guaranteed earnings? Don't the bears argue that those earnings won't last?

HANLEY: I recall last year, after bank stocks had been going up for a year and a half, people said the party is over. The argument was, look at the investment gains these banks are booking.

People ignored the fact that the banks set themselves up according to classic bank economics: When you think there is going to be a recession, you move aggressively to buy bonds and when the rates come down, you shorten the maturity and you book the profits.

Then for the last couple of quarters, people said margins had peaked, that they would come down very sharply. Now they are questioning loan volumes. They always question foreign-exchange trading and bond trading.

Ironically, when robust loan growth returns, it is the time to underweight commercial banks. Because you only see strong loan growth when you see a healthy American enconomy.

And when you see that, there are other industries that will come through with substantial earnings leverage. So that even though the banks stocks may continue to rise absolutely, it is ironic that they wil underperform the market.

Q: Won't there always be ways to criticize bank earnings?

HANLEY: Banks' earnings are different now. They will be more predictable for several reasons. Banks can use derivatives to

See **PROMINENT** *page* **21**

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AMERICAN BANKER

VOL. CLVIII NO. 151 — Monday, August 9, 1993 — 158th year

Clinton and Fed Setting Courses For Rate Fight

By STEPHEN A. DAVIES
The Bond Buyer

Like two battleships, President Clinton and Fed Chairman Alan Greenspan seem to be gradually steering toward a clash.

The changes of course are subtle and do not necessarily mean immediate heavy fire. But the first warning signals have been sent.

The issue is whether the Federal Reserve Board should leave short-term interest rates alone until the economy shows much more strength, or whether slightly higher rates will be needed to keep inflation under control.

ECONOMIC OUTLOOK

Mr. Greenspan staked out his position in recent testimony to Congress. He warned that if the current 3% rate of inflation gets a notch higher, Fed officials will probably feel compelled to tighten monetary policy. He did not say when that might happen.

Some analysts think it might not be until late this year or early next year, and they say any rise in rates will be slight. Rates on 30-year home mortgages could go from the current 7½% to 7½%, and 15-year mortgage rates might rise from 6¼% to 7%.

President's Rebuttal

In a White House conference call with newspaper editors, President Clinton gave his first public reaction to Mr. Greenspan's testimony.

"I don't think you should raise interest rates until there's real economic growth that brings on real inflation," the President said.

"I mean, there's no real inflation in this economy, and we can have growth without inflation."

At best, the President's comments reflect the down-home view of most Americans, who don't exactly talk about inflation at the corner market these days.

But it is not the view of Fed policymakers, who take a 3% inflation rate as a problem that must be contained before it gets out of hand.

The Clinton Test

What is more interesting is the benchmarks that President Clinton has set up in his own mind for when it would be appropriate to raise rates.

"If we were having 4% or 5% growth and inflation was getting out of hand, I could understand it," the President said. "But

See **PRESIDENT** *next page*

INSIDE NEWS

MORTGAGES



THOMAS S. JOHNSON, a top money-center banker, hopes to find happiness at a Flushing, N.Y., mortgage emporium. *Page 8*

FREDDIE MAC gained some ground over Fannie Mae in the first half of the year in their long-running fight for market share. *Page 8*

WASHINGTON

ONE YEAR AFTER "prompt corrective action" regulations were written, it's hard to remember what everyone was so worked up about. *Page 17*

THE RTC spends $16,000 a day on Federal Express delivery service but should be spending a lot less, says the agency's office of inspections. *Page 17*

CREDIT / DEBIT / ATMs

MBNA CORP. has revved up its affinity machine by landing Nascar, the auto racing association. *Page 13*

TECHNOLOGY

PLUS SYSTEM INC. has upgraded its systems to provide for new product development and improved disaster recovery. *Page 3*

FINANCE

MAJOR BANKS' stock prices slid into the August doldrums, but merger fever lit a fire under the shares of some small banks. *Back page*

COMMENT

A STAND like the one a federal health care official took on releasing data would be welcome at the FDIC, writes Jim McTague. *Page 18*

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Colorado Banks Stress Roots In Fight with Invading Titans

By ROBERT B. COX

Faced with an invasion by out-of-state giants, some Colorado banks and thrifts are fighting back.

Their weapon: provocative advertising campaigns stressing that their rivals are outsiders.

Typical is a radio ad by First Federal Savings Bank of Colorado, a $1 billion-asset thrift based in Lakewood.

A customer telephones his bank only to find that the company has changed its name. "Vast Outstate Bank, the bigger we are, the smaller you are," a bank operator replies. The customer then asks to speak to the bank president, only to hear: "The new president hasn't arrived from the East Coast yet."

Playing the Local Angle

First Federal also ran print ads comparing its fees, services, and charges with those of its larger rivals.

Another example: Goldenbanks of Colorado appealed to sports-minded Denver-area residents in a print ad alluding to two giant competitors from Minneapolis: "Would you rather bank in the Colorado Rockies or with the Minnesota Twins?"

The $275 million-asset bank also put up billboards saying: "Has your bank withdrawn from Colorado?" and "We call our own shots, not Minneapolis."

The ads are primarily aimed at the three biggest outsiders – Columbus, Ohio-based Banc One Corp. and the Minneapolis companies, First Bank System and Norwest Corp..

Out-of-State Giants Dominate in Colorado

The five biggest bank organizations, based on assets in Colorado on March 31

Organization/ Headquarters	Assets (billions)
First Bank System Minneapolis	$7.9
Norwest Minneapolis	5.4
First Nationwide San Francisco	3.4
Banc One Columbus, Ohio	2.8
Firstbank Holding Co. Lakewood, Colo.	1.6

'Trying to Counteract'

Since Colorado passed an interstate banking bill five years ago, out-of-state companies have snatched up more than 60% of the state's share of bank and thrift deposits.

"Small banks are trying to counteract" incursions by superregionals, says Glenn Pray, president and chief executive of Mountain States Bank, a $180 million-asset Denver institution.

Will the ploy work? Maybe not, according to some experts, noting that such campaigns have been waged elsewhere.

"It is often merely an ego-gratification strategy for the local

See **COLORADO** *page 6*

Citicorp Planning A Big Debt Offering

By DAVID SIEGEL

NEW YORK — In the latest sign of its turnaround, Citicorp last week met with groups of bond analysts and investors for the first time in years, apparently paving the way for a large debt offering.

Bond market specialists expect the giant bank to issue $250 million to $500 million of subordinated debt as early as this week.

Citicorp executive vice president Thomas Jones met with bond analysts and investors last week in Boston and New York, touting the bank's improved credit quality and future prospects.

The meetings revealed little new information about Citicorp, according to participants. But the fact that the meetings were held reflects the bank's growing confidence. Citicorp officials had not met face to face with groups of bond analysts for years.

'They've Come a Long Way'

Mr. Jones did not comment on the bank's plans for new debt issues at the meetings, which were closed to reporters.

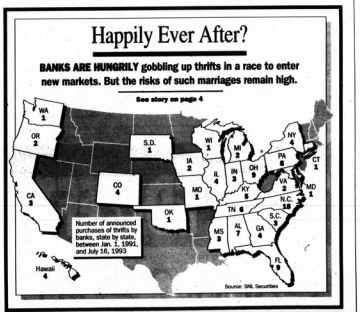
"In general, the meeting was very positive and well-received

See **CAPITAL** *back page*

Happily Ever After?

BANKS ARE HUNGRILY gobbling up thrifts in a race to enter new markets. But the risks of such marriages remain high.

See story on page 4



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News *briefs*

Southern National to Buy S.C.'s 1st Savings

LUMBERTON, N.C. — Southern National Corp. announced a definitive agreement to buy First Savings Bank of Greenville, S.C.

Southern National, which has assets of $5.2 billion, said it will pay about $181 million in stock for the $2 billion-asset thrift company. The transaction, which will be accounted for as a pooling of interest, is expected to be completed in early 1994.

The ambitious bid by Southern National, which is believed to have competed with North Carolina giant First Union Corp. for the thrift, will make it the third-largest bank in South Carolina, providing entry into 21 new markets in the state. First Savings is the largest financial institution with headquarters in South Carolina.

Southern National said it will relocate its South Carolina bank headquarters from Columbia to Greenville, where the company will have the largest deposit market share of any bank or thrift. The combined company will have $8 billion of assets and more than 200 banking offices in North Carolina and South Carolina, following the completion of other pending North Carolina mergers.

Two Farm Credit Banks to Merge in 1994

WASHINGTON — A farm credit bank with $7.1 billion in assets will be created with the merger of two members of the Farm Credit System, the system announced last week.

The Farm Credit Bank of Omaha and the Farm Credit Bank of Spokane said they intend to merge on March 31, 1994, pending approval of regulators as well as stockholders in both banks.

No decision has been made on the location of the new bank, but James D. Kirk, current president of the Omaha Bank, will be president of the merged bank, the system announced.

Bank of San Diego Selling Trust Company

SAN DIEGO — The Bank of San Diego has signed a definitive agreement to sell North American Trust Co.

The buyer will not be disclosed until the sale is approved by the State Banking Department of California, said BSD Bancorp, the holding company for Bank of San Diego.

The sale will close immediately upon approval, expected within 30 to 45 days. Alta Colleges, which had previously bid for North American Trust, is not a participant in this transaction.

Standard Federal's Home Lending Up 54%

TROY, Mich. — Standard Federal Bank said it closed 4,054 single-family home mortgage loans totaling $319 million in July, a 54% increase in lending volume from a year earlier.

Standard Federal said that so far this year, it has closed 28,482 home loans totaling $2.2 billion. In the same period in 1992, the bank closed 24,238 loans totaling $1.8 billion.

"Low interest rates continue to be the catalyst for the bank's record-breaking lending activity," Standard Federal said.

54 PNC Branches Adopt Parent's Name

CAMP HILL, Pa. — PNC Bank Corp. said its 54 former CCNB Bank, Hershey Bank, and First Bank and Trust Co. branches have changed their names to PNC Bank.

The briefs were compiled from staff and wire reports.

Correction

An article Thursday was mistaken in saying that according to a Consumer Bankers Association survey, 93% of banks require minimum balances on basic checking accounts. The group found that 93% do not.

President Clinton and Greenspan Set Courses for Battle over Rates

Continued from *page* 1

there's no grounds for it now."

Here is the real dividing line between the central bank and the White House. The days of steady growth in excess of 4% were last seen during the Reagan years, when baby boomers were stocking up on Volvos and split-level Colonials and dropping their kids off at the day care center.

Those days are not likely to come back any time soon in an economy with see-through office buildings and unemployed defense workers.

Both administration and Fed economic forecasts do not show growth estimates much in excess of 3% over the next five years. Douglas Lee, chief economist for County Natwest USA, estimates the long-range growth potential for the economy may

ECONOMIC OUTLOOK

The Fed will not wait for 4% or 5% growth.

only be around 2½%, unless business productivity makes further strides.

Optimistic Scenario

It is reasonable to hope that the economy can do better, and that interest rates will not go zooming off into the blue as they did during the 1970s.

Analysts at Merrill Lynch estimate the economy will experience growth of 3% to 3½% in the second half of the year with the help of low mortgage rates and stepped-up auto production. Still, that would be nowhere near the kind of growth the President is talking about.

Clinton's comments reveal an impatience with a central bank getting cranky about inflation when the economy is still soft.

But the bottom line is that the Fed will probably not be able to heed the President's appeal for holding rates steady.

Policymakers will not wait to see a growth rate of 4% or 5% before they tighten. The White House is setting down markers that are off the playing field. □

House Leaves Bailout Bill for After Recess

Reuters

WASHINGTON — House lawmakers failed to craft a bill to fund the thrift cleanup before their August recess, so taxpayers must continue to pay about $3 million a day to cover the cost of operating defunct thrifts.

So far, House members have tried for eight weeks to cobble a bill to bring to the House floor that would give the White House money to finish the savings and loan bailout, which ultimately could cost taxpayers as much as $190 billion.

The Senate voted in May to provide up to $34.3 billion in funds. Negotiators had hoped to conclude a deal Friday, before their scheduled monthlong recess. But bickering over how much more money to pay for closing failed S&Ls has sunk efforts for now.

78 Defunct Thrifts

The money is needed so the Resolution Trust Corp. can sell the remaining failed thrifts it controls. The approximately $3 million daily price tag for taxpayers is the agency's cost of keeping open 78 defunct S&Ls, based on government estimates.

The RTC has been broke since April 1992. Recently, federal auditors said the RTC could free up to $5 billion in reserves, allowing it to proceed with the sale of 23 failed S&Ls.

House negotiators had had hopes of striking a deal providing $18.3 billion for the RTC. □

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Plus ATM Network Upgrades Its Systems

By DEIDRE SULLIVAN
Special to the American Banker

As part of its move to new headquarters, Plus System Inc. has upgraded its systems to provide for new product development and improved disaster recovery.

Plus, a global automated teller machine network, processes over 18 million transactions a month. In 1992, ATMs carrying the Plus logo disbursed more than $8 billion in cash.

D. Dale Browning, president of Plus, said the new facility doubled the network's transaction capacity when it opened last month.

'Gateway Business'

Mr. Browning also said one of the major sources of future growth in ATM processing will come from what is called "gateway" business. Gateways are computer links within a network where one processing company connects with another.

Plus has been actively establishing these gateways, allowing Plus member banks to accept more types of cards at their ATMs by routing those transactions through Plus. Gateway volume already constitutes 25% of Plus annual volume total.

The new computer facility also enables Plus to process transactions for Visa's debit card point-of-sale products.

Card Connections

With these new services, customers can use a card that is connected to their checking account for payment at stores, restaurants, and other establishments.

When Plus moved to the new location in southeast Denver, it ended an outsourcing relationship with Colorado National Bank for some "off-line" processing tasks, an arrangement in place since 1982.

Fault-Tolerant Computers

Plus has installed an International Business Machines Corp. AS/400 at their new headquarters and is now handling off-line processing themselves.

ATM transaction switching uses Concurrent 3280 MPS fault-tolerant midrange computers. The systems at Colorado National Bank are being maintained as backup support in case of a disaster.

"We left the original off-line processing capabilities intact," explained Mr. Browning. "If something happens to our new headquarters, we can divert traffic downtown back to the bank."

The new Plus facility is also equipped with diesel engine-driven electrical generators to be used in case of power failure.

The computer facility became operational on July 18, a Sunday, when transaction traffic would be at a minimum, Mr. Browning said.

Plus allowed for two hours of computer "down time" to switch over to the new facility, but Mr. Browning noted the changeover went better than expected and that their network was not operating for only one hour and twenty minutes. □



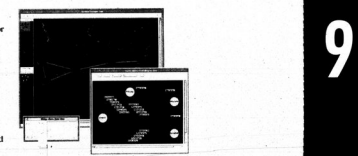
D. Dale Browning
Doubled transaction capacity

Ms. Sullivan is a freelance writer based in New York.

NCR Financial Enterprise Architecture

Managing Networks And Systems As Part Of The Financial Enterprise Solution

As more and more institutions implement plans for distributed client/server environments that span the enterprise, the question becomes "how do you manage it all?" One of the key technology building blocks under NCR's Financial Enterprise Architecture (FEA) provides an enterprise solution to this question.



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StarSENTRY is based on a graphical user interface (GUI), with hierarchical maps of networks and systems, and color icons for devices. The user sees everything clearly, and doesn't have to wade through error messages.

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- DOS, OS/2, Windows NT, UNIX hosts, servers, devices and clients.
- TCP/IP, OSI, X.25, NetBEUI, SNA protocols.
- Novell NetWare®, LAN Manager/LAN Server, Banyan Vines networks.
- SNMP with security.
- Supports NetView® and Accumaster® Integrator.

The system proactively monitors all networks, and polls all devices, identifying problem areas for operator attention. From the control workstation, an operator can check the frame relay backbone network, routers and hubs, analyze server and client performance, check applications and thresholds, add or delete devices... and much more.

StarSENTRY provides operations management as well, allowing you to distribute software to your end nodes. And all from a central or regional control station...depending on your requirements.

StarSENTRY's multi-layer maps make it easy to view networks. A click of the mouse takes the operator to any point or device in the network.

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D. Dale Browning
Doubled transaction capacity

US Order Downplays Rival's ATM Patent

Officials at US Order Inc., a technology company in the electronic home shopping business, said a patent recently issued to a competitor will not impede it or the home banking industry.

The patent, won by Online Resources and Communications Corp., of McLean, Va., on June 15, involves using automated teller machine networks and security controls to let consumers bank from home.

Fraser Bullock, president of Herndon, Va.-based US Order, said his company has a patent for its service that predates Online's patent. He also said there are ways to use ATM networks and security controls in home banking that aren't covered by the Online patent.

— **Barton Crockett**

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Growth-Minded Banks Rush to Buy Healthy Survivors of Thrift Shakeout



"Fourth Financial Corp made us a good offer, and we think we are worth every penny of it."

William V. Turner
Chairman
Great Southern Bancorp.



"Thrifts aren't that much different from community banks, and they have better valuations."

Theodore H. Roberts
President
LaSalle National Corp.



"There are fewer potential bank acquisitions left for smaller regional acquirers."

Allen L. Davis
President and chief executive
Provident Bancorp.



"I shy away from banks that have bought too many healthy thrifts."

Dennis Shea
Banking analyst
Morgan Stanley & Co.

By STEVE KLINKERMAN

Healthy thrifts are becoming the favored prey of banks.

In Cincinnati, Provident Bancorp has ballooned its assets by 60% to $4 billion by buying mutual and stock-owned thrifts.

In St. Louis, the avaricious Boatmen's Bancshares considers an Arkansas savings and loan one of its most successful takeovers.

And in Birmingham, Ala., Amsouth Bancorp. is using thrift purchases to build a multi-state Southeast empire.

'Not Through Buying'

"We're looking, and talking, and probably not through buying," said Harvey Campbell, a senior vice president at Amsouth, which last week snapped up a small thrift in northwest Georgia.

How strong is the trend? During the second quarter alone, banks agreed to pay $1.1 billion for 19 stock-owned thrifts, devouring $9 billion of assets.

Just last week Southern National Corp., a North Carolina bank company, said it would buy First Savings of Greenville, S.C., in a stock swap valued at $181 million.

On average, prices in the second quarter equaled a healthy 1.55 times book value, according to SNL Securities.

No Other Deals to Be Had

Architects of these deals say several forces are at work in the buying bash:

• As mergers cut the population of small banking companies, thrifts remain as the prime – or sole – vehicles for major expansion in a growing number of markets.

• The residential mortgage and consumer loan portfolios held by thrifts look more attractive as commercial lending remains in the doldrums.

• Thrifts cost less than most commercial banks.

• Certain legal constraints against bank purchase of thrifts have been cleared away.

• There are few government bargains left now that the Resolution Trust Corp. has essentially completed sales of its thrift inventory.

One consequence of the new mergers, however, is that the thrift industry itself seems less viable. Banks have purchased 384 thrifts from the RTC since 1989, and some experts think the day is not far away when the banking and thrift industries completely merge.

"The thrift industry ultimately will be absorbed by the banking industry and disappear," predicted Reid Nagle, president of SNL Securities.

Drawbacks in Buying Thrifts

For all the apparent advantages, however, buying a healthy thrift remains a ticklish form of acquisition.

Buyers of healthy thrifts, unlike those who made government deals, cannot rescind the relatively high interest rates on certificates of deposits that many thrifts offer. Nor can they deal problem assets to the federal government.

New owners of thrifts being converted into banks also must repay Uncle Sam for special tax breaks on loan-loss provisions that were accorded to many savings and loans.

Thrifts are sometimes the sole vehicles for major expansion in a number of markets.

Provident's chief executive, Allen L. Davis, says his banking company invested $13 million of after-tax charges on the recapture of tax breaks. "It can really skew earnings and affect public and investor perceptions," said Mr. Davis.

Too Many Home Loans

Outsized mortgage concentrations also can be a problem. And banks must take into account the time it will take to convert thrift customers to transaction-oriented accounts and commercial lending relationships.

"I shy away from banks that have bought too many healthy thrifts," said Dennis Shea, a banking analyst with Morgan Stanley & Co., New York.

Mr. Shea voiced concerns about New Jersey-based First Fidelity Bancorp, for example, which is buying Peoples Westchester, a thrift in suburban New York City that has $1.8 billion of assets.

Another issue that some bankers are worried about is that healthy thrifts tend to be overcapitalized, which, ironically, can create a profitability problem. That's because profitability sags when an institution has more capital than earnings can support.

Paying a Premium

The problem only gets worse when a buyer pays a premium for a heavily capitalized institution, said Jon Stowe, head of acquisitions at Firstar Corp., Milwaukee.

Once a bank decides to pursue a thrift, it must keep antitrust considerations in mind, just as when it pursues other banks.

The Federal Reserve Board in 1992 denied regulatory permission for thrift buyouts planned by Norwest Corp., Minneapolis, and SouthTrust Corp., Birmingham, Ala., on the grounds that the benefits of the mergers were outweighed by their anticompetitive effect on consumers.

With all the negatives, it is not surprising that many banking companies in the best position to be choosy are cool to thrift acquisitions. One of their chief concerns is the very different management cultures and customer profiles between thrifts and banks.

William Boardman, head of acquisitions at fast-growing Banc One Corp., often has said the company would consider thrifts only as a supplement to existing banking operations in a region – not as market entry vehicles.

All the concerns, however, appear to be only slowing deals, not breaking them. Many banking companies remain enthusiastic about their thrift purchases, and want more.

In Cincinnati, Provident Bancorp's Mr. Davis said his $4 billion-asset company is eager to buy more newly-converted mutual thrifts and operate them as banks.

A series of bite-sized thrift deals is the most feasible expansion strategy for a comparatively smaller banking company such as his, he noted.

"There are fewer potential bank acquisitions left for smaller regional acquirers," he said.

Purchase of Cragin

In Chicago, ABN Amro North America is shelling out nearly $500 million for Cragin Financial Corp., a $2.8 billion-asset thrift with 27 branches. Cragin, which posted a 1.45% annualized return on average assets in the second quarter, will be folded into LaSalle National Corp., an ABN Amro subsidiary.

"Thrifts aren't that much different from community banks, and they have better valuations," said Theodore H. Roberts, LaSalle's president.

From a back-office and customer standpoint, he said, the thrift operations will be merged entirely into LaSalle.

However, Cragin will retain its thrift charter, at least initially. Mr. Roberts cited the familiar deal rationales of in-market consolidation efficiencies and market-share gains to explain his enthusiasm.

Kirk Barc, a senior vice president at First Union's South Carolina bank, said his company opted for a thrift when it bought South Carolina Federal Savings Bank in 1992 to avoid the headaches of consolidating a string of community banks and to gain valuable mortgage lending expertise.

Why Thrifts Agree to Sell

From the standpoint of thrifts, it's relatively easy to explain the sellout trend.

Surviving S&Ls are still suffering the regulatory aftershocks of the thrift crisis that devastated so many of their counterparts.

Though most survivors are solidly capitalized and profitable, they live in a stifling regulatory environment. Congressmen have not forgotten that taxpayers have thus far spent $80 billion rescuing depositors in 660 broke thrifts.

"I haven't counseled anybody to get into the thrift industry for four or five years," said Richard Kneipper, a banking and thrift lawyer in the Dallas office of the Ohio law firm of Jones, Day, Reavis & Pogue. "Regulators,"

One consequence of the new mergers is that the thrift industry itself seems less viable.

he added, "seem more concerned with chasing the bad guys than preserving the competitive viability of the industry."

Sitting on Hot Commodities

Thrift managers also know that they are sitting on hot commodities.

"Fourth Financial Corp. made us a good offer, and we think we are worth every penny of it," said William V. Turner, who is selling Great Southern Bancorp, Springfield, Mo., for $88 million, or 1.7 times book value.

The thrift's stock traded at roughly $9 a share after it converted from mutual ownership in 1989. Now, investors in the $515 million-asset company are promised about $30 a share from Wichita, Kan.-based Fourth Financial.

Once the decision is made to intermarry, experienced bankers say, management and communications become key to success or failure. That's true of any merger, but the pitfalls are greater with thrifts.

Avoiding Saviour Mentality

It is tempting for acquiring bankers to view themselves as conquerors, swooping in from above with all the answers for customers and employees. That approach, bankers warn, is the kiss of death.

"You want to be careful not to charge in and destroy the franchise," said Mr. Roberts of LaSalle National.

Mr. Davis of Provident admits to having acted "inappropriately" in yanking old-fashioned passbook accounts at several thrifts, and he says he will not disturb such accounts in future deals.

Mr. Bare of First Union said he bent over backward in the name of continuity with South Carolina Federal. He preserved an uneconomical debit card and waded gingerly into converting depositors from high-yielding CDs into alternative investments.

Despite his caution, he said, the thrift's lobbies overflowed with anxious customers during branch transitions. "More communication would have been helpful," Mr. Bare said.

Future Merger Action

Two regions where a slew of further thrift takeovers by banks appears probable are the Midwest and the West, though such transactions clearly have not run their course on the East Coast.

Linda Stromberg, an analyst with Chicago-based Howe Barnes Investments, said she is tracking Amerifed in Joliet, Ill., which has $890 million of assets, and two Chicago-based companies, MAF Bancorp, with $1.5 billion, and Bell Bancorp, with $2 billion.

Joseph A. Jolson, an analyst with Montgomery Securities, predicted that offers will surface for Chicago's St. Paul Bancorp, with assets of $3.3 billion, Michigan's $9.8 billion-asset Standard Federal Bank, and Cleveland-based Charter One Financial, with $5 billion of assets.

On the West Coast, southern California's Downey Savings and Loan Association, with assets of $3.3 billion, recently retained Lehman Brothers to help it "evaluate strategic alternatives." The company's stock has risen by 12% since the July 23 announcement.

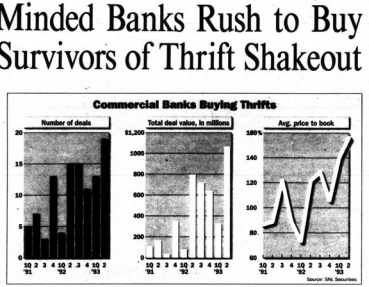
Other California thrifts viewed as potential buyout candidates are San Francisco-based SFFed Corp., with assets of $3.3 billion, and Los Angeles-based California Federal Bank, with $15.9 billion of assets, and Coast Federal Bank, with $8.2 billion of assets.

Almanson Mentioned

Gareth Plank, an analyst at Mabon Securities Corp., even goes so far as to say that H.F. Ahmanson, the nation's biggest thrift company at $50 billion of assets, could be a candidate for a megamerger.

Given that the thrift industry still controlled more than $800 billion of assets at March 31, it clearly will take many more deals before the banking and thrift industries ever truly consolidate.

But the strong takeover numbers of the second quarter show that plenty of bankers are at work on the project. □



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Some banks shy away from these deals, because, unlike institutions that bought from the RTC, buyers of healthy thrifts cannot rescind the relatively high interest rates on CDs that many thrifts offer.

Almanson Mentioned

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Colorado Banks Battle Invaders in Ads

Continued from page 1

bank, and is not necessarily helpful, particularly if it is not well-directed," says Barry Deutsch, a marketing consultant based in Fort Lauderdale, Fla.

And for their part, the giant competitors dismiss the ads as ineffective. Such campaigns by independent banks are "predictable," and have "absolutely no impact whatsoever on our customer base," says Banc One spokesman John Russell.

"We love to see them run those ads because they are spending money on things that don't make a difference."

Still, market research conducted by Goldenbanks found that 32% of 400 new accounts opened from June 2 to July 24, were opened as a result of the advertisements. First Federal said its ads had brought in some new business, too.

"We have had without a doubt the biggest response from both customers and noncustomers of any campaign we have ever done," says Scott Gagon, president of Goldenbanks' lead bank.

Goldenbanks seized on the hometown campaign after its franchisee contract with Los Angeles-based First Interstate Bancorp expired in January.

Fighting Fire with Fire

Norwest has picked up on the theme. The bank recently ran television commercials featuring Norwest loan officers engaging in a variety of typically Coloradan activities.

The Norwest ads were designed to appeal to the bank's business borrowers. They picture Norwest bankers in four Colorado vistas, including a ski slope and a dude ranch.

"Our goal is to get our story out," says Steve Caldwell, manager of advertising at Norwest's Denver unit.

Stressing Advantages Helpful

Experts say hometown campaigns can be successful if they communicate specific benefits to consumers.

"The bottom line is that for a depositor the location of the bank's headquarters is almost irrelevant," says Mr. Deutsch, the marketing consultant. "But for a borrower, there can be an advantage to being local."

Over the past few years hometown campaigns have been tried – with varying degrees of success – from New York to Seattle, according to the Bank Marketing Association, .

'Frontier Mentality'

Ad execs say the success of their campaigns for local banks stems to no small degree from qualities peculiar to the state.

"Colorado is a kind of parochial place," says Mike Jordan, who created First Federal's "Get Outa-state" campaign.

"Colorado has a very independent, frontier mentality," says George Pollack, who designed the Rockies-Twins ads for Goldenbanks. □



PLAYING HARDBALL: Print ads that play up the advantages of using the local bank — and appeal to Coloradans' sports allegiances while tweaking two Minneapolis-based invaders — have drawn a greater response than any previous Goldenbanks campaign, an executive says.

60-Second Radio Commercial

(SFX: PHONE RINGING)
OPERATOR: Vast Outastate Bank, the bigger we are, the smaller you are.
MIKE: Yes, I'm calling about a checking account.
OPERATOR: Hold please.
PHONE MAIL VOICE: Enter your 2-digit bank code NOW.
MIKE: My wha-?
PHONE MAIL: If you don't know your number, press zero.
(SFX: TONE)
OPERATOR: Vast Outastate Bank. The bigger we
MIKE: I need a two-digit bank code?
OPERATOR: Sir, that's a number with two digits. Hold please.
RADIO STATION ON HOLD: ...with more music right after this.
(FIRST FEDERAL MUSIC UP...)
Hi, this is Pete Smythe for First Federal, Colorado's Convenient Consumer Bank.
MIKE: First Federal? I wonder if they have a free checking account.
PETE: And right now you can get a FREE checking account with no monthly service charge and no minimum balance for a full year. And that's not all. When you open your account....
MIKE: Free Checking? I wonder if they have a debit card.
PETE: ...for a limited time, qualified customers can get a debit card FREE for a full year, too!
MIKE: Free checking AND a free debit card? Which bank was that again?
OPERATOR: I don't have that information, sir.
MIKE: Well, who does?
OPERATOR: I don't know.
MIKE: You don't KNOW?
OPERATOR: I just started yesterday. Wait a minute ... here's the custodian. He's been here a long time, maybe he knows. (FADING OUT) Chuck? Chuck ... do you know who has the account information? Was there money in your account, sir? I have the list somewhere. Do you think bookkeeping would help? How about....
PETE: For stability in your banking life today, why not make First Federal your bank? Since 1885, First Federal, Colorado's convenient consumer bank.

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Mutual Fund Sales Carry Dangers of an Unknown World

When bankers look back on the early 1990s, many are likely to look at the world of investment securities and wish they had never entered it.

Sure, observers expect that about half of all mutual funds will be sold by banks by the turn of the century. And it will be hard to read any business publication without seeing story after story about banks entering annuity sales and mutual fund distribution.

But must all banks go this route?

Community banks have built their solid place in our financial structure by doing their own jobs and doing it well. This means knowing the customer, giving quick answers (both yes and no) to loan requests, and handling correction of errors on the first call.



Weekly Adviser

By PAUL NADLER

To most community banks, interest rate swaps, securitization, immunization, and the other terms that mean so much to larger institutions are merely words skimmed over in the financial press.

Fear of Being Abandoned

Sure, with interest on savings so low, many banks feel they must offer something more attractive to keep their depositors. At a recent seminar for community banks, run by BNK Advisory Group of Northampton, Pa., several speakers pointed out that up to now the cut in rates paid savers has been all to the good for the banks.

But now depositors appear to have reached the point of rebellion. They want returns. And many banks feel that turning to annuities and mutual funds is the only way to provide these returns since bank rates earned on loans and investments are so low that the institutions cannot afford to pay more on savings than they do.

Know Your Business Partners

But warnings are in order.

Do the community bankers really know the annuity issuers and mutual fund companies they are beginning to deal with?

A bank is judged just as much by the record of the affiliates it recommends to its customers as it is by its own operations.

And I have been amazed to see banks tie up with annuity issuers of far lower stature than the banks themselves. And then the banks encourage their employees to push these annuities by offering the employees a commission on each dollar switched from bank deposits into these new investments ventures.

Not only is the bank risking its name, but it is encouraging people to remove its livelihood – deposits and IRA funds!

Remember, many banks have been able to return to profitability after the terrible time at the beginning of this decade only because of a willingness to let the bank shrink, concentrate on basics, and recognize that if the customer is not satisfied with the return the bank can afford to pay him, then the bank just has to accept the loss of footings.

Community banks have succeeded by sticking to the basics.

Remember the halcyon days of the discount brokerage operations? Many banks thought this would be the sure route to expanded profitability, only to find that the contingent liability from every single trade exceeded the total earnings for the year from the commissions generated.

Even with regard to investing bank funds themselves in investment vehicles, the community bank needs caution and diligence. Jay Brew, managing director of BNK Advisory, reported at its Pittsburgh meeting that one community bank client came to him with the prospectus for a tax-sheltered investment fund in which the bank was thinking of placing money.

He asked Jay to read the complicated prospectus for him. Jay found that there was no appraisals of assets, sales commissions and fees for the funds promoter were allowed to go up to 69.5% of receipts, and there was no need for board approval of any transactions between the fund's promoters and the fund!

Of course, all of this is legal, just as long as it is spelled out in the prospectus.

In sum, community banks have always done well by following a different drummer. Some may find the new world of investment securities attractive to their customers and to themselves. But for others it could be a disaster.

And while most major-sized institutions feel that if everyone else is offering annuities and funds, they must go along, the community banker does not have to accept this burden.

This ability to turn away from such trends without adverse consequences is one of the community bank's greatest strengths. □

Mr. Nadler is a contributing editor of American Banker and professor of finance at the Rutgers University Graduate School of Management.

Send Us Your Ideas

Weekly Adviser is a forum for community bankers to share their concerns, problems, and solutions. You can participate by writing to:

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Responses will be printed in the column.

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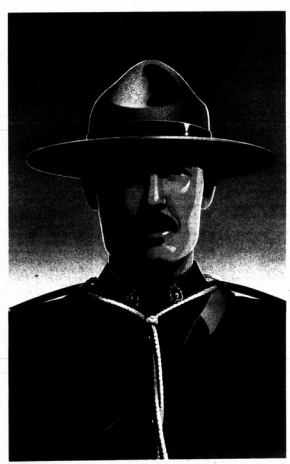

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Johnson on Smaller Stage At Green Point Savings

By PHIL ROOSEVELT

People in the News

CAN A TOP money-center banker find happiness at a Flushing, N.Y., mortgage emporium? Thomas S. Johnson hopes so.

Mr. Johnson, a former president of Manufacturers Hanover Corp. and Chemcial Banking Corp., reported to work last week as chairman, president, and chief executive officer of Green Point Savings Bank.

Green Point's business – taking deposits and making home loans – is a far cry from Mr. Johnson's past pursuits. At Hanover and Chemical he was responsible for wholesale banking, investment banking, trading, and treasury.

"This is the first time I will be totally immersed in what we would have called retail banking," he said, adding that he is "really excited" about the prospect.

Green Point, with $6.2 billion in assets, is very profitable, strongly capitalized, and, in Mr. Johnson's words, "refreshingly well focused." What's more, it is about to convert from mutual to stock ownership, in an offering expected to raise about $800 million.



Thomas S. Johnson

All the same, Mr. Johnson's decision to join Green Point surprised observers. Earlier this year, his name was mentioned for such high-profile posts as president of the New York Federal Reserve Bank and chairman of the Federal Deposit Insurance Corp.

Mr. Johnson still seems to have federal policy matters on his mind. In a phone interview last week, he inadvertantly referred to Green Point as "Greenspan" – not once but three times.

Mr. Johnson, 52, spent 20 years at Chemical, including a stint as president from 1983 to 1989. He went on to become president of Hanover – only to be forced out when the two companies merged in 1991.

He has generally kept a low profile since then, though he popped up briefly last year as president of Olympia & York, the troubled real estate developer. He quit after two weeks.

Career Crossovers

In joining Green Point, he becomes the second prominent commercial banker to cross over into the mortgage world in recent years. Two years ago, Lawrence Small, vice chairman of Citicorp, jumped to the No. 2 post at the Federal National Mortgage Association.

"Home mortgages are probably the largest single financial product in the United States," Mr. Johnson said. The mortgage business "certainly isn't a boring type of thing."

Green Point, long a leader in the New York area, specializes in "low doc" and "no doc" mortgages – loans that require little or no documentation of borrowers' incomes.

The thrift covers the risks by demanding high downpayments, conducting careful property appraisals, and in some cases charging high interest rates.

"If you're going to require less documentation of borrowers' incomes and financial assets, you better make darn sure you know what the asset is that you're lending against," Mr. Johnson said. "That's what Greenspan has always done."

Er, Green Point.

Freddie Mac Gains Some Ground Over Fannie Mae in Market Share

By SNIGDHA PRAKASH

WASHINGTON — Freddie Mac gained some small ground over Fannie Mae in the first half of this year in their long-running fight for market share.

The most dramatic shift took place in the secondary market for adjustable rate mortgages. Freddie trounced Fannie, and grew its share of that shrinking pie by a fifth.

Lenders and Fannie Mae said Fannie is trying to recoup those losses.

The ARM market "has been tough for us," acknowledged Donna Callejon, senior vice president for single-family marketing at the Federal National Mortgage Association.

"What our customers have been telling us is that we are not as competitive as Freddie Mac on ARMS, both on pricing and underwriting," she said.

No Strategic Decision

The Federal Home Loan Mortgage Corp., known as Freddie Mac, said there had been no strategic decision to go after the ARM market.

"Our market share is up across the board," said Jim Cotton, director of business management.

The two secondary market giants bought $219.6 billion of mortgages in the first half of this year, up slightly from $214.1 billion in the period last year. Freddie's share of that market grew about 2.5 percentage points, to almost 44%.

The market for adjustable-rate-mortgages went down slightly to $16.8 billion in the first six months, from $17.2 billion. But Freddie's share of that market grew to almost 58%.

'The Lion's Share'

"There is a fairly small pie of ARM loans being originated. The lion's share of that is being originated or bought for portfolio by banks and savings and loans," said Ms. Callejon.

Fannie is trying to gain some lost ground in adjustables by designing more flexible underwriting standards. The present standards were written when interest rates were higher, and they do not fully allow Fannie to shop for the lower-rate loans now being written.

Presently, Fannie buys adjustable loans or securities only if the borrower can make payments at a 7% interest rate, even though the interest rate on most ARMS is lower, Ms. Callejon said.

Freddie, on the other hand, buys loans if borrowers can make payment at the prevailing lower rates, Mr. Cotton said.

Market 'Extremely Fluid'

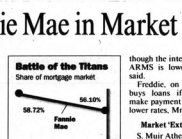
S. Muir Atherton, in charge of secondary marketing at American Residential Mortgage Corp., said the market for adjustable mortgages was "extremely fluid" right now as Fannie and Freddie jockey for business.

American Residential, based in La Jolla, Calif., sold $50 million of ARMs to Fannie Mae in the first six months of the year. But in May, it decided to start selling ARMs to Freddie as well, and sold $12 million to that agency in June alone.

Freddie Mac was "a little more aggressive in how it qualifies FARM buyers. Fannie has recognized this, and is taking steps to try and capture that back," said Mr. Atherton.

For lenders with a history of making good loans, Fannie is relaxing that 7% rule," Mr. Atherton said. □

Battle of the Titans
Share of mortgage market



Plaza Awarded over $1 Million In Fraud Suit Against Borrowers

During the trial, nobody seemed to know anybody.

The borrowers said they didn't know the brokers, the brokers said they didn't know the borrowers, and the brokerage firm said it had never heard of the brokers who were acting in its name.

But in the end, said a Plaza Home Mortgage Bank spokeswoman, "Everyone was found guilty, and everyone is responsible for paying the money."

Plaza announced last week that a California court awarded it over $1 million in damages, concluding a yarlong fraud suit against two borrowers, their brokers, and the brokerage firm that employed them.

Most of the money was awarded as punitive damages, which Plaza does not expect to collect, said Phyllis Downes, executive vice president for loan administration.

Plaza found out about the fraud while performing a quality review on a 1991 loan that defaulted on the first payment, said Ms. Downes. After examining the loan file and another brokered by the same women, it turned out that not a single document relating to the individuals posing as the homebuyers was legitimate. — Christopher Noble

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Rx for FHA Program: Focus It or Scrap It

Robert D. Horner, who resigned two years ago as chairman of Citicorp Mortgage, is back on the scene as chief executive of Chicago-based Hamilton, Carter, Smith Consulting.

At a June forum of the prestigious Housing Roundtable, he offered his views on the Federal Housing Administration's home-loan insurance program. Excerpts of his talk follow.

I want to lay out two possible alternatives.

First of all would be a narrowing of the focus of FHA – narrow the focus so that it truly supports homeownership for those people who have no other alternatives for homeownership, yet have a desire to own a home.

Verbatim

In doing that, I would suggest that we should focus the benefits on first-time homebuyers below a certain income cap, perhaps $50,000 in family income.

With that, I would lower the insurance premiums, and pay them over time instead of up front. I would also suggest a limit in terms of the lending caps.

None of these ideas are unique. But I would make one key point, and that is: We should

Targeting lower-income buyers would have positive policy implications

acknowledge and understand that this program will not be self-funding.

If we choose this path, I think the government or the Congress has to recognize the fact that this program is going to cost some money.

No Free Lunch

Like many of our entitlement and subsidy programs, this is one that, if we choose to adopt it, has positive policy implications for the nation and for the economy.

But we have to understand there's no free lunch. You are asking this program to take risks that cannot be compensated for by insurance, and if you try to do that, you're going to destroy the program.

I think one of the major benefits of this is that you would have a broader range of credit characteristics within the borrowing pool.

You would have people with more down payment who would participate in the program to take advantage of the lower rates and lower insurance premiums.

I think within the income strata that we're talking about, those below $50,000 and within the median house price in a market, you would see not only a broadening of the credit, but probably an enhancement of the credit qualities that may offset some of the cost of the subsidy.

Now a second alternative of the vision would be to eliminate the program completely.

Letting the economically viable segments of the homeowner population be served by the market-oriented firms is certainly an alternative, and one that should be given serious consideration.

What we are seeing is that there is a continuation of an effort to force portfolio lenders to serve this market. That will help.

I don't think increasing premiums is going to do anything except make this situation worse than it is today. □

Firstar Program Gets Boost from Radio Show

By CHRISTOPHER NOBLE

At first glance, the mortgage program is just another among a slew of initiatives aimed at low-income households.

It's got the usual incentives – liberal underwriting guidelines, low down payments, more flexible credit standards, and higher debt-to-income ratios.

But Firstar Bank Milwaukee has Eric Von and WMVP.

Educational Talk Shows

Firstar and WMVP have teamed up for a series of weekly educational talk shows designed to help potential homebuyers take advantage of the Firstar first-time homebuyers program.

The radio station caters to a largely black audience, and the programs are meant to stimulate interest in homeownership, said Mr. Von, the popular radio personality who is host of the weekly shows.

"It breaks down the fear that a lot of consumers – especially minorities – have about banks," he said in a telephone interview.

'Tremendous Response'

The radio station and the bank used the inaugural show to promote the Firstar/Select Milwaukee Parade of Homes, a bus tour to showcase Milwaukee's affordable housing stock. Select Milwaukee is a local housing organization.

The tour opened ten homes in a variety of neighborhoods to the approximately 100 participants, said Pam Smith, the special lending program administrator with Firstar.

Ms. Smith said neighborhood response has been "tremendous." She said 75% of the calls to the bank's mortgage subsidiary are currently from people who have heard the radio show.

Mr. Von says that while it remains to be seen how sincere the banks are in their desire to serve the African-American community, Firstar has taken a big step forward. Firstar has gone "much farther than the other banks in the area," he said. □

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What's Moving at Banks? Proprietaries, Tax-Frees

By DEIDRE SULLIVAN
Special to the American Banker

What mutual funds are bank customers buying these days? American Banker *recently posed that question to executives at five large banks.*

Not surprisingly, banks that manage their own funds often report strong demand for the homegrown products. Customers appear to take comfort in knowing that the bank is calling the shots on these investments, bankers maintain.

Most banks also sell funds managed by other companies. While plain-vanilla government funds have traditionally been the most popular offerings through banks, that may be changing.

Funds that help customers shield income from taxation, provide strong yields, or represent a cautious first step into equity investing are gaining popularity, bankers reported.

Bankers also emphasized the importance of sales support from outside fund companies.

Riggs National Bank

Washington's Riggs National Bank is a newcomer to the mutual fund business, but that hasn't hindered its efforts to market its proprietary Rimco Monument funds.

The $5 billion-assets company launched the fund family in 1991 with two money market funds. In 1992, four stock and bond funds were added to the lineup. Mutual fund assets total $600 million.

Going for the Yield

The best seller is the Prime Fund, which has grown to $280 million in assets, and currently yields 3.44%. "People gravitate to it for the yield. It's that simple," said Deanna Belli, a senior vice president.

"When customers debate whether to go with a well-known fund family or with us and they learn that Riggs National Bank's trust group manages the fund, it makes a difference to them."

Riggs is also doing a big business in Putnam Funds. Ms. Belli credits wholesalers at Boston-based Putnam Financial Services for providing a high degree of customer service and support.

She said interest in annuities is also rising, particularly among older and first-time customers.

National City Corp.

At National City Corp., a $29 billion-asset bank holding company based in Cleveland, the hottest proprietary fund is the NCC Stock Fund, which focuses on large-capitalization stocks in about 10 sectors.

Since it was launched in 1989, the $100 million-asset fund has posted a 51.66% annualized return.

Like Riggs' funds, National City's are an extension of the trust and investments department.

"We've been managing trust money for 75 years," said Joseph C. Penko, a National City vice president, "and retail customers like the fact that we're offering them a product that is conservatively managed."

Eaton Vance Fund a Hit

National City supplements its seven proprietary funds with a preferred list of funds from other providers. According to David Dunning, managing director at NCC Securities, the Eaton Vance Total Return Fund – heavily weighted toward utilities – has been moving well in recent months.

Mr. Dunning also said the way a fund is marketed has an impact on sales. "All our preferred funds offer deferred sales charges," she said.

"The public is learning that paying a load up front may not be in the best interest in the long haul. A deferred charge eliminates a customer objection and makes it easier to make a sale."

NBD Corp.

At Detroit-based NBD Corp., the top seller is a homegrown stock fund, the Woodward Opportunity Fund.

Focusing on midsize companies with proven records of growth, it has provided a 27.8% total return over the past year.

In all, NBD manages $5.3 billion in mutual fund assets.

"Our bank has one of the lowest loan-loss ratios in the industry," said Russell Browne, first vice president. "We're well managed, and our funds mirror that conservatism."

Outside Fund List Revamped

The bank recently revamped the list of outside funds that it offers, so Mr. Browne said it is too soon to say which funds are selling well.

Since Aug. 1, NBD has been using only two outside fund vendors: Putnam Financial Services and Franklin Resources, which manages the Franklin and Templeton funds. The bank dropped two other vendors.

"What we are doing is offering more funds within fewer families," said Mr. Browne.



"When customers learn that Riggs' trust group manages the fund, it makes a difference to them."

Deanna Belli
Riggs National Bank



"Retail customers like the fact that we're offering them a product that is conservatively managed."

Joseph Penko
National City Corp.



"What we are doing is offering more funds within fewer families."

Russell Browne
NBD Corp.



"We see an enormous demand for tax-free products as people anticipate tax increases."

- Barbara Colvin
First Union Corp.



"Clients are taking advantage of current yield curves to invest in intermediate-term bond funds."

Steven Plump
Chemical Banking Corp.

First Union Corp.

Saving money on taxes appears to be a priority among customers at First Union Corp., a $68 billion-asset company based in Charlotte, N.C.

The bank's proprietary First Union Funds are heavily weighted towards the fixed-income variety. Three municipal bond funds – for Georgia, Florida, and Virginia – were launched in July.

According to Barbara Colvin, vice president of retail investment products, the bank's best-selling proprietary funds are a U.S. government fund and an insured tax-free fund.

"We see an enormous demand for tax-free products as people anticipate tax increases," she said. "We've also got a lot of yield-sensitive customers who are used to a different kind of return that what they can get with an insured [bank deposit] today."

In addition, two stock funds – the balanced fund and the value fund, made up of strategic growth and income stocks – are attracting interest from people saving for retirement.

Chemical Banking Corp.

At Chemical Banking Corp. in New York City, fixed-income funds continue to attract large numbers of customers. The $140 billion-asset company sells a range of the best-known outside funds as well as its own Hanover Funds.

Steven Plump, director of sales for Chemical Investment Services, said he is beginning to see customers diversifying their investments among several bond funds.

"Many clients are taking advantage of current yield curves to invest in intermediate term bond funds, which offer up to 8.5% in the long end," he said.

He cited Massachusetts Financial Services' Government Limited Maturity Fund as an example. In addition, variable annuities and equity funds weighted toward utilities are drawing investors' interest.

Ms. Sullivan is a freelance writer based in New York.

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Invest Financial Finds Annuity Sales Soaring on Tax Fears

By KALEN HOLLIDAY

Investors' fears of impending tax hikes have sent variable annuities sales soaring at Invest Financial Corp.

"You can thank President Clinton for all this increased interest in variable annuities," said D. Mark Olson, president and chief executive of the Tampa, Fla.-based company, which markets investment products through more than 200 banks and thrifts.

Two years ago, variable annuities represented just 15% of Invest's annuity sales. This year, Mr. Olson expects variables to account for 60% of total annuity sales, which he projects at $500 million.

Annuities are insurance contracts that invest in an underlying pool of securities to generate a steady stream of income, typically for retirement. Earnings aren't taxed until they are tapped.

Yields Fluctuate

Fixed annuities, which pay set yields much like bank certificates of deposit, have traditionally been far more popular than variable annuities, whose yields fluctuate day to day depending on the performance of the investments.

But the decline in interest rates over the past two years has helped to boost interest in variable annuities. Sales of variables, which totaled $14.9 billion in 1992, came to $6.8 billion in the first quarter of 1993 alone, according to Lipper Analytical Services, Denver.

Interest rate declines have boosted demand for variable annuities.

Variable annuities now account for about one-third of all annuities sold through banks, according to Cerulli Associates, a Boston-based consulting firm.

On average, Invest's customers are doing far more business in variable annuities than their competitors are. Mr. Olson credits Invest's efforts to educate investment product sales people and investors.

'Evolution Is Easy'

Once a consumer understands mutual funds, Mr. Olson said, "the evolution to variable annuities is fairly easy."

Invest's client banks receive no special incentives for selling variable annuities, so the surge is "truly motivated by helping the consumer," Mr. Olson said.

Buying variable annuities is just another way to invest in your favorite mutual fund without being taxed, Mr. Olson explained. "In reality, it has always been better for people to own their mutual funds this way."

Historically, consumers have shied away from variable annuities because they were perceived as a complicated product, Mr. Olson said. And, he added, the financial services industry has not done a good job of demystifying them.

Out of economic necessity, consumers are becoming more receptive to variable annuities.

Seminars for Investors

In an effort to help customers understand variable annuities, Invest has started training its representatives and conducting seminars for prospective investors. The company is promoting annuities as a good hedge against tax increases.

Bank customers appear to be heeding the advice. And while Invest's variable annuities sales are soaring, Mr. Olson admits his company "doesn't have the corner on great ideas."

Variable annuities sales are generally up substantially at banks, according to Kenneth Kehrer Associates, Princeton, N.J. "Last year, bank sales of variable annuities more than doubled" to $1.35 billion, said Kenneth Kehrer, the company's president.

Currently, there are roughly $90 billion in variable annuities, Cerulli Associates has estimated that volume will double over the next few years.

Twice the Industry Average

Variable annuities sales are running about 5% of banks' sales of all annuities and loaded mutual funds, Mr. Kehrer said. At Invest, the product now accounts for 9% of total sales, or nearly twice the industry average.



D. Mark Olson
Expects increase to continue

The annuities' earnings are not taxed until they are withdrawn.

As one of the nation's top mutual fund sellers, "Invest is very well positioned to sell lots of variable annuities," Mr. Kehrer said.

Companies that have been successful in mutual fund sales have the best chance of succeeding in the variable annuities arena, Mr. Olson said. "There is a correlation." □

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MBNA to Market Affinity Cards Through Stock Car Racing Group

By MICKEY MEECE

MBNA Corp. has revved up its affinity machine by landing Nascar – the National Association for Stock Car Auto Racing.

It could be one of the most powerful card-marketing alliances. Tens of millions of Nascar followers spend $1 billion annually on tickets and merchandise.

MBNA America Bank will issue a series of MasterCard affinity cards that feature racing themes and individual stock car drivers. The MBNA-Nascar cards will have a 14% annual percentage rate and no annual fee the first year.

Marketing

So far, MBNA has signed eight Winston Cup Series drivers for its cards: Geoff Bodine, Bill Elliott, Harry Gant, Ernie Irvan, Rusty Wallace, Darrell Waltrip, Jeff Gordon, and Kyle Petty.

Nascar claims to be one of the first organizations to be placing individual personalities on credit cards.

MasterCard Sponsorship

At the same time, MasterCard International has become the official credit card of the Nascar circuit, said to be the nation's fastest-growing spectator sport. MasterCard is the first payment system to market through the Daytona Beach, Fla.-based racing association.

Strategically, the sponsorship allows MasterCard and MBNA to reach 20 million spectators and national television and radio audiences. Almost 2,000 Nascar races take place in 40 states.

"When the market is this large, you don't need all the 20 million to create a business proposition that makes sense," said Steven Drees, MasterCard's vice president of affinity and co-branded marketing. "We think [Nascar] is the next big affinity opportunity."

Draw for Corporate Sponsors

Jim Andrews, editorial director of IEG Sponsorship Report, a newsletter that tracks sports promotions, pointed out that Nascar is already a big draw for corporate sponsors, including

See MBNA next page



AFFINITY CARS: MBNA's card series has the inside track for NASCAR fans.

NationsBank Holds a Contest

CHARLOTTE, N.C. — NationsBank Corp. is trying to boost credit card usage by giving away a 1994 Jeep Cherokee.

The Jeep is the grand prize in the NationsBank High Gear Sweepstakes, running through Oct. 31. Customers enter automatically each time they make a purchase on a NationsBank classic Visa or standard MasterCard.

"We want to encourage our cardholders who will be making back-to-school purchases or doing other fall shopping – even early holiday-related buying – to use their NationsBank credit cards," said Susan W. Bossert, vice president of business development for NationsBank Card Services.

NationsBank, which has 1.5 million Visa and MasterCard holders and $4 billion in receivables, has also been promoting usage through "preferred rates" for people with good payment records – 14.9% on standard cards and 13.9% on gold cards – and a free-mileage offer with the NationsBank-USAir Visa card.

Your customers will soon be convinced that this is a checkbook.

Let us explain. You see, while the banking industry has recognized the potential of debit cards, your customers are not necessarily familiar with their benefits. So to make sure they fully understand what debit cards offer them, we've taken a couple of important steps.

First, we've changed the name of the Visa® debit card to the Visa® check card. Now, from the name alone, consumers will have a better idea of what the card is and how it works at the point of sale.



And second, we're introducing "The New Shape of Checking," a comprehensive nationwide consumer education initiative. Simply put, this program is designed to help you educate your customers about the what, where, why and how of the Visa check card and Interlink® service.

A blend of public relations and promotional efforts, the program will feature a consumer handbook on responsible use of the Visa check card and Interlink, new modules of our Choices and Decisions educational materials which focus on Visa check card and Interlink, and consumer advocacy forums to advance consumers' awareness and understanding of how these services work.

We're also helping members educate their customers on a local level.

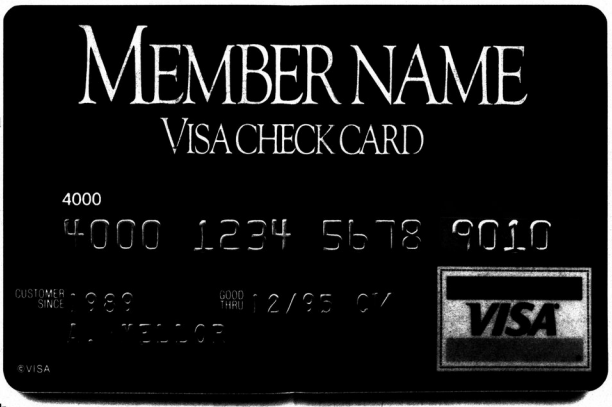
To achieve that goal, we've created "The New Shape of Checking" member kit.

Included in the kit are an 18-month marketing support schedule, sample consumer advertising materials, a program brochure, in-branch promotional support and a video explaining the Visa check card and Interlink educational programs.

When your customers discover through this program how convenient Visa check card and Interlink are to use, they will seem as simple and indispensable as the common checkbook.

So, to help get your customers interested, order "The New Shape of Checking" member kit today—just call 1-800-VISA-311. Or, for more information on how to become a Visa check card or Interlink issuer, call your Visa Member Relations Account Executive at 703-827-8404 in McLean, Virginia, or at 415-570-2120 in San Mateo, California.

Either way, take advantage of "The New Shape of Checking" program. Both you and your customers will find it very convincing.





VISA

MBNA Targets Car Racing Fans

Continued from page 12

McDonald's, Maxwell House, and Kellogg's.

Among financial service providers, Commercial Credit Co., a unit of Primerica Corp., is a Nascar sponsor in the Southeast.

"It reaches our customer base," said Marjorie Magner, president of the finance company. "It's a phenomenal way to reach people. We run drawings and other activities that allow us to build customer lists."

Billboards at Racetracks

Mr. Andrews estimated MasterCard paid $200,000 for the sponsorship rights, which allows the card association to post billboards at racetracks and signs in point-of-sale areas.

"We touch every aspect of society," Mr. Drees said. "When we look for sponsorship or business opportunities, we want to be the card for every person."

Mr. Andrews predicted stock car fans will embrace the MBNA cards.

Attracted Homeowners

"Certainly, these are people who have developed an interest in anything attached to a driver or logo," he said. MBNA, the nation's largest affinity issuer with 3,000 marketing partnerships, sought out the stock car association because of its loyal and creditworthy fans, plus the popularity of the sport, a bank spokesman said.

The $6.5 billion-asset MBNA, based in Newark, Del., has used the affinity concept to build one of the biggest and most profitable credit card operations. By working through associations, it has attracted cardholders who typically own their homes and make an average $55,000 a year.

The bank will issue MasterCards that feature individual stock car drivers.

Nascar fans pay $80 to $100 for tickets to each race, said Brian France, Nascar's vice president for marketing and corporate communications. About three out of 10 spectator earn at least $50,000.

Mr. France said market research shows that 92% of Nascar fans support stock car sponsors. "It actually changes their purchasing decision," he said.

Aggressive Marketing

Nascar had been open to an affinity card relationship but turned down proposals from a dozen banks over the past couple of years, Mr. France said. The association wasn't pleased with the marketing plans.

MBNA's aggressive marketing approach – sending teams of workers to event sites, along with direct mail and telemarketing – won over the race association, Mr. France said.

Nascar said it will earn royalties from MBNA's issuance of the custom-designed credit card. □

MasterCard Raises Status Of Debit Unit

By MICKEY MEECE

Underscoring its commitment to debit cards, MasterCard International announced a realignment that makes its debit subsidiary, Maestro U.S.A., an integral part of the U.S. corporate structure.

The move gives the debit business equal billing with the credit card and remote banking areas – each reporting to MasterCard U.S. president Peter S.P. Dimsey.

Arthur D. Kranzley, president and chief operating officer of Maestro U.S.A., which had been operating at relative arm's length, becomes senior vice president and general manager of debit products.

Daniel Murray, senior vice president of marketing, becomes senior vice president and general manager of credit products. Mr. Murray has been overseeing MasterCard's current "Smart Money" advertising campaign.

'Maximizing the Synergies'

"By moving all of our payment systems into one division, we are maximizing the synergies we are able to develop between these programs," Mr. Dimsey said.

Maestro, credit cards, and remote banking are equals.

Mr. Dimsey said this is a major step in evolving into a multi-service "payment franchise." "It's important," Mr. Dimsey said. "I think that's where the industry's moving and that's what our members want."

He pointed out that each division will remain distinct, with the credit division generating the most revenue.

In April, MasterCard selected Glenn Santmire to head its remote banking program as senior vice president.

Member Relations Post Open

The card association has yet to fill the senior position in member relations, which would be on the same level as the three promoted executives.

More than 15 million Maestro debit cards have been issued in the United States since their introduction in 1991. The cards, which facilitate instantaneous transfers between a customer's transaction account and a retailer's, are accepted at 10,000 merchant locations.

MasterCard said Maestro U.S.A.'s staff will continue to report to Mr. Kranzley.

John Smith, executive vice president of MasterCard debit services, will continue to oversee debit product development worldwide. Separate domestic and international boards will continue to govern the products.

Mr. Murray's credit products division is responsible for the standard, gold, and business cards, plus advertising, promotion, market research, and creative services. □

BOARDROOM *changes*

Gerry Cameron Named Chairman Of U.S. Bancorp's Oregon Bank

Gerry Cameron, a vice chairman of **U.S. Bancorp,** Portland, Ore., since January, has been chosen as board chairman of its **U.S. Bank of Oregon,** succeeding **Roger L. Breezley,** chairman and chief executive of the holding company.

Mr. Cameron remains chairman of the bank's executive committee.


Gerry Cameron

Mr. Breezley said the change "will allow me to fully devote my time and energy to the management of the holding company."

John D. Eskildsen will remain president and chief executive officer of the bank. **Edmund P. Jensen** continues as a vice chairman and chief operating officer of the holding company, and **Kevin R. Kelly** as its president.

Until January, Mr. Cameron had been president and CEO of U.S. Bank of Washington, which is U.S. Bancorp's second-largest bank. He had held those posts since 1987, the year the bank was formed.

When named a vice chairman of the holding company this year, he was made responsible for traditional bank and commercial lending services in U.S. Bancorp's Northwest markets.

— **Franklin Smith**

MIDDLE ATLANTIC

SHADOW LAWN Savings Bank, West Long Branch, N.J., said **Ella M. West** has been elected chairman of its board of directors.


Ella M. West

Ms. West was executive vice president and chief administrative officer at the bank when she retired in January 1990 after 42 years of service. She has been a member of the board since 1986.

During her career at Shadow Lawn Savings, Ms. West held numerous posts, including senior vice president and lending officer.

CITIZENS BANCORP, Laurel, Md., has appointed **Judy A. Johnson** to the board of directors of its **Citizens Bank of Virginia** subsidiary.

Ms. Johnson is senior vice president for professional programs and systems at the **American Society for Training and Development.**

COVENANT BANK, Haddonfield, N.J., has named **Paul R. Fleagane** and **John H. Durham** to its board of directors.

Mr. Fleagane is president of **Paul R. Fleagane Co.** Mr. Durham is the former chief executive officer for **Delaware Management Co.,** a Philadelphia-based mutual fund group and investment advisory firm. He remains a director of the Delaware Group of mutual funds.

Newly appointees to the bank's advisory boards are:

Burlington County: **James E. Palmer,** co-founder of **Spectron Corp.** and **Telenex Corp.,** from which he recently retired; and **Harry R. Koons,** president and owner of **Howees Corp.,** a computer consulting and mail/packing service in Moorestown.

Atlantic County: **Susan Braunstein,** business manager, **Seaside Dental Associates,** Ventnor.

Camden County: **Mindy Holman,** vice president of **Holman Enterprises;** Jack Leonard, a partner in **Roney, Vermatt & Leonard Inc.,** a Haddonfield-based real estate firm; and **Reynold P. Cicalese,** vice president of the accounting firm of **Alley, Silverstein, Shapiro, Adams & Mulford & Co.**

MIDWEST

BOATMEN'S NATIONAL Bank of St. Louis has elected **John S. Alberici** and **Charles W. Mueller** to its board of directors.

Mr. Alberici is secretary and senior vice president for finance and administration of **J.S. Alberici Construction Co.** Mr. Mueller is president of **Union Electric Co.**

SOUTHEAST

THIRD NATIONAL BANK, Nashville, a subsidiary of **SunTrust Banks Inc.,** Atlanta, has named **Ben S. Gambill Jr.** to its board of directors.

Mr. Gambill is president and chief executive officer of **Braid Electric Co.,** Nashville.

FIRST NATIONAL BANK of Gainesville, Ga., has elected **James A. Walters** to its board. He is chairman and chief executive officer of **Walters Management Co.,** Gainesville.

SOUTHWEST

MIDFIRST BANK, Oklahoma City, has named **Gerald R. Marshall** as a director.

Mr. Marshall is chairman and chief executive officer of Oklahoma City's **Ram Management Associates Inc.,** which is one of the top 10 asset-management contractors, managing over $1 billion in real estate and loans for the Resolution Trust Corp.


Gerald R. Marshall

He has been the board chairman, chief executive officer, or president of several financial institutions.

WEST

GREAT WESTERN Financial Corp., Chatsworth, Calif., said **Stephen E. Frank** has been elected a director of the corporation and its principal subsidiary, **Great Western Bank.** Mr. Frank is president and chief operating officer of **Florida Power and Light Co.** and a director of **FPL Group Inc.** □

Multibank President Retires

DEDHAM, Mass. — Multibank Financial Corp. said its president, **Selwyn Atherton,** had retired.

The retirement coincided with the company's acquisition by Bank of Boston Corp., Multibank said. □

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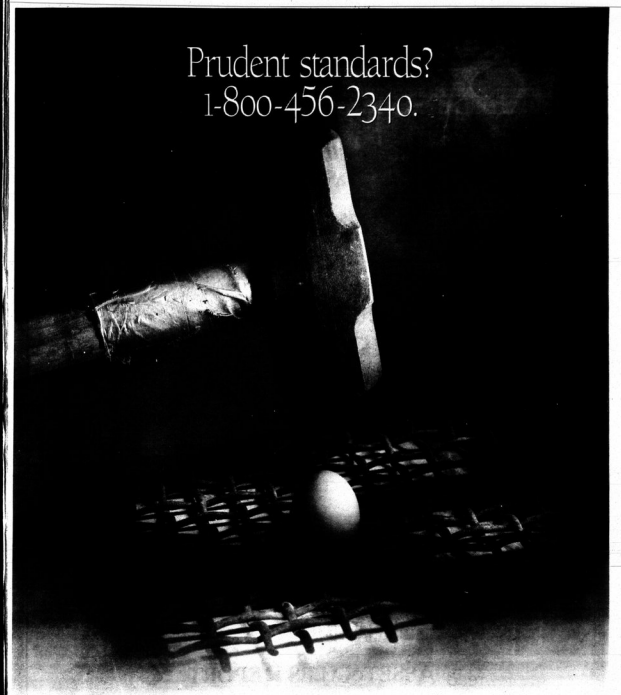

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'Prompt Action' Specter Fades

Upturn Made Plans for Early Intervention Irrelevant

By BARBARA A. REHM

One year after "prompt corrective action" regulations were written, it's hard to remember what everyone was so worked up about.

Back in September 1992, when regulators sat down to draw up the rules that curb the activities of weak banks, the Federal Deposit Insurance Corp. predicted that the regulations would impact 325 institutions, with $230 billion in assets.

Today, the FDIC says less than 1% of all banks holding about 0.7% of all bank assets fall into any of the three undercapitalized categories created by the rules.

Fearing a taxpayer bailout of the bank insurance fund, Congress wanted a way to hold down the costs of failed banks for FDIC. To catch bank problems sooner, lawmakers came up with "prompt corrective action" and included it in the FDIC Improvement Act of 1991.

The rules set up five categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Once a bank becomes undercapitalized – that is, when it's capital falls below 8% risk-based capital and 4% leverage capital – the regulators move in.

Improving Fortunes
Capital ratings of FDIC-insured banks

	Number of banks	Percent of total	Assets (in billions)	Percent of total
Well capitalized	11,352	96.7%	$3,341.2	89.92%
Adequately capitalized	286	2.4	348.6	9.38
Undercapitalized	49	0.4	9.2	0.28
Significantly undercapitalized	38	0.3	15.4	0.41
Critically undercapitalized	13	0.1	1.5	0.04

Source FDIC

The more capital a bank loses, the more regulatory sanctions it faces. A bank becomes critically undercapitalized when its capital falls below 2%. At this point, the regulators have 90 days to seize the institution.

But record-breaking earnings due to low interest rates have padded banks' capital accounts so much that almost the entire industry is completely unaffected by "prompt corrective action."

"The rising water lifted all those boats that 'prompt corrective action' was supposed to sink," says Karen Shaw, president of the Institute for Strategy Development.

Don Inscoe, an associate director in the FDIC's research division, says just 49 banks, with $9.2 billion in assets, are undercapitalized. Another 38 banks, with $15.4 billion in assets, are significantly undercapitalized. Finally, there are six banks, with $400 million in assets, tagged critically undercapitalized.

"When we put this in place the picture looked a lot different," Mr. Inscoe says. "The number of banks that are on the problem bank list is larger than all three undercapitalized categories combined."

Indeed. The FDIC's in-danger-of-failing list has 671 banks, with $377 billion in assets. Though these banks are adequately capitalized, Mr. Inscoe explains that supervisors have other worries about them. □

Haste Makes for Waste In RTC Delivery Costs

The Resolution Trust Corp. spends $16,000 a day on Federal Express delivery service but should be spending a lot less, according to Stephen M. Beard, director of the agency's office of inspections.

The RTC, which is accused routinely of wasting taxpayer dollars, has a Federal Express tab that averages $2.60 per day per employee, despite the discounted government rates.

The Inside Line

The walk-in rate for next-morning delivery is $13. The walk-in rate for next-afternoon delivery is $9. Federal Express charges the RTC $3.75 for overnight delivery of a small package.

RTC employees used overnight service for credit card payments and to send letters to family members. But the biggest waste, according to Mr. Rea's July 28 report, was about $500,000 over two years for sending 341,500 packages to arrive at their destinations by 10:30 a.m. the next day instead of noon.

A 30% Premium

"Priority overnight service is almost 30% more expensive than government overnight service, which guarantees delivery within an hour and a half of priority service," the report noted.

The RTC's Oklahoma City office sent 87% of its packages by priority overnight, and for some Dallas, Tulsa, and Phoenix RTC accounts, priority overnight accounted for 50% of the Federal Express traffic, the report said.

It costs at least $1.48 per package to shorten the guaranteed delivery time by 90 minutes.

"Federal Express is used to mail virtually everything at RTC, from letters to training manuals," the report said.

And in January the RTC paid $780 to send 578 pounds worth of its monthly newsletter, *Resolution Trust News*, to its field offices overnight.

For $440 the agency could have gotten delivery two or three days later.

$1,816 a Ton

And last November, the agency's human resources department shipped more than a ton of employee benefit forms and booklets. Federal Express charged $1,816, but fourth-class postage would have been $497. Even first-class mail would have cost only $1,567.

An RTC spokeswoman said the agency is creating new guidelines on when employees should use Federal Express services. The guidelines will be distributed by the end of the month, she said. — **Robyn Meredith**

Fed's Fondness for Red Tape Runs to Its Own Parking Rules

By CLAUDIA CUMMINS

If you think the Federal Reserve Board's banking rules are burdensome, try pulling into the employee parking lot beneath its headquarters.

The regulators, it appears, can't resist complicating a fairly simple procedure. Parking rules for the garage fill five and a half pages. They're are so detailed, you'd think you were landing at National Airport.

They're are strictly enforced, too. Violations result in demerits. Five demerits result in a 30-day suspension of one's parking permit. Each demerit above five counts for another 30 days.

A Pine Line

The rules detail 20 specific violations that trigger an enforcement action, from backing into a parking space to changing carpools without approval.

Fed employees are fond of reciting Violation 2, the one that forbids car tires from touching the yellow lines. (*"Vehicles parked on or over the line are in violation. Some spaces are smaller than others; therefore, it is the responsibility of the driver to ensure that the vehicle fits entirely within the proper size space."*)

Having just one inch of a tire on the yellow line is good for one demerit.

And for those who are unsure if they can squeeze into that last spot near the elevator, the memo also has the answer: cars less than 192 inches long and 72 inches wide must use the smaller spaces; those larger are limited to the others.

Some Leniency

The Fed reportedly enforces these rules to the letter – almost. As tough as they are on the majority of Fed parkers, there ap-

You'd think you were landing at National Airport.

pears to be a sort of "too big to fail" doctrine in place: six governors each with his own parking spot, are given a little more leeway than the rest of the staff.

That's not to say there haven't been sightings of governors violating some of the regs, especially rule 9 (*"Headlights must be turned on whenever a vehicle is in motion in the garage."*)

Those sightings have not been of Fed Chairman Alan Greenspan, though. He hardly needs the garage: He has door-to-door limousine service. No demerits for Mr. Greenspan. □

PEOPLE

Clinton Pressed on Naming an FDIC Chief

Sensing an opportunity, banking industry leaders are pressing **President Clinton** to name a chairman of the Federal Deposit Insurance Corp.

"We urge you to appoint a permanent chairman of the FDIC with all reasonable speed," reads a recent letter to the president from the Independent Bankers Association of America and the Conference of State Bank Supervisors.

IBAA executive vice president **Kenneth A. Guenther** said last week that he thinks the seven-month wait for an FDIC chairman may end soon. The President may go ahead with a nomination, Mr. Guenther said, once work on the budget bill is finished.

It's anyone's guess who will get the nod; the leader of the pack has changed many times. But New Hampshire lobbyist **Chris Gallagher** may still be the president's choice.

* * *

Don't expect the congressional black caucus to fall in line automatically behind a community development bank proposal sponsored by one of its members, Rep. **Floyd Flake,** D-N.Y.

Another member of the caucus, Rep. **Bobby Rush,** D-Ill., wrote Rep. Flake recently to denounce the measure, and some observers believe he may be more representative of the group's views.



Rep. Bobby Rush
Blasts development bank plan

"By permitting all U.S. financial institutions – depository institutions already backed by the taxpayer – access to scarce public funds allocated to this initiative, your bill would greatly dilute the efficiency of the President's focus," Rep. Rush said.

Rep. Rush, himself a sponsor of community development bank legislation, supports the President's proposal and believes commercial banks should be induced to lend to low-income communities through enforcement of the Community Reinvestment Act.

So far, he said, banks "have largely evaded their legal obligations to serve their entire communities." As a result, he added, it would be inappropriate to provide them with financial incentives for community development lending, as Rep. Flake's bill would.

Instead, Rep. Rush said, "I am eager to work with the President to improve the effectiveness of CRA so that the banking industry does its fair share to bring hope to these communities that have been left out of the economic mainstream for so long."

* * *

The Municipal Securities Rulemaking Board acted last week to require disclosure of political contributions by participants in the municipal securities markets, but that didn't satisfy Rep. **Henry B. Gonzalez,** D-Tex.

"The municipal securities business has long been a cesspool of corruption," the House Banking Committee chairman said. Though a step in the right direction, he added, the rulemaking body's disclosure requirements are far from comprehensive. □

Opinion

Front Row on Washington

By Jim McTague

Health Care Chief's Stand Would Be Welcome at FDIC

BANKERS COULD *benefit from a forceful, public statement about the pluses and minuses of mortgage disclosure data.*

Someone ought to ask President Clinton to throw Bruce C. Vladeck's name into the ring for the chairmanship of the Federal Deposit Insurance Corp.

If the name doesn't ring a bell, that's because Mr. Vladeck, 43, is a health care professional, not a banker.

Since May, he has been running the Health Care Financing Administration, the agency responsible for Medicare and Medicaid. Before that, he was president of the United Hospital Fund, a charity based in New York City.

How does that qualify him as a bank regulator?

Since 1986, HCFA has produced a colossal annual report (55 volumes last year) on hospital mortality rates that is the medical industry's equivalent of the Home Mortgage Disclosure Act, in that it is grossly misleading. Mr. Vladek, 43, thought that was grounds enough to delay its release, so he sat on it.

"I'd rather give out no data than crummy data," he told a reporter from the Associated Press. "It's overly simplistic. People perceive it as telling you more than it does. I think it doesn't adequately adjust for some of the problems faced by inner-city hospitals."

The report (a voluntary undertaking as opposed to a statutory requirement) implies that public hospitals serving the predominantly black populations of our inner cities are grossly inferior to hospitals in other neighborhoods because the inner-city hospitals have a higher-than-predicted death rate among the elderly.

What the data fail to note is that the elderly inner-city patients are often older or sicker than the national average.

He couldn't get away with sitting on mortgage disclosure data if he were a bank regulator, because there's a federal law that says the Fed has to release it to the public, no matter how flawed it might be.

Still, it would be refreshing to hear a top regulator say forcibly in public what many of them whisper in private: that using HMDA's distorted data to finger a bank for racial discrimination, while perhaps politically correct, is outrageously unjust.

Largely Unnoticed

Mortgage disclosure data, like the hospital data, is too thin a measure of discrimination. It's also too thin to demonstrate any positive effects of bank efforts to reach out to minorities, such as second review programs and counseling.

Conclusions drawn from the numbers tend to caricature the industry, exaggerating its vices and understating its virtues, making it perfect prey for demagogues.

In fact, regulators would have to ask banks for an additional 30 to 40 items of information about each mortgage applicant before the disclosure could be considered an accurate indicator of lending bias. (But the cost to the banks of providing the added data would be preposterous.)

Mr. Vladeck's rebellious action engendered no hysterical reaction. His stand on behalf of fairness and accuracy warranted about eight column inches inside *The Washington Post*. As far as I know, not a single congressman made a federal case out it by accusing him of a coverup.

Bankers Could Benefit

Bankers, like the administrators of those inner-city hospitals, could benefit from a very forceful, public statement about the pluses and minuses of the mortgage disclosure data by a regulator of stature at the time of its release.

A speech in favor of fairness and accuracy might curb the impulse of some editors to write hysterical headlines and the urge of some congressmen to seize upon the issue more for self aggrandizement than concern about the well-being of the public. Bankers might even get a fair hearing. □

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Comment

By Martin Lowy

Create Equity Market for Small Business By Having Banks Form Mutual Funds

THE LACK OF ACCESS *to equity markets makes many small businesses unable to obtain credit. They simply are inadequately capitalized.*

A nat Bird's commentary on July 8, asserting that banks are looking for sound small-business loans and that government-sponsored securitization will not benefit banks, was on the mark. The situation begs for a next step, however.

As Ms. Bird observed, "Small businesses do not have ready access to the capital markets." And it is the lack of access to equity markets that makes many small businesses unable to obtain credit. They simply are, inadequately capitalized to justify bank credit.

One way to rectify this situation is to provide government-subsidized credit to the nonworthworthy, either directly or through guarantees of securitized pools of loans.

Good News, Bad News

This would stimulate business activity enormously but probably would ultimately lead to significant losses for the government-sponsored entity that enhanced the borrowers' credit. That would be a legitimate strategy, but one for which future generations are unlikely to thank us.

More productive in the long term would be enabling private parties to create a market for small businesses' equity securities.

I believe there is a natural way to create an equity market for small businesses by using the same banks that lend to them.

Market Obstacles

Factors preventing small businesses from tapping the equity markets are their inability to provide information efficiently and a lack of potential liquidity.

The size of an offering is not sufficient either to warrant the cost of providing and analyzing the necessary information or to provide liquidity to the purchasers. Nor can the entrepreneur afford the time necessary to seek out private venture money, even if it might be available.

I do not advocate that the banks themselves invest in small-business equity. They need more-liquid assets that can be valued correctly.

Individuals and pension plans, however, do have an appetite for long-term investments that are not immediately liquid or subject to current valuation, so long as those investments are sufficiently diversified.

But individuals and small pension plans don't have the time or the expertise to evaluate small businesses and to monitor performance and protect against fraud and illegal self-dealing.

Thus we should put banks, which have the necessary expertise, and investors together by encouraging banks to form mutual funds that invest in small businesses' equity securities.

Ideally, community banks would concentrate their small-business mutual funds in local companies. This would be both sensible in terms of their resources and good marketing – in that it would allow customers to invest in their local economies. Banks with greater geographic scope logically could manage investments in companies in larger geographic areas.

Naturally, there are some technical, legal, and marketing issues that would have to be dealt with.

These mutual funds should be exempted from Glass-Steagall Act restrictions; the Investment Company Act's pricing and liquidity rules would have to be modified to take account of the illiquidity of the underlying securities; and perhaps some form of tax benefit or deferral should be provided to the investors.

In addition, the natural issue of potential conflicts of interests of the local bank as manager of the mutual fund, lender, and depository would have to be worked out. And there would have to be mechanisms to provide eventual liquidity to the investing mutual funds and to their stockholders.

An Ideal New Investment

The basic point is that access to capital markets has permitted American companies to grow and flourish. There is tremendous liquidity in our capital markets in general, and this liquidity is seeking new productive forms of investment.

The small company, in the form of a diversified portfolio, is an ideal new investment. It would have good potential for long-term returns and would spur the economy. Interestingly, community banks are the institutions in the best position to create these new entities. □

Comment

By Gary N. Kleiman

An Rx to Spur Global Financial Services

In the past year, the Basel group of central bankers has proposed capital and supervisory guidelines for international financial operations that have been poorly received by the securities industry and developing countries.

Suggested equity ratios for ensuring competitive fairness between securities dealers and banks' trading arms have again been spurred by International Organization of Securities Commissions after repeated attempts to adopt a common approach.

Consolidated oversight rules embraced last year in the wake of the Bank of Credit and Commerce International scandal have barred the expansion of Latin America-based and Asia-based groups, notably in the United States, where the principles are embodied in the Foreign Bank Supervision Enhancement Act.

Harmonization Hindered

At a time when the world banking system faces an "uncertain focus," in the words of the Bank for International Settlements, the lack of global and intrinsically cooperation is glaring, and endangers progress toward harmonization through the current international agreement on Tariffs and Trade talks and other initiatives.

Government and professional bodies can inject needed momentum by creating a separate forum dedicated specifically to advancing financial service convergence across the range of business and geographic lines.

Worldwide, the universal banking model is increasingly the norm. In Europe, the "single passport" equips institutions to lend and deal on equities and insurance throughout the region.

In Japan, the barriers between commercial and investment banking have eroded under recent statutory reform.

In the United States, banks' Article 20 subsidiaries, authorized under the Glass-Steagall Act, have moved aggressively into debt and equity underwriting.

Expansion Quelled

In developing countries, too, financial liberalization and modernization continue apace, with officials striving to bolster international oversight standards for capital adequacy and other areas. Perhaps the nation offering the best example of this supervisory commitment is Mexico, which has pledged under the North American Free Trade Agreement to match the style of rigor in the United States and Canada.

Yet, an application by industry giant Banamex to open a branch in Miami was denied earlier this year under the foreign bank supervision act, because of the alleged absence of consolidated local and overseas monitoring by Mexican authorities.

Following this rejection, other Latin American institutions, fearful their regulators would not pass muster either, withdrew their expansion plans.

Cooperation Needed

At the same time, the Basel committee and the securities commissions organization remain at loggerheads over minimum capital requirements, and their lingering dispute has undermined potential collaboration on other fronts.

Tired of the acrimony which has characterized relations between the two panels, European Community banking and securities officials have pushed ahead with their own directive to go into effect next year. Before his resignation, former Securities and Exchange Commission Chairman Richard Breeden criticized the formula as insufficient to protect investors.

Toward a Turnaround

To resolve these difficulties, which have bred conflict among financial officials in both the developed and developing world, they should meet to charter a new body for truly global financial service cooperation both functionally and regionally.

Their intent should be not to add another layer of multilateral bureaucracy, but instead to fold groups which have to date championed sectoral and hemispheric interests into a unified organization.

This fresh start for multilateral efforts offers a chance to reverse today's spiral of mutual recrimination.

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Mr. Lowy, a partner in the New York law firm of Lowy & Talkoviow, is the author of "High Rollers: Inside the Savings and Loan Debacle."

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DEFAULT In Security Agreement Made By Alejandro Torres & Domingo A. Casillo in Lena Reag. I Will Sell On 8/10/93 At 1702 Madison St., Ridgewood, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct'r Lic #732234 of F.E.S. AUCTIONS INC. As Agents.

Lien Sale 8/16/93 9:00AM 1449 E 222 St Bronx, NY 1987 Bert #ZBBH500AXH-T16053 Re: R. Dembo 10:00AM 428 Dewitt Ave Bklyn 1988 Nissan #JN1CN24S0JM003734 Re: EG Worden & First Sec ST Bk. Publ. 8/2 & 8/9/93.

Lien Sale 8/23/93 9:00AM 549 W 26 St NYC 82 Chev #1G1AN69R7CJ104994 ex: BA Equasc 10:00am 122-02 Farmers Blvd St Albans 85 Volvo #YV1DX87-A1F1139766 re: Material Damage. Publ. 8/9/93 & 8/16/93.

Lien Sale 8/17/93 Bklyn, N.Y. 3927 Strickland 4:00PM '72 Formula 230 (2T) #F2J12367 (8Y8R26D5N) Re: Raul Valentin. B. Zarrow. Auct'r.

L. Posner lic #847081 sells for cash 8/17/93 at 10AM at 23-17 30th Avenue Qns. 88 Jaguar XJS #SAJNA5843JC145610 Re: A. Ahmed; 11AM at 116-20 Merrick Lane Qns. 86 Jeep #1JCN215N2GT000375 Re: L. Martinez; 11:30AM at 3285 Grove Street Qns. 87 Jaguar #1B5059DN Re: F. Ho; 12PM at 211 Eagle St. Bklyn 87 Acura #JH4DA-32580HC009294 Re: J.D. Nelson 1PM at 190-17 Station Rd. Qns. 85 Jaguar 4DSD #SAJAY13440C418829 Re: J. NG.

L. Posner lic #847081 sells for cash 8/17/93 at 10AM at 23-17 30th Avenue Qns. 88 Jaguar XJS #SAJNA5843JC145610 Re: A. Ahmed; 11AM at 116-20 Merrick Lane Qns. 86 Jeep #1JCN215N2GT000375 Re: L. Martinez; 11:30AM at 3285 Grove Street Qns. 87 Jaguar #1B5059DN Re: F. Ho; 12PM at 211 Eagle St. Bklyn 87 Acura #JH4DA-32580HC009294 Re: J.D. Nelson 1PM at 190-17 Station Rd. Qns. 85 Jaguar 4DSD #SAJAY13440C418829 Re: J. NG.

DEFAULT In Security Agreement Made By Ti & H Deli Restaurant Inc. to David Gold. I Will Sell On 8/10/93 At 1:30 PM At 881 10th Ave., New York, NY. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct'r Lic #732234 of F.E.S. AUCTIONS INC.

DEFAULT In Security Agreement Made By Alejandro Torres & Domingo A. Casillo in Lena Reag. I Will Sell On 8/10/93 At 1702 Madison St., Ridgewood, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct'r Lic #732234 of F.E.S. AUCTIONS INC. As Agents.

L. Posner lic #847081 sells for cash 8/24/93 at 10AM at 78 Bedell St. Hempstead #9BWGA03008P053111 Re: J. Ormon; 10:30AM at 417 Center Ave Mamaroneck 84 Datsun 300ZX #JN1HJZ165SX020700 Re: M. O'Brien; 11AM at 49 Plain Ave New Rochelle 84 Chevy Camaro #1G1AP8710EN145703 Re: G. Washington; 12 PM at 140 Reynolds Ave. Its 72 CH/CR KXA2B016T Reg NY 9841DM Re: M & S Keenan.

CORRECTION NOTICE

Hal Zakow Lic #0735454 Sold 8/14/92 NY 1PM 1375 Prosp Av Bx 74 Dodge #B53BEAX008392 Re: J. Doe. Pub 7/31 & 8/7/92.

FOUNDATION NOTICES

NOTICE
The Annual Return of **MANHATTAN RESIDENT MANAGERS CLUB, INC.** for the year ended December 31, 1992 is available at its principal office located at 176 East 71st Street, New York, NY 10021, for inspection during regular business hours by any citizen who requests it within 180 days hereof.
The principal manager of the Foundation is Manuel Toribio.
Dated: August 9, 1993.

NOTICE
The annual report of **THE PATRICK J. WARD & FAMILY FOUNDATION** for the fiscal year ended March 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004 (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof.
The Principal Manager of the Foundation is Patrick J. Ward.

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Chemical, Chase, and BT Issue $350 Million of Debt

By DAVID SIEGAL

Chemical Bank, Chase Manhattan Corp., and Bankers Trust New York Corp. raised a total of $350 million in subordinated debt on Friday.

Chemical issued $150 million of 12-year subordinated bank notes. The notes were priced to yield 6.67%, a spread of 85 basis points over the 10-year when-issued U.S. Treasury note.

Salomon Brothers was lead manager for the issue, rated A3 by Moody's Investors Service Inc. and A by Standard & Poor's Corp.

Chase Manhattan Corp. sold $150 million of floating rate subordinated notes in the Euromarkets. The issue has a coupon of 15 basis points under the London interbank offered rate.

The note also has a minimum rate of 5.5% and a maximum of 9%, which together are called a "collar."

Savings of 10 Basis Points

Market sources said the collared floating rate issue allowed the bank to save about 10 basis points, compared with the cost of issuing fixed-rate debt and swapping it into a floating rate payment stream.

Kidder Peabody International lead managed the issue, which was rated Baa2 by Moody's and BBB plus by Standard & Poor's.

Bankers Trust New York Corp. issued $100 million in convertible capital securities. The securities start as 40-year subordinated debt with a 7.5% yield.

The bank has the option of lowering the rate by 1.5 percentage points. At that time, investors can opt to exchange the debt for preferred stock, with a dividend equal to the debt's original rate.

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Bank of N.H. Readies 600,000 Share Offering

MANCHESTER, N.H. — Bank of New Hampshire Corp. said it filed a registration statement with the Securities and Exchange Commission for an offering of 600,000 common shares and up to 90,000 additional shares to cover over-allotments, if any.

The company said it plans to use a portion of the net proceeds for capital contributions to its banking subsidiary, and to use the balance for other corporate purposes.

The company said it has about 3.4 million shares outstanding. □

FirstPerryton Bancorp, Inc.
Perryton, Texas
has acquired
Texas Commerce Bank—Amarillo
Amarillo, Texas
The undersigned acted as financial advisor to FirstPerryton Bancorp, Inc.
ALEX SHESHUNOFF & CO.
INVESTMENT BANKING
512-479-8200 • 1-800-477-1772

CREDIT RATINGS

The ratings agencies took the following actions last week:

Bank of New York: Duff & Phelps Credit Rating Co. upgraded the debt ratings of the Bank of New York Co. and its major subsidiary, Bank of New York.

The parent company's senior debt was raised to A from A-minus, its subordinated debt was lifted to A-minus from BBB-plus, and its preferred stock was upgraded to BBB-plus from BBB.

The upgrades reflect the bank's improving asset quality, solid reserve coverage measures, strong earning power, ample capital strength, and reduced risk profile.

The bank now derives about half of total revenues from a number of fee-based businesses that add stability to its revenue streams, the ratings agency said.

CoreStates Financial Corp.: Moody's Investors Service Inc. confirmed the credit ratings of CoreStates Financial and subsidiaries, following the announcement that CoreStates will acquire Constellation Bancorp of Elizabeth, N.J., which has $2.3 billion in assets.

Moody's has an A-1 rating for the senior debt of CoreStates Capital Corp., which is guaranteed by CoreStates Financial, and an A2 rating for subordinated debt.

Moody's expects a modest negative effect on capital and asset quality associated with the acquisition, but said CoreStates should remain strong.

The acquisition should also reinforce the company's market position in New Jersey, and should provide in-market cost savings.

First Interstate Bancorp: Duff & Phelps raised the ratings of First Interstate and its major subsidiary banks, and is keeping them on rating watch for a possible upgrade.

The holding company's senior debt was raised to A minus from BBB plus, subordinated debt was raised to BBB plus from BBB, and preferred stock was raised to BBB from BBB minus.

At the subsidiary level, the ratings for all rated banks have been upgraded, with the certificate of deposit ratings raised to Duff1 and the long-term deposit ratings to A.

The rated banks include First Interstate Bank of Arizona, First Interstate Bank of California, First Interstate Bank of Oregon, First Interstate Bank of Texas, and First Interstate Bank of Washington.

Duff & Phelps is no longer tiering the banks' ratings. Formerly the Arizona and California banks had been rated one level below the Oregon, Texas, and Washington banks.

The upgrades reflect improved nonperforming asset levels, improvement in reserve coverage of problem loans, strengthening of core profitability and capital measures, as well as the reduction in parent-company double leverage.

Keycorp: Duff & Phelps raised Keycorp ratings, and those of Key Bank of New York, its principal subsidiary. Keycorp senior debt was raised to A from A-minus, subordinated debt to A-minus from BBB-plus, preferred stock to BBB-plus from BBB and commercial paper to Duff 1 from Duff 1-minus.

Bank of New York's upgrades reflect asset quality, Duff & Phelps said.

Duff & Phelps said, "the rating upgrades reflect Keycorp's solid operating and profitability fundamentals. Geographic diversification and a commercial loan workout unit's ongoing focus have helped Keycorp maintain better-than-average asset quality and an overall lower risk profile."

SunTrust Banks Inc.: Standard & Poor's Corp. revised its ratings outlook on SunTrust to "positive" from "stable." Standard & Poor's also affirmed its ratings on SunTrust's senior debt at A-Plus; senior/subordinated debt, filed under a Rule 415 shelf registration, at preliminary A-Plus/A, and commercial paper at A-1.

Standard & Poor's said the outlook revision reflects SunTrust's proven ability to main-

BANK CALL NOTICE

Consolidated Report of Condition of
UNITED MISSOURI TRUST COMPANY
of New York
And Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business on June 30, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS — Dollar Amounts In Thousands

Cash and balances due from depository institutions
Noninterest-bearing balances and currency and coin ..... $ 1,511
Interest-bearing balances 20
Securities 1,014
Federal funds sold and securities purchased under agreements to resell 424
Loans and lease financing receivables:
Loans and leases, net of unearned income ..... $ 3,087
LESS: Allowance for loan and lease losses ..... $ 1,000
TOTAL ASSETS ..... $ 3,537

LIABILITIES
Other liabilities 123
TOTAL LIABILITIES ..... $ 123

EQUITY CAPITAL
Common stock ..... $ 100
Surplus 1,000
Undivided profits and capital reserves 2,314
TOTAL EQUITY CAPITAL ..... $ 2,364
TOTAL LIABILITIES AND EQUITY CAPITAL ..... $ 2,364

I, William M. Tawes, Treasurer, of the above-named bank do hereby declare that this report of condition is true and correct to the best of my knowledge and belief.
WILLIAM M. TAWES
July 27, 1993

We, the undersigned directors, attest to the correctness of this statement or resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.
LAWRENCE E. RUSSELL
MALCOLM M. ASLIN
E. FRANK WARE
Directors

BANK CALL NOTICE

CONSOLIDATED REPORT OF CONDITION of
United States Trust Company of New York
and Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business June 30, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS — Dollar Amounts In Thousands

Cash and balances due from depository institutions
Noninterest-bearing balances and currency and coin ..... $ 256,692
Interest-bearing balances 1,497,125
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs ..... None
Loans and lease financing receivables:
Loans and leases, net of unearned income 1,382,225
LESS: Allowance for loan and lease losses 12,859
Loans and leases, net of unearned income, allowance, and reserve 1,369,366
Premises and fixed assets (including capitalized leases) 56,171
Other assets 12,227
Investments in unconsolidated subsidiaries and associated companies 572
Intangible assets 1,079
Other assets 12,227
TOTAL ASSETS ..... $ 3,205,652

LIABILITIES
Deposits:
In domestic offices ..... $ 2,244,500
(1) Noninterest-bearing 1,292,839
(2) Interest-bearing 1,040,661
In foreign offices, Edge and Agreement subsidiaries, and IBFs 6,052
(1) Interest-bearing 6,052
Federal funds purchased and securities sold under agreements to repurchase 0
Demand notes issued to the U.S. Treasury 35,596
Other borrowed money 188,010
(1) Mortgage indebtedness and obligations under capitalized leases 3,150
Bank's liability on acceptances executed and outstanding 14,133
Other liabilities 114,502
TOTAL LIABILITIES ..... $ 2,547,326

EQUITY CAPITAL
Common stock 14,995
Surplus 40,000
Undivided profits and capital reserves 130,051
TOTAL EQUITY CAPITAL 185,046
TOTAL LIABILITIES AND EQUITY CAPITAL ..... $ 2,532,372

I, Richard E. Brinkman, Senior Vice President & Comptroller of the above-named bank do hereby declare that this Report of Condition is true and has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.
RICHARD E. BRINKMAN, SVP, Comptroller
July 27, 1993

We, the undersigned trustees, attest the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.
H. MARSHALL SCHWARZ
FREDERICK S. WOMACK
DONALD M. ROBERTS
Trustees

Highlights for Friday, August 6

TOP 10 GAINERS %

Harleysville National Corp.	9.0
AMCORE Financial, Inc.	5.3
Boulevard Bancorp, Inc.	4.8
Allied Bankshares, Inc.	4.5
Southwest National Corporation	3.9
PNC Bank Corp.	3.9
Omega Financial Corporation	3.8
Lake Shore Bancorp., Inc.	3.4
WesBanco, Inc.	3.2
First Commercial Corporation	3.1

TOP 10 LOSERS %

NBT Bancorp	-5.7
F&M Bancorp	-4.7
Southern Indiana Bancorp	-4.6
Firstbank of Illinois Co.	-3.3
Hancock Holding Company	-3.3
Dauphin Deposit Corporation	-2.9
U.S. Bancorp	-2.4
Crestar Financial Corporation	-2.2
Intercontinental Bank	-2.2
Pikeville National Corporation	-2.1

MOST SHARES TRADED

Chase Manhattan Corporation	916900
Citicorp	771600
Chemical Banking Corp.	602600
BankAmerica Corporation	589100
NationsBank Corporation	515600

VOLUME AS % OF AVERAGE

Mountaineer Bankshares	2746.2
Independence Bancorp	959.6
Bancinsurance Corp.	901.1
Boulevard Bancorp, Inc.	666.6
Farmers Capital Bank Corp.	414.9

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively.

Dow Jones Industrial Average				American Banker Index				American Banker Thrift Index			
Day	Week	Month		Day	Week	Month		Day	Week	Month	
0.32	0.59	1.31		0.21	0.44	0.87		0.47	0.11	3.07	

TOP 225 BANKS

52 Wk. Hi	Low	Name	Pct % to Hi	Mkt Bid	Mkt Ask	Chg.
19¼	15½	1stSourceCorp/In	16.2	18.5	19	¼
27¼	18¼	AMCORE Fin'l,	11.5	130.9	25	1/4
31¼	21¼	AmeriSouthBancorp	10.7	146.4	31¼	¼
35¼	26¾	AmSouthBancorp/Al	10.7	146.4	31¼	¼
30¼	23¼	AnchorBancorp/Wi	11.5	130.9	25	1/4
32¼	25¼	BB&T Financial Co	11.5	130.9	25	1/4
27½	12	BOK Financial Co	12.1	243.9	20	
33	23¼	BancFirst Corp/Ok	11.5	130.9	25	1/4
11⅞	6	BaltimoreBancp/MD	14.2	119.7	11½	-¼
31¾	24¾	BarBancorp/Ca/Fl	10.0	122.8	27	-¼
61	42½	BancOneCorp/Oh	14.4	230.0	53¾	-¼
53¼	40¾	BancorpSouth Inc	11.0	140.0	36¾	-¼
40¾	27¼	BancorpSouth/Ms	11.0	140.0	36¾	¼
34¼	41	BankAmericaCorp/Ca	16.8	116.3	45¾	¼
30¼	26	BankGrantingCorp/Nc	16.5	257.9	28¼	
14¾	9¼	BankSouthCorp/Ga	14.2	119.7	11½	-¼
78¾	59	BankersTrust/NY	8.5	171.1	75¾	
17¼	12¾	BankersWestCorp/Ut	25.7	100.9	16	-¼
28¾	18¾	BankofBoston-MA	8.8	110.1	24¼	-¼
61¾	39¾	BankofNY Co/Inc	14.5	173.2	52¾	-¼
52¾	34¾	BarnettBanks/Fl	18.5	178.2	47¼	¼
50¾	34¾	BayBanks Inc	11.5	130.2	45¼	¼
49¾	36¾	BeneficialCorp/De	11.5	130.2	45¼	¼
21¾	13¾	BoulevardBanc/IL	29.8	188.3	21¾	1
30¾	20¾	CBT Corporation/Ct	11.7	141.9	33	
35¾	26¼	CBT Corporation/Ny	11.7	141.9	33	
49¾	36¾	CNB Bancshares/In	18.5	178.2	47¼	¼
34¾	23¾	CNB Bancshares/Oh	16.5	169.2	33¾	-¼
43¾	24¾	CS First Boston Inc	12.5	123.4	35¼	-¼
13¾	7¼	CVB FinCorp/Ca	9.0	148.3	12¾	
14	9¾	CalFed Bancorp/Ca	13.5	144.8	36¾	-¼
34¾	13¾	CathayBancorp/Ca	10.2	135.3	13¾	-¼
24¾	17¾	CenFed Financial	10.1	175.7	24¾	
34¼	22¾	CentralFidelity/Va	11.9	178.6	29¾	¼
24¾	16¾	CentralBancorp/Oh	14.5	164.4	23¾	
24¾	18¾	CentralBanks/Tx	10.6	155.1	20¾	-¼
24¾	16¾	CentralBancorp/Ca	14.5	164.4	23¾	
47¾	34¾	ChaseManhattan/Ny	14.2	178.8	47¼	
47¾	34¾	ChemicalBanking/Ny	14.2	178.8	47¼	
33¾	14¼	CitizensBkg/Mi	10.2	146.5	13¾	-¼
33¾	14¼	Citizens/Ny	12.0	137.7	33	
29¾	19¾	CityNational/Ca	10.2	135.3	13¾	-¼
20¾	16¾	CitizensBanking/Mi	14.2	154.2	20¾	
29¾	19¾	CitizensBanking/Pa	10.2	135.3	13¾	-¼
37¾	17¾	CityNational/Ca	15.3	181.1	27¾	
11¼	4¾	CoastFed/Ca	10.0	104.8	6¾	
23¾	17¾	ColonialBancGr/Al	9.7	138.2	22	
30¾	21¾	ColonialBancGr/Fl	10.9	187.3	30¾	
36¼	14	CommercialBk/Ny	18.8	197.6	26¼	¼
17¼	11¼	CommerceBancorp/Nj	13.5	144.8	15¾	-¼
33¾	25¼	CommerceBcshs/MO	11.4	138.4	29¼	
24¾	14¾	CommunityBk/Ny	14.4	211.6	20¾	-¼
15	11¼	CommunityFed/Md	10.2	144.6	13¾	-¼
15¾	11¼	Compass Bancsh/Al	10.2	144.6	13¾	-¼
15¾	11¼	Conbanco/Il	4.7	87.9	13¾	
60¾	47¼	CoreStates Fin'l/Pa	10.9	177.6	54¾	-¼
25¾	18¾	CrestarFinCorp/Va	13.6	158.5	22¾	-¼
20¼	21	CullenFrost/Tx	10.0	172.8	38¼	-¼
25¾	20¾	DauphinDeposit/Pa	12.1	160.7	24¾	
35¾	20¾	DepositGuaranty/Ms	10.0	147.7	29¾	
17¾	12¼	F & M Nat'l Corp/Va	11.7	152.5	15¾	-¼
22	17¾	FAMBancorp/MO	9.9	138.1	20¼	-¼
18¾	9¼	FNB Corp/Pa	15.1	186.8	13¾	
29	24	FarmersCapital/Ky	15.5	122.7	28¾	-¼
24¾	16¾	FedFinancial/Co	10.2	135.3	13¾	-¼
31¾	23¾	FinancialTrust/Ms	13.2	188.8	41	
31¾	23¾	FirstAmBancorp/Tn	10.2	135.3	13¾	-¼
38¾	27¾	FirstAlabama/Al	11.3	173.2	32	

52 Wk. Hi	Low	Name	Pct % to Hi	Mkt Bid	Mkt Ask	Chg.
26¼	20¾	FirstAmerica-TX	7.5	230.8	25	-¼
33¾	20¾	FirstAmerCorp/Tn	15.9	182.4	31¾	-¼
34¾	25¾	FirstBancorp/Ca	10.2	135.3	13¾	-¼
33¾	23½	FirstBankSystem-MN	27.7	178.3	36¾	-¼
33¾	23½	FirstBank/Co	27.7	178.3	36¾	-¼
12¾	8¾	FirstCapital/Ca	10.2	135.3	13¾	-¼
12¾	14¾	FirstCommerce/La	9.6	132.9	17½	-¼
24¾	17¾	FirstCommerce/Tn	10.2	135.3	13¾	-¼
75	43½	FirstCommerce/NC	10.6	157.9	73	
34¾	23¾	FirstCommerce/Ok	11.1	183.3	33	-¼
31¾	25¼	FirstCommFin/Pa	12.2	157.9	30	¼
21¾	9¼	FirstEastern/Pa	9¼	185.3	21¾	
157½	128	FirstEmpire/NY	11.4	181.3	143	-1
24¾	11¼	FirstFederalCp/Fl	11.1	185.1	48	
49¾	37¾	FirstFedBanc/OR	15.9	213.1	49¼	¼
58	36¾	FirstFinancial/In	11.5	147.2	55	¼
30¾	23¾	FirstHawaiian/Hi	10.2	152.1	27½	
27¾	19¾	FirstInterstate/Ca	8.8	157.5	25	
27½	19¾	FirstMichBancp/Mi	12.6	175.2	27	-¼
27¾	19¾	FirstMichCorp/Mi	12.6	175.2	27	-¼
27¾	15¾	FirstNiagara/Ny	12.8	156.8	20¾	-¼
27¾	15¾	FirstNiagara/Ny	12.8	156.8	20¾	-¼
51½	35¾	FirstUnionCorp/Nc	13.3	178.5	46¼	¼
51½	35¾	FirstUnionCorp/Va	13.3	178.5	46¼	¼
39	34	FirstbankofIL	11.5	161.5	36¼	-¼
42¾	30¾	FirstofAmerica/Mi	10.9	163.3	38¼	
37¾	26¾	FleetFinancial/Ri	14.0	155.2	32¼	¼
37¾	26¾	FleetFinancial/Ct	14.0	155.2	32¼	¼
31½	24¾	FortWorthBancp/Tx	13.5	170.4	31¾	
31½	24	FourthFin/Cp/Ks	11.4	154.2	29¾	
31¾	24¾	FourthFin/Cp/Ok	11.4	154.2	29¾	
30¾	26	FrstMerchants/Oh	11.4	142.1	26	¼
30¾	26	FrstMerchants/In	11.4	142.1	26	¼
19¾	12¾	FultonFin/Pa	10.7	171.6	19	
17¾	13¾	GBC Bancorp/Ca	8.0	131.7	15¾	
35¾	24¾	GeorgiaBanc/Ga	10.2	135.3	13¾	-¼
35¾	24¾	HancockHldg/Ms	9.2	148.2	29	
19¾	13¾	HarleysvilleNat/Pa	11.7	188.3	20¾	
19¾	13¾	HarleysvilleGp/Pa	11.4	155.8	17¾	
19¾	13¾	HarleysvilleNat/Pa	11.4	155.8	17¾	
8¼	4¼	HiberniaCorp/La	NM	149.5	6¾	
27¾	16¾	HuntingtonBcshs/In	13.0	221.1	25¾	
27¾	16¾	HuntingtonBcshs/Oh	13.2	218.4	25¾	-¼
21¾	6¾	IBERIABANK/La	17.7	402.7	6¾	
29¾	21¾	IndependenceBk/Pa	39.3	156.4	29¾	¼
30¾	20¾	IndianaFed/Cp/In	10.3	198.7	30¾	
18	12¾	InterstateBcshs/Va	11.3	147.9	16¾	-¼
18¾	12¾	InterstateBcshs/Va	11.3	147.9	16¾	-¼
34¾	24¾	J.P. Morgan/NY	10.5	163.9	30¾	
34¾	24¾	J.P. Morgan/Del	10.5	163.9	30¾	
30¾	20¾	KeyCorp/NY	11.3	193.2	39¾	¼
30¾	20¾	KeyCorp/NY	11.3	193.2	39¾	¼
24¾	19¾	LakeShore/IL	13.4	184.1	22¾	¼
27¾	16¾	LibertyBancorp/Ok	9.1	154.3	25	
28¾	20¾	LibertyNatBan/KY	14.3	188.1	27¾	
30¾	18¾	MBNACorp/DE	17.7	402.8	30¾	
14¾	10¾	MNC Financial/MD	10.2	123.4	14¾	
19¾	13¾	MagnaGroup/MO	11.1	164.4	19¾	
29¾	17¾	MarshallsBcshs/MO	13.5	212.6	28	
29¾	20¾	MarshallsBcshs/WI	13.5	195.2	29¾	
60¾	40	MellonBank/Corp/PA	9.0	141.0	54½	
60¾	40	MellonBank/Corp/PA	9.0	141.0	54½	
30¾	21¾	MercantileBcp/IL	11.5	146.3	34¾	
30¾	21¾	MercantileBcp/MO	11.5	146.3	34¾	
34¾	24¾	MercantileBcp/MD	11.3	157.4	32¾	¼

52 Wk. Hi	Low	Name	Pct % to Hi	Mkt Bid	Mkt Ask	Chg.
23¾	18¼	UnitedCarolina/NC	10.4	137.8	23	
19¾	14½	MidAmericaBk/Fl	14.5	137.3	19¾	-¼
40¾	36¼	UnitedMissouri/MO	13.8	130.2	39¼	
32¾	17¾	UnitedNatlBcp/Nj	11.5	140.1	32¾	
45¾	35	WaterfordBcp/Wi	13.4	176.2	44¾	¼
28	19¾	WaterhealthBcs/Ny	12.3	243.6	24¾	
27¾	20¾	VictoriaBcshs/Tx	8.9	127.7	25	¼
22¾	16¾	WachoviaCorp/Ga	13.5	219.2	19¾	¼
120	81¾	WellsFargo/CA	21.9	188.6	114¼	¼
31¾	21¾	WestAmerica/Ca	11.5	130.2	45¼	¼
30¾	20¾	WestBancorp/Or	10.0	171.3	30¾	-¼
29¾	18¼	WestamericaBcp/Ca	10.5	136.6	29	
30¾	21¾	WhitneyHolding/La	10.5	136.6	29	
36¾	21¾	WhitneyHolding/La	5.5	147.7	36	-¼
30¾	20¾	WilmingtonTrust/DE	11.3	193.2	39¾	¼
27¾	20¾	WorthenBanking/Ar	8.8	145.9	23¾	
19¾	5¾	NorthFinancial/Wa	15.3	196.7	41¾	¼

TOP 25 THRIFTS

52 Wk. Hi	Low	Name	Pct % to Hi	Mkt Bid	Mkt Ask	Chg.
18¾	12¾	ALBANYFinancial/NY	11.3	82.6	18¾	-¼
19¾	14¾	BankAtlantic/Fl	5.1	97.3	19¾	
23½	6¾	CalFedBanS&Ln/CA	NM	31.2	10¾	-¼
10¾	8¾	CenFedBk/Ma	8.2	82.3	34¼	
18¾	8¼	CoastSavingsFin/CA	14.1	65.2	13¾	
29¾	21¾	CommonwealthBk/Va	10.7	274.3	29¾	
27¾	11¾	CommercialFed/NE	11.1	118.6	24¾	
24¾	16¾	CoreStatesFin/Cp/Nj	12.4	182.4	34¾	
36¾	24	PinnacleBancp/Co	9.2	218.9	34	
24¾	16¾	PinnacleBancp/Ca	14.2	140.9	15¾	
23	14¾	PeoplesBcshs/Va	10.2	163.7	18½	
19¾	14¾	PeoplesBcshs/Va	10.9	155.6	17¾	
19¾	9	PrestonBancorp/MO	17.0	63.9	16½	
19¾	9	PrestonBancorp/MO	17.0	63.9	16½	
19¾	12¾	WashFirstCp/Wa	11.2	151.2	19¾	
19¾	12¾	WashFirstCp/Wa	9.0	138.1	19¾	
35¾	24	WellsFinancial/Ca	11.5	227.1	35¾	
35¾	24	WellsFinancial/Ca	11.5	227.1	35¾	
35¾	24	S&TBancorp/Pa	12.8	173.7	35¾	
35¾	24¾	SalomonBrothers/Nj	14.3	169.2	29¾	
14¾	10¾	SecurityCapital/Ac	11.9	144.2	14¾	
29¾	20¾	SecurityCapital/Ga	29.5	165.1	29¾	
30	21	ShorelineFin/Ca/Wi	14.9	185.5	28¾	
30¾	20¾	SouthFinancial/Sc	11.5	147.2	55	¼
30¾	23¾	SterlingBancp/Ny	10.6	193.8	32¾	-¼
15¾	10¾	SterlingFin/Wa	12.2	161.8	39	
23¾	16	SouthwestCapCp/Nc	10.7	163.9	20¾	
30¾	23¾	SterlingBancp/Ny	10.6	193.8	32¾	-¼
39	29¼	Star Banc Corp./Oh	13.3	170.7	36¼	
39¾	29¼	StarBancCorp/Oh	13.3	170.7	36¼	
32	22	SuburbanBancp/Il	9.8	156.3	43¼	
32	22	SuburbanBancp/Il	9.8	156.3	43¼	
30¾	20¾	SunBancorp/Nj	13.6	204.8	45¼	¼
30¾	20¾	SunBancorp/Nj	13.6	204.8	45¼	¼
20¼	14¾	SpinnakerCorp/Ca	17.8	272.7	17¾	
20¼	14¾	SpinnakerCorp/Ca	17.8	272.7	17¾	
23¼	13¾	TransFinancial/Ky	13.0	185.8	18	
38¾	28¾	TrustCoBancCorp/Ny	15.8	230.8	42	
16¼	11	TrustcompanyNJ	16.3	187.3	15	
30¾	20¾	UnionPlanters/Tn	13.2	148.2	47¼	¼
28	21¾	U.S. Bancorp/Or	11.4	161.1	25¾	-¼
30¾	20¾	U.S.TrustCorp/NY	14.0	262.7	30¾	
28¾	18¾	UJB Financial/Nj	19.3	160.2	28¾	¼
28¾	18¾	UJB Financial/Nj	8.9	159.2	28¾	
12	7¾	UST Corp./Ma	NM	90.6	7¾	-¼
12	7¾	UST Corp./Ma	NM	90.6	7¾	-¼
17¾	10¾	UnionPlanters/Tn	13.2	148.2	47¼	¼
25¾	19	UnitedBcshs/WV	14.1	214.3	24¾	

New Bank and Thrift Securities

Most recent offerings listed in date order of offering

Issue	Offer Date	Amount ($ Mil)	Spr. Spr.	Offer Price	Offer Yield	Maturity Date
Bank of America N.T. & S.A. First Boston	7/29/93	250.0	CCPFD	50.000	6.000	
Toronto Dominion Bank Morgan Stanley	7/26/93	150.0	SUBFLN	Market	Floats	8/4/03
Chase Manhattan Salomon Brothers	7/29/93	100.0	SUBFLN	50.000	6.000	
Metropolitan Bancorp. Dain Bosworth	8/3/93	20.0	SUB	100.000	8.500	7/31/03

Sec. Type: Type of security issued. **CCPFD**—Cum. Convertible Preferred; **COM**—Common Shares; **SUB**—Subordinated Notes; **SUBFLN**—Floating Rate Notes.
Data Source: *Securities Data Company, Newark, N.J. (201) 622-3100*

Key Rates•

(August 6, 1993)

	8/6	8/5	7/30	8/6/92
Federal Funds domestic range	3	3¼ / 3	3¼ / 3	3¾ - 3¾
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit†				
3 Month Posted	2.78	2.78	2.78	2.90
6 Month Posted	2.97	2.97	3.00	3.10
1 Year Posted	3.25	3.25	3.30	3.52
Eurodollar deposits‡				
3 Month	3 ⅛	3 ¼ / 3	3 ¼ / 3	3 ¼ / 3
6 Month	3 ⅜	3 ⅜	3 ⅜	3 ⅞ / 3
1 Year	3 ⅝	3 ¾ / 3	3 ¾ / 3	3 ¾ / 3
Dealer Commercial Paper‡				
1 Month	3.15	3.15	3.15	3.80
3 Month	3.20	3.20	3.15	3.90
6 Month	3.35	3.33	3.22	3.47

**(*)— Late afternoon quotes, New York market. (†)— Highest offering rates (annual % yield) at selected NYC money center banks. (F)— Late London bid. (R)

STOCKS
Big Banks Becalmed In Summer Slowdown

By RICHARD LAYNE

Shares of major banks slid into the August doldrums last week, but merger fever lit a fire under the stocks of some small banks.

For the five trading days that ended Thursday, the *American Banker* index was off 0.27%. The Dow Jones industrial average dipped slightly more, to 0.52%. Bank shares were mixed Friday, while the Dow gained 11.46 points to close at 3,560.43.

Bank shares are expected to be more or less flat again this week.



Prices are expected to be more or less flat again this week.

said money managers and analysts.

"The dog days of August are setting in," said Judah Kraushaar, an analyst with Merrill Lynch & Co.

One reason for last week's lackluster trading and this week's similar forecast is that money managers are still digesting the second-quarter earnings reports. Some big banks reported record trading profits and big gains in venture capital activity. The question money managers are still debating is how sustainable are those sources of revenue.

"A lot of the action in bank stocks is from money managers repositioning their holdings," said David Sloan, a trader at SIFE Trust Fund in Walnut Creek, Calif.

Last week's dull trading, however, was considered good news.

"The week was quiet, but at least bank stocks didn't give up ground," said James Schmidt, who runs the Freedom Regional Bank Fund in Boston.

Unlike previous quarters, bank shares haven't nosedived after the release of quarterly earnings.

"Shares of a few big banks had sizable moves last week.

Chase Manhattan Corp.'s shares jumped 6.9% to $33.625 in late-afternoon trading Friday. Earlier in the week, Frank Suozzo, an analyst at S.G. Warburg & Co., issued a report on the bank that said it had the best prospects for total return in the industry over the next six to 12 months.

CoreStates Tumbles

Mr. Suozzo's price target is around $42, or 10 times his 1994 earnings estimates. Given that appreciation and the dividend yield, he calculates the total return from Friday's share price at around 32%.

The shares of Corestates Financial Corp. tumbled 4%, to $54.75, after the bank announced it would acquire Constellation Bancorp. in Elizabeth, N.J., last Monday.

Investors were unhappy with the high price CoreStates paid and the slight dilution of CoreStates' book value that the merger will cause. But even more, they expressed dissatisfaction with CoreStates' record on acquisitions.

The Philadelphia bank accepted 8% dilution in its earnings per share when it acquired New Jersey National Bank. While the more recent acquisition of First Pennsylvania made more economic sense, CoreStates ran into a nest of bad loans there.

Focusing on Targets

Nevertheless, the deal for Constellation kept investors focused on mergers.

"In the past few weeks, we've seen a lot of merger announcements," said Mr. Sloan. "That lit a fire under potential takeover names."

The shares of other New Jersey banks climbed up again last week. These shares have been running up since bank stocks came out of their slump in mid-June.

"New Jersey will be a battleground state," said Mr. Schmidt.

Shares of UJB Financial Corp. gained $1.875 last week, or 7%, to $28.875 in late trading Friday. The shares had dipped to $22 in mid-June, after a prolonged sell-off, but are now near their 52-week high.

Midlantic's shares gained only 87.5 cents last week, to $25, but its share price is higher than in mid-April. In mid-June, the shares traded around $18.

Takeover Speculation

Oklahoma banks continued to be the focus of takeover speculation. In late trading, Liberty Bancorp.'s shares were up 50 cents, to $34.50., a 4.5% gain on the week.

The remaining independent banks in Texas had a quiet week, after a torrid three weeks. For example, Cullen/Frost Bankers shares were unchanged at $38.50 last week. But in the past month, the shares have jumped 13%. □

CAPITAL
Citicorp Plans Big Debt Offering

Continued from *page 1*

by the audience," said one bond analyst.

"They've come a long way in the past few years, and it was sort of safe to come out and sit down with fixed-income analysts again," said Michael O'Brien, a bond analyst with Fidelity Investments.

Citicorp faces ideal conditions for a new debt issue. Its bonds have rallied strongly in the last two months. The bank's 7¾% 10-year subordinated notes on Friday were bid to yield 90 basis points over the 10-year U.S. Treasury note, compared with a 120-basis-point premium when they were issued, according to Kidder Peabody & Co.

$1.1 Billion Issued

So far this year, Citicorp has issued $1.1 billion in subordinated debt. Joseph Labriola, a bond analyst with Kidder Peabody, estimated Citicorp will issue another $800 million to $1 billion this year.

Mr. Jones told analysts that any debt issued by Citicorp this year will replace existing debt, meaning the company is looking to cut its interest expense rather than raise additional capital.

Mr. Labriola recommends buying Citicorp bonds because the bank has the potential for big earnings improvement, will likely have credit ratings upgrades in the next few quarters, and has little risk of credit deterioration.

Profitability Rising

Mr. Jones discussed Citicorp's rising profitability in the last two years, which has stemmed from

An issue of $250 million to $500 million is expected.

declining loan-loss provisions and expenses and growing trading earnings.

The bank's operating earnings in the first half of this year were $816 million, compared with $326 million of net income in the first half of 1992.

Citicorp's reserve coverage of cash-basis commercial loans has risen from 22% in the 1991 first quarter to 63% at the end of June, and its Tier 1 capital has risen from a weak 3.7% at the end of 1991 to 5.7% at the end of June.

Mr. Jones said the bank plans to continue building reserves. Still, Citicorp's reserve coverage is far below the 156% average for the nine money-center banks covered by First Boston Corp.

In another bright note, the company's Citibank subsidiary may be close to being categorized as "well-capitalized," a classification that would reduce its deposit insurance premiums.

The main roadblock now is an outstanding memorandum of understanding it signed with regulators, putting it under close scrutiny. A spokesman declined to say when the memorandum might be lifted.

But otherwise, the bank has met the criteria for "well-capitalized" banks. Its ratios now have climbed above the minimum requirements of 5% leverage capital, 6% Tier 1, and 10% total capital.

Mr. Jones said Citicorp's global reach in consumer banking and trading differentiates it from other U.S. banks, and will support future earnings improvement. □

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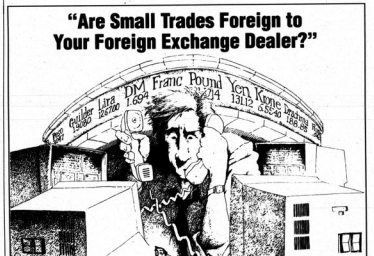

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INSIDE NEWS

WASHINGTON

SEARS MORTGAGE Co. will hire the National Pair Housing Alliance, a civil rights group, to help stamp out any racial bias in its huge lending operation. *Page 2*

REGIONAL BANKING

SOUTHERN NATIONAL Corp. took a bold and expensive step last week when it agreed to purchase the largest independent thrift left in South Carolina. *Page 4*

COMMUNITY BANKING

JAMES H. POWELL has worked miracles on problems he never thought he would confront in banking, just three years after taking control of Northside Bank and Trust Co. outside Atlanta. *Page 6*

MORTGAGES

RATES ON 30-YEAR fixed mortgages fell 6 basis points to 7.25% last week in response to slower-than-anticipated economic growth. *Page 8*

INVESTMENT PRODUCTS

WHEN BAYBANKS launched its own no-load mutual funds last spring, the company gave employees a crash course in how to sell them. *Page 10*

CREDIT/DEBIT/ATMs

FIRST FINANCIAL Management Corp. has opened another front in its drive to dominate in transaction processing: the supermarket industry. *Page 12*

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LATE NEWS

First Interstate Deal

First Interstate Bancorp said it will buy San Diego Financial Corp., parent of San Diego Trust and Savings Bank, for about $340 million in stock.

The acquisition would triple Los Angeles-based First Interstate's deposit market share in San Diego to 9%. San Diego Financial has $2 billion in assets.

Get the inside news on banking. Subscribe to American Banker. Call 800-221-1809, extension 74.

See **MERGER** *page 4*

Merger Wave Sweeping into Keystone State

By KAREN GULLO

Expansion-minded suitors are moving quickly to consolidate Pennsylvania's banking industry, according to experts in the Northeast.

Nearly a dozen small and medium-size banks and thrifts are sprinkled throughout the state. Those with assets of $1 billion to $15 billion are expected to be swept up in mergers, as has already happened in Florida, Georgia, and some other states.

The suitors will come from Pennsylvania and elsewhere, according to analysts.

The Keystone State's largest banking institutions – PNC Bank Corp., Mellon Bank Corp., and CoreStates Financial Corp. – are seeking fill-in acquisitions, across its wide expanse.

Meanwhile, big regional banks from New York, New Jersey, and Maryland Ohio are also scouting with fervor.

The prize is demographics. Pennsylvania is rich in small and medium-size businesses, has a relatively well-educated population, and borders six other states.

Assorted Strategies

"We'll see a combination of in-market mergers as well as acquisitions by out-of-state banks seeking contiguous market share," said James P. Benson, research director at Ryan, Beck & Co., Philadelphia.

Some analysts believe that some of the state's bigger banks also will be acquired quickly.

Thomas Hanley, who follows large banks for First Boston Corp., is betting that Integra Financial Corp., a $13 billion-in-asset Pittsburgh-based company, will be scooped up relatively soon.

Meridian Bancorp, a Reading-based regional bank with $12 billion in assets, is also considered a likely takeover target.

And even Philadelphia-based CoreStates, with $23 billion in assets, would be a valuable franchise for a New York or New Jersey bank, banking sources said.

The Search for Revenue

In some respects, consolidation in Pennsylvania is happening for the same reasons as it is everywhere else, according to Mr. Benson.

Potential acquirers are trying to broaden revenue streams by acquiring new franchises, and



Drop in Rates Could Put Banks in Bind, Analysts Say

By GORDON MATTHEWS

No sector in the stock market has benefited more from falling interest rates than the banking industry. But some analysts are warning that any additional declines might backfire.

The reason: Many banks, assuming rates recently hit their lowest point, have positioned themselves for a gradual rise in money market rates late this year and into next year.

But short-term and long-term rates fell Monday, apparently in response to congressional passage of President Clinton's economic program over the weekend.

Long Bond at New Low

The benchmark 30-year Treasury bond hit a new low. In afternoon trading, its yield was at 6.47%.

If the trend continues, "there will be unpleasant consequences for bank investors," said Stephen Berman of NatWest Securities Corp.

Mr. Berman and a handful of analysts who share his views remain in the minority. Indeed, bank stocks rallied Monday along with the rest of the market.

But these analysts are convinced that banks have already derived all the possible benefits of falling rates.

"The wearing out of the funding advantages and credit quality improvements carried over from 1992 is an increasing threat to bank earnings," he noted.

During the past two years, as the cost of funds fell faster than

See **STOCKS** *page* **18**

Chemical Glitch Leads To $350,000 ATM Fraud

By MATT BARTHEL

Computer problems related to Chemical Banking Corp.'s merger with Manufacturers Hanover Corp. allowed more than $350,000 in fraudulent transactions to be made at the bank's automated teller machines, according to internal documents obtained by the *American Banker*.

The fraud incidents, which number almost 1,000, arose when some Chemical ATM cardholders found they could withdraw cash without its being debited from their accounts.

A series of Chemical memos indicates that system conversion problems last spring – specifically in transferring control of Hanover ATMs to Chemical's computers – were responsible for the security lapses.

'Bug in the Software'

On May 11, the day when Hanover's ATMs were linked, "there was apparently a bug in the software which allowed customers who opened new accounts and received a temporary ATM card to obtain credit card advances where no credit linkage was ever established," one memo said.

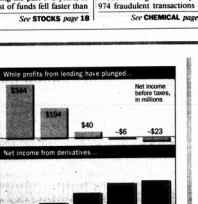
The memo goes on to say that 974 fraudulent transactions oc-

See **CHEMICAL** *page* **3**

Banking on Derivatives

THESE DAYS, Bankers Trust sees itself primarily as a risk manager, not a lender. And when it comes to innovative risk-management products, the bank is leading the way.

See story on page 20



NEWS *briefs*

RTC Approves the Sale of 3 Failed Thrifts

WASHINGTON — The Resolution Trust Corp. has approved the sale of three failed thrifts.

Household Bank of Newport Beach, Calif., will assume $119 million of insured deposits from $119 million-asset San Clemente Federal Savings Bank. Household paid the RTC $382,595 for the deposits and paid an additional $31.5 million for the same amount of cash, cash equivalent, and share loan assets.

Separately, Summit (N.J.) Bank paid the RTC $4.6 million for $87.6 million of deposits from the failed Marine View Federal Savings Bank in Middletown, N.J.

Summit is also buying $40 million of the failed thrift's assets. Marine View Federal had $93.3 million of assets when it failed.

Also, First Commercial Bank, Birmingham, Ala., agreed to pay the RTC $888,889 for $53.1 million in deposits of failed Birmingham Federal Savings Bank. First Commercial is also buying $19.9 million of the failed thrift's assets. Birmingham Federal had $52.6 million in assets when it failed.

Argentina, Citicorp Seek a Later Deadline

NEW YORK — Argentina and Citicorp have asked the nation's creditor banks to extend the deadline for reconciling $7 billion in past-due interest payments to Oct. 29 from Sept. 1.

Domingo Cavallo, minister of the economy, and William R. Rhodes, vice chairman of Citibank, said Friday the extension was necessary because of the complex reconciliation process and the consequent difficulties some banks and agents were having in determining the amounts due.

Argentina paid $770 million and issued more than $6 billion in 12-year bonds into an escrow account on April 7, pending distribution to creditors. The country will separately swap some $19.3 billion in debts to commercial banks for bonds at a discount on either interest or principal.

Senior bankers warned last week that the deal on past due interest could wind up in Federal or New York State court unless creditor banks moved quickly and agreed to an extension before Sept. 1.

MBank Executives in $39 Million Settlement

DALLAS — Insurers of 26 former executives of the failed MBank Dallas paid $39.2 million to settle regulators' potential claims stemming from the bank's 1989 collapse, according to a published report.

The Dallas Morning News reported that the payment is the largest on behalf of officers and directors of a failed bank.

Officials with the Federal Deposit Insurance Corp. told the newspaper that three insurance companies representing the officers and directors made the payment earlier this week.

The settlement is not an admission of wrongdoing, liability, or fault, but it releases the former bank executives from potential legal action brought by the FDIC and frees the federal agency from possible counterclaims, the newspaper said.

Bank regulators seized MBank Dallas and 10 other MCorp banks in March 1989 because of troubled assets.

Earlier this year, former officials of the failed First Republic-Bank Corp paid $23 million to the FDIC.

Mercantile Establishes Flood Loan Fund

ST. LOUIS — Mercantile Bancorp. has established a $10 million fund for low-interest consumer loans to flood victims in Missouri, Illinois, and Kansas.

The company said the fund will offer unsecured loans of up to $5,000 at 8% interest for five years and secured loans of up to $25,000 at 6% interest for 10 years.

Snyovus Unit Buys Birmingham Deposits

COLUMBUS, Ga. — Synovus Financial Corp. has acquired the deposits of Birmingham Federal Savings Bank.

The Birmingham Federal offices in Vestavia and Roebuck will operate as full-service banking centers of First Commercial Bank, Synovus said.

At June 30, Birmingham Federal had deposits of about $49 million. With the assumption of Birmingham Federal's deposits, First Commercial Bank's assets will exceed $400 million. First Commercial Bank now has nine locations in Birmingham.

Fleet Mortgage Lending Up 59% for July

COLUMBIA, S.C. — Fleet Mortgage Group Inc. said its loan production totaled $2.2 billion in July, 59% more than a year earlier.

Retail production soared 95%, to $1 billion. Correspondent production hit $1.2 billion, up 39%.

Loan production through this year's first seven months was $12.1 billion, up from $10.4 billion in the comparable 1992 period. Retail production was up 30%, to $5.4 billion. Correspondent production rose to $6.7 billion, from $6.3 billion.

The briefs were compiled from staff and wire reports.

Sears Hiring Civil Rights Group To Scrutinize Its Lending for Bias

By CLAUDIA CUMMINS



Walter Klein Jr.
Heads mortgage unit

WASHINGTON — Sears Mortgage Corp. is planning to hire a civil rights group to help stamp out any racial bias in its huge lending operation.

The pending deal between Sears, the nation's seventh largest mortgage originator, and the National Fair Housing Alliance, a Washington-based nonprofit organization, is a potent example of the growing cooperation between lending institutions and their former adversaries.

The alliance's members have filed lending discrimination suits against a number of banks.

Recently, it won a contract worth around $1 million from the Department of Housing and Urban Development to look for lending bias by mortgage lenders in three undisclosed cities.

8 Months of Negotiations

The program being discussed would include a review of Sears' underwriting guidelines and application procedures, lengthy training of loan officers and others that come into contact with the application, and testing.

Sears and the alliance have been negotiating the contract for about eight months. All that remains is for it to be signed, said Shanna Smith, director of programs at the civil rights group.

Sears spokesman Larry A. Costello confirmed that the two groups are negotiating, but declined to comment on specifics.

'High Credibility'

Sears chose to work with alliance, he said, "because they are known for their high credibility and professional approach."

Sears Mortgage Corp., headed by Walter Klein Jr., was the seventh largest mortgage originator in 1992. The Vernon-Hills, Ill.-based company funded $5 billion in residential mortgages in the first half of the year. PNC Bank Corp. announced in May that it plans to buy the company and close the deal by yearend.

The National Fair Housing Alliance, a network of about 60 grass-roots fair housing groups around the country, is the only national advocacy group that focuses exclusively on education and enforcement of fair-housing laws.

Based in Washington, the three-year-old network has worked closely with the Department of Housing and Urban Development in its efforts to deter discrimination in all aspects of housing, including lending.

Members of the National Fair Housing Alliance have sued a number of banks.

Works Closely with HUD

The alliance investigated homeowners insurance companies for HUD. It also has worked closely with HUD as the department develops a specialized unit that will focus exclusively on lending discrimination.

Ms. Smith said the group sees no conflict of interest in contracting with both the government and the industry to test lenders for discrimination. In fact, the group hopes to use the Sears program as a prototype for training and testing with other mortgage companies and banks.

"We intend to develop a good nationwide program for mortgage-lending training," she said.

Already, the group is talking with a major mortgage lender in the South about a similar contract, Ms. Smith said. And several other banks have contacted the alliance for advice on fair lending, she added, although the group has not entered formal contracts with any of them.

"Our goal is to eliminate housing discrimination, and you do it two ways: education and litigation," Ms. Smith said. While the alliance's members will continue to bring lawsuits against lenders that they believe have discriminated, she said, the testing program will protect lenders to some extent.

"Our goal is not to file as many lawsuits as we can," Ms. Smith said. "It makes more sense to have a working relationship between the fair housing centers and the lenders."

Will Scrutinize Guidelines

Ms. Smith said she hopes the Sears program will be completed by year-end. It will begin by scrutinizing Sears' underwriting guidelines, training manuals, advertising and outreach.

Sears will pay the group $300 per hour for this analysis, which will be conducted by a Toledo, Ohio-based expert in fair-lending litigation.

"What we try to explain to the lender is all the points where they are at risk," Ms. Smith said.

The alliance will hold a two-day training session for Sears' loan officers, underwriters and appraisers. NFHA will charge $3,000 per day, plus expenses, for the training sessions.

Testers

The alliance will hire individuals to pose as mortgage applicants to see whether blacks and whites are treated differently. This phase will demonstrate whether or not the revised policies and training have been effective, Ms. Smith said.

Beyond the training program, the two groups hope to establish a close, ongoing relationship, Ms. Smith said. □

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Chemical Loses $350,000 in ATM Fraud

Continued from *page 1*

curred with a total dollar amount of approximately $357,000.

A Chemical spokesman confirmed the existence of the fraud, but declined to elaborate on its size or the cause.

The losses, much of which Chemical is now trying to recover from its customers, highlight the high stakes involved in merger-related computer conversions.

In addition to giving customers access to credit card accounts that did not exist, software glitches resulted in customer accounts being erroneously linked to one another.

The bank was slow to identify the fraud because response time on the systems that Chemical uses to research irregular transactions has been hampered by a move to new computer hardware. Hanover's old research system is being moved to the Tandem Computer Inc. systems that run Chemical's ATM operations, the memo indicated.

The conversion problems created a backlog that kept the bank from promptly identifying the existence of fraud, said bank officials who requested anonymity.

Employees Involved?

Chemical declined to comment on a suggestion in one of the memos that bank employees also were initiating some of the bogus transactions.

The improper transactions are an extension of ATM-related problems that Chemical has been having since April. Since then, many of the bank's customers frequently have been unable to withdraw cash or obtain account balances.

When the problems first were reported last month, Chemical executives blamed the service lapses on ATM hardware failure and on complications in the card issuance process. They denied reports that the source of the ATM problems was the systems area.

Tracing the Thefts

The reason the bank expects to recover much of the money, sources said, is because it has records of the cards used to initiate the illegal transactions, and it also has photographs of the people withdrawing cash.

Bank executives, speaking on the condition of anonymity, indicated that as of the end of May, Chemical had solved the systems problems that had allowed the fraud.

But as previously reported, ATM service outages have continued.

Cardholders could get cash without their accounts' being debited.

Chemical executives now admit that these service lapses are the result of communications glitches that have developed as the bank has migrated to a new core software system.

Subpar Performance

While they declined to give specific performance levels for May, June, and July, Chemical executives indicated that ATMs were down more frequently in those months than in April, when the terminals were operating only 95% of the time.

Chemical, like most large banks, has internal standards that require its cash machines to be operational at least 98% of the time.

ATM performance reached its nadir in late July, according to bank officials.

ATM experts were critical of how the bank managed the consolidation of its cash machine network.

"Ordinarily, the type of problems that Chemical are seeing are fixed in 30 or 40 days and are then dismissed as things that routinely happen in a big merger," said one technology consultant familiar with Chemical operations, who requested anonymity.

Some industry observers also were skeptical of Chemical's earlier claim that its ATM problems were largely due to their aging fleet of cash machines manufactured by Omron Systems of America Inc., a company that withdrew from selling the machines in the United States in 1990.

"Omron machines, if well-maintained, are as reliable as any machines in the industry," said David T. Parfin, president of ATM Exchange Inc. in Cincinnati, a seller of used cash machines. "To suggest otherwise is ludicrous." □

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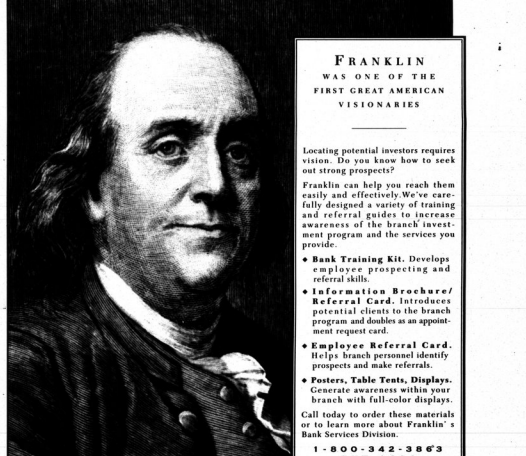

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Merger-and-Acquisition Wave Sweeping into the Keystone State

Continued from page 1

other opportunities – such as cheap thrifts from the Resolution Trust Corp. – are drying up.

Stronger Numbers

Some acquirers who prefer to make purchases through stock swaps also want to move quickly while the market gives them high valuations.

Improving profitability in Pennsylvania also plays a role.

Pennsylvania's 211 commercial banks earned 12.2% on average common equity last year, up from 10.5% in 1991, according to Ryan Beck. Asset quality is also improving. Nonperforming loans plus foreclosures represented 3.15% of the banks' total loans plus other real estate owned in this year's first quarter, compared with 4.11% a year earlier, according to data on the state's 316 banks and thrifts compiled by Ferguson & Co.

"Most of the Pennsylvania banks have put their credit-quality problems behind them," said Bernard M. Markstein 3d, chief economist at Meridian Bancorp.

The consolidation wave has already hit institutions with $2 billion or less in assets. Five banks and eight thrifts in this category were consolidated into other organizations last year, according to Ryan Beck.

The pace remains brisk this year.

Two weeks ago PNC Bank Corp. announced its intention to acquire First Eastern Corp., a $2.1 billion banking company with 51 branches in and around Wilkes-Barre, in the northeastern corner of the state. The transaction is a stock deal valued at $330 million, or two times book value.

Shareholders of First Financial Corp., a $1.2 billion bank in Wilkes-Barre, recently agreed to be acquired by Onbancorp, a $4 billion-asset bank company in Syracuse, N.Y. Onbanc has agreed to pay $138.4 million, or 1.4 times book value.

Meridian, the state's fifth-largest bank, announced in March that it will acquire Commonwealth Bancshares, a $2 billion company based in Williamsport. It is paying $349 million, or a hefty 2.23 times Commonwealth's book value.

First Eastern and First Financial were among the last independent community banks with assets above $1 billion in the Scranton/Wilkes-Barre area. Others have been scooped up over the last few years by PNC, Mellon, and Meridian, as well as by New Jersey banks such as UJB Financial Corp. and First Fidelity Bancorp.

Onbanc's Reasoning

"Wilkes-Barre had very similar demographics to our local markets," said Robert J. Bennett, chairman and chief executive of Onbancorp.

His company, which opened a regional lending office in Wilkes-Barre three years ago, was waiting for the right acquisition to come along, Mr. Bennett said. First Financial gives Onbanc a No. 2 position in Luzerne County, with 14% share of deposits.

While Wilkes-Barre may now be picked over, several other towns are home to attractive takeover targets.

Analysts identified $2.2-billion-asset Fulton Financial Corp. of Lancaster, in the central part of the state. Also high on the list is Keystone Financial Corp., a commercial bank in Harrisburg, the state capital, with $3 billion of assets. □

Waiting for the Call

Pennsylvania banks seen as takeover candidates

	Assets ($ billions)	Market/ book value
Meridian Bancorp Reading	$12.2	155.6%
Integra Financial Pittsburgh	13.3	189.2
Keystone Financial Harrisburg	3.0	163.0
Independence Bancorp, Perkasie	2.7	157.1
Fulton Financial Lancaster	2.2	169.8
Germantown Savings Bank Philadelphia	1.5	120.3
Parkvale Financial Monroeville	0.9	117.4
York Financial York	0.9	124.8

Sources: Analysts' estimates

Carolina First Unit to Acquire Omni

GREENVILLE, S.C. — Carolina First Corp. said its Carolina First Bank unit had agreed to acquire Omni Savings Bank, a subsidiary of FirstFed Michigan Corp.

Financial terms were not disclosed.

A spokesman for Carolina said the company had agreed to assume Omni's $40 million in deposits but was still negotiating over Omni's $45 million in assets.

The spokesman said the difference between the deposits and assets that Carolina agrees to assume will determine the purchase price.

Carolina said it will acquire all three branches of Omni, which is based in Columbia, S.C. The company said the acquisition is subject to regulatory approval and is expected to be completed by yearend.

— Dow Jones

AMERICAN BANKER/*Bank Rate Monitor*™ Consumer Money Index

Auto, personal and credit card rates

Market	CREDIT CARD 6/7	6/14	PERSONAL 6/7	7/26	AUTO 6/7	7/26
New York	16.19 16.19		16.80	9.70	9.70	
Los Angeles	19.03 19.03		17.73	17.73	8.29	8.32
Chicago	17.93 17.93		14.10	14.10	8.70	8.70
San Francisco	19.58 19.58		17.79	17.79	8.27	8.27
Philadelphia	18.16 18.16		13.64	13.64	8.05	8.14
Detroit	16.85 17.23		15.00	15.00	7.48	7.50
Boston	17.93 17.93		15.77	15.77	8.72	8.72
Houston	17.62 17.62		15.96	15.56	7.69	7.69
Dallas	17.13 17.13		14.32	14.32	7.75	7.75
Washington D.C.	17.96 17.96		15.05	15.05	7.53	7.67
BRM Index	18.04 18.08		15.58	15.58	8.22	8.25

The Bank Rate Monitor Index is the average of rates being charged by the 100 largest banks and thrifts in the nation's 10 largest markets on the dates indicated. Other rates quoted are the lowest and highest offered at the same institutions. Auto loan rates are for a $13,000, 48-month, new-car loan with a 20 percent down payment. Personal loan rates are for a $3,000 unsecured personal loan with a 24-month term. Credit card rates are fixed rates only and do not take into account differing annual fees or grace periods.

SOURCE: ® Bank Rate Monitor, North Palm Beach, 33408
All inquiries: (407) 627-7330

LOWEST PERSONAL LOAN RATES	6/1/93
Main Line Fed'l Sav. & Loan, Philadelphia	11.90%
Riggs National Bank, Wash., D.C.	12.00
Beneficial Svgs Bank, Philadelphia	12.49
HIGHEST PERSONAL LOAN RATES	
Wells Fargo Bank, San Francisco	19.75%
Bank of America, San Francisco	19.75
Wells Fargo Bank, Los Angeles	19.75
LOWEST AUTO LOAN RATES	
First of American Bank, Detroit	6.75%
First of America-Security, Detroit	6.75
LaSalle Talman Bank, Chicago	7.00
HIGHEST AUTO LOAN RATES	
Citibank, Chicago	12.50%
Chemical Bank, New York	10.90
Boston Federal Svgs Bk, Boston	10.00
LOWEST CREDIT CARD RATES	
Bay Bank, Boston	14.40%
First of America Bank, Detroit	14.90
First of America-Security, Detroit	14.90
HIGHEST CREDIT CARD RATES	
Bank of America Texas, Dallas	19.80%
Boston Five Cents Svgs, Boston	19.80
Bank of Boston, Boston	19.80

Southern National Takes a Risk Buying Big S. Carolina Thrift

By KENNETH CLINE

From the Regions

SOUTHERN NATIONAL Corp. took a bold and chancy step last week by agreeing to buy the largest independent thrift remaining in South Carolina.

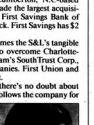
The move will dramatically increase Southern National's market share in the Palmetto State – at the expense of a merger-related charge that will about equal its projected earnings for 1994.

Southern National, a Lumberton, N.C.-based company with assets of $5.2 billion, made the largest acquisition in its history by agreeing to buy First Savings Bank of Greenville, S.C., for $181 million in stock. First Savings has $2 billion of assets.

The purchase price – equaling 1.74 times the S&L's tangible book value – was aggressive enough to overcome Charlotte-based First Union Corp. and Birmingham's SouthTrust Corp., according to sources close to the companies. First Union and SouthTrust officials declined comment.

They paid a full premium for it – there's no doubt about that," said Christopher Marinac, who follows the company for Interstate/Johnson Lane in Atlanta. "Whether it's excessive is really too early to tell. It's going to be a function of how much they can cut in expenses and how much they can actually realize in earnings going forward."

Southern National's shares were trading unchanged Monday afternoon at $20.75 a share, after falling 12.5 cents on Friday, the day after the merger was announced. Shares of First Savings on Monday were unchanged at $15.875 after rising 50 cents to $16 after the merger was first announced.



L. Glenn Orr

Southern National anticipates that it will reap about one-fifth of its 1994 earnings – which analysts project at about $100 million – from the Greenville thrift. But much of that will be wiped out initially by a $77 million after-tax restructuring charge that First Savings is putting on its books.

"It's basically a three-year payback to earn our equity back," said Hal Johnson, Southern National's director of strategic planning.

Southern National feels the wait is worth it, since it will be able to compete in South Carolina with market leaders such as NationsBank Corp., Wachovia Corp., and First Union.

Entering the Major Leagues

Before the transaction, Southern National was a minor player in the state, with 25 branches and $650 million in assets. It ranked only No. 12 in share of deposits in the state. Incorporating First Savings of Greenville's 57 offices will boost its market share to number three statewide.

Equally important, Southern National will rank number one in Greenville, the center of South Carolina's prosperous Piedmont region. Indeed, Southern National said it will move its South Carolina headquarters to Greenville, which is booming with new auto and textile plants, from Columbia after the merger.

Some analysts warned, however, that First Savings of Greenville is far from an ideal expansion vehicle. It earned $10.7 million in its fiscal year ending June 30, for a slim 0.53% return on assets.

Southern National is betting it can raise this return to 1% next year, in part by consolidating the combined company's two data-processing and mortgage-servicing centers. But the typical in-market savings that come from closing overlapping branches won't be available because the companies share few common markets.

"Going from 0.53% to 1% ROA in the first year is optimistic," said Mr. Marinac, the Interstate/Johnson Lane analyst.

Some analysts believe First Savings accepted Southern National's bid over First Union's in part because of its gentler approach.

Nevertheless, L. Glenn Orr Jr., Southern National's chairman and chief executive, toured New York last week to tell investors and analysts that his company would cut about 250 of First Saving's 1,230 employees.

Quayle Joins Start-Up In Financial Services

By ROBYN MEREDITH

WASHINGTON — Former Vice President Dan Quayle is teaming up with the chairman of the Federal Housing Finance Board and a former official there to start a financial services holding company in Indianapolis.

R. Matthew Neff, former deputy to the chairman of the finance board, is the chief executive of the new company, Circle Investors.

Mr. Quayle is chairman of Circle's six-member executive committee, on which finance board chairman Daniel F. Evans Jr. also holds a seat.

Finance board rules allow Mr. Evans and other board members to participate in other business activities because all board seats at the agency are part time.

Planning and Products

Circle plans to offer "cradle to grave" financial planning and products, Mr. Neff said. Toward that end, the company will acquire a life insurance company or companies, he said.

Mr. Neff resigned from the finance board on July 2 to start Circle Investors and to rekindle his financial institutions practice at the Indianapolis law firm of Baker & Daniels, which he left when he joined the finance board.

"We are going to take life insurance products, and we're going to build them out," said Mr. Neff, who conceived of the company and is running its day-to-day operations.

The goal is developing new products "so that families will be better able to handle the major financial events in a life – educating children, long-term health care, and retirement financial needs," he said.

Longtime Associates

Insurance companies are allowed to join the Federal Home Loan Bank system, which the finance board regulates.

If Circle Investors joined the system, Mr. Evans would have to divest his share of the company, a finance board official said.

The other three Indianapolis-based investors and members of Circle's executive committee are Allan B. Hubbard, who is chairman of the Indiana Republican Party and was Mr. Quayle's deputy chief of staff in the White House; William R. Neale, a longtime friend of Mr. Quayle who was active in Indiana in the Bush/Quayle reelection campaign, and Randolph P. Wilson, a director of National City Bank of Indianapolis and a former counsel to Mr. Quayle. □

Boatmen's Acquires First Continental

ST. LOUIS — Boatmen's Bancshares Inc. said it completed the acquisition of First Continental and Trust of Overland Park, Kan.

First Continental has about $185 million in assets, Boatmen's said.

Point Counterpoint



John LaWare



Wayne Angell

The Federal Reserve Board this month approved First Hawaiian Inc.'s purchase of Pioneer Federal Savings Bank in the bank's hometown of Honolulu. Since First Hawaiian, at $7 billion of assets, is the state's second-largest bank company, and Pioneer the second-largest thrift, questions arose about the effect on competition. Some local thrifts and credit unions also objected to the deal. The majority of the Fed governors approved the merger, however, saying its public benefits would outweigh any adverse effects. The board also noted that the Justice Department did not object. Two governors filed statements that spelled out some central issues of the debate.

Statement of Governor John LaWare:

I dissent from the board's action in this case.

This is the second acquisition in Hawaii for First Hawaiian Inc. within the last 2½ years.

While I voted in favor of the acquisition of First Interstate of Hawaii, also of Honolulu, by First Hawaiian, I felt at that time that the proposal represented the upper limit of permissible concentration in these highly concentrated banking markets.

This acquisition [of Pioneer Federal] would further substantially concentrate the already highly concentrated Hawaiian banking markets and, when viewed in light of First Hawaiian's previous acquisition, represents in my view a significantly adverse lessening of competition.

The anticompetitive effects of this trend are particularly troubling in light of the barriers to potential competition imposed by Hawaii's decision not to permit interstate banking acquisitions.

I am also unable to find any significant competitive developments in these markets that would mitigate my concerns. I would therefore deny these applications.

Statement of Governor Wayne Angell:

I concur in the board's decision in this case.

While I dissented from the board's decision to approve a previous acquisition by First Hawaiian, I believe that a number of factors differentiate this case and, on balance, warrant approval of this proposal.

First, since the last acquisition by First Hawaiian, a major commercial bank holding company [BankAmerica Corp.] has entered the five Hawaiian banking markets.

Entry of this bank holding company should increase competition and indicates a method by which others may enter into the Hawaiian banking markets.

In addition, unlike the previous case – which involved the acquisition of a bank – Pioneer Federal Savings Bank ..., is a thrift institution that, while having the authority to engage in commercial lending, is not actively engaged in commercial lending.

Thus, First Hawaiian's acquisition of Pioneer should increase the availability of small-business loans and other types of commercial loans in the Hawaiian banking markets.

For these reasons and the reasons stated in the board's order, I believe that consummation of this proposal would not have a significantly adverse effect on competition in any of the Hawaiian banking markets.

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Georgia Banker Is Reluctant Turnaround Artist

By TERRENCE O'HARA

ROSWELL, Ga. — James H. Powell likes to press the flesh and chat with customers at a local deli, the conversation sauntering with the ease of his Georgia drawl from the hot weather to how business is.

He doesn't cut the figure of a turnaround artist – a man who slashed his staff by a third, excised $5 million in nonperforming assets, and revamped an organization that was run more like a favor bank than a community bank.

"I've never thought of myself as a turnaround guy, and I don't want to see myself that way now," Mr. Powell said.

"I've been asked to do it at other banks, but I don't want to do it again. I want to stay here."

Miracle Worker

Just three years after taking control of Northside Bank and Trust Co. in this affluent suburb north of Atlanta, Mr. Powell has worked miracles on problems he never thought he would confront in banking.

In his first year, 10% of the loan portfolio went bad. The company was bleeding money. The regulators said flatly in September 1991 that despite its enviable 13.9% capital cushion, Northside would not survive on its own.

"It was a scary time," said Northside chairman Trummie L. Patrick, a Roswell insurance agent. "Jim took us through it incredibly.

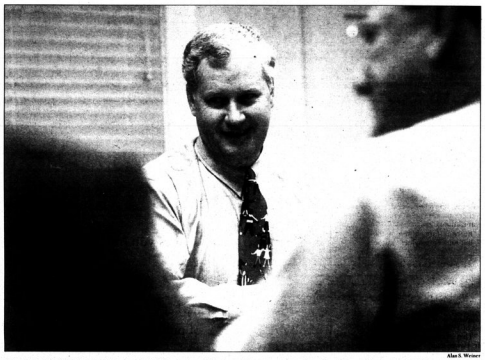
"I think that he's the best banker I've ever known, and probably the best banker in Georgia."

"There's no question about it," said Georgia's commissioner of banking and finance, E.D. "Jack" Dunn. "They've done a good job. Management is the secret in any bank like this."

Hard Decisions

Mr. Powell wasn't always basking in such praise. He's made some hard decisions about his employees and his customers to keep Northside independent.

Northside was started in 1986 by Tom Perdue, a well-known Georgia politico who had been two governors' chief of staff.



Alan S. Weiner

JAMES H. POWELL didn't realize that Northside Bank and Trust would need major surgery. "I don't want to do it again," he says.

Mr. Perdue's plan was to form four banks around Atlanta and merge them under a holding company, Southern Bank Group Inc.

Mr. Perdue raised a whopping $32 million, $12 million more than required by state law to start four banks. The biggest capitalization was for the flagship Northside Bank, which got $10 million.

"It was a great plan," Mr. Powell said ruefully. "The execution was poor."

New Blood

Northside exploded to $142.4 million in assets by 1990 and was making loans all over the state, 33% of them real estate construction and development loans.

The bank posted its first, albeit questionable, profit in 1988: $400,000.

But by the first quarter of 1990, with recession looming, problem loans mushrooming, and the Federal Deposit Insurance Corp. making noise about Northside's management depth, Southern Bank Group's board asserted itself by bringing in some new blood.

Mr. Powell had spent his entire 21-year career to that point at Trust Company Bank of Georgia, most recently as president of its Cobb County bank.

But in 1989 Trust Company consolidated most of its county banks, and Mr. Powell began seeking an independent bank that needed a chief executive. He picked Northside "because it had a good plan," he said.

But "within six weeks, I realized the problems were significant."

The atmosphere at Northside was palatial – wet bars in the executive offices, a boardroom that was one of the fanciest in the county. ("I don't even want to know how much that cost," Mr. Powell said, pointing to the huge, circular mahogany table in the boardroom.)

But the bank "just wasn't what it appeared to be," Mr. Powell said. "They had all these big names running the show. It was like a facade – a pretty front with no substance."

By the end of 1991, nonperforming assets had ballooned to $8.2 million, or 7% of assets, from just under $2 million in 1989.

In two years, 1990 and 1991, Northside charged off $3 million in loans, took $3.34 million in loan-loss provisions, and lost $1.84 million.

At the worst, after a September 1991 federal examination, nearly one of four dollars in loans was classified and the bank had $4 million in other real estate owned.

Mr. Powell and Laurice Tatum, a Florida banker brought in just before him to take over credit administration, say the staff was at a loss when problems hit in 1990.

Though the recession's impact on real estate values hurt the bank, most of its problems were caused by poor underwriting, Mr. Tatum said.

"There were reams of loan files with no credit memoranda

See next page

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PEERLESS

Continued from *page 6*

in them," he said. "I spent the first few months I was here going through every loan file, only to realize there was nothing in them."

Mr. Powell said there were loan officers with "zero experience." Employment at the company appeared to be based on patronage, with the coveted jobs "going to cousins, or friends, or whatever." Some staff members were making more money than their superiors.

Founder Departs

By the end of 1991 Mr. Perdue had resigned, returning to politics. One board member said the holding company, it's multibank aspirations unfulfilled, "simply couldn't afford his salary."

Mr. Perdue, who made $150,000 a year as chief executive of the holding company, declined to be interviewed for this article.

Once Mr. Powell was firmly in control, he made some significant changes. One was firing the 14-person staff of the holding company, which had abandoned its effort to become a multibank organization.

The bank hired three of the 14, but total employment at the company went from 92 at the end of 1990 to 63 a year later.

The worst was laying people off, says Northside's CEO.

"That was the worst part," Mr. Powell said. "Laying people off or reducing their salaries."

Nonperformers Slashed

Meanwhile Mr. Tatum had set about cleaning up the loan portfolio.

The immaculately groomed executive takes special pleasure in making things right.

He acknowledges a "sadistic interest in problem loans" and came to an interview with 10 pages of notes detailing what he wanted to say.

"I go after past-dues with vengeance," Mr. Tatum said.

"I think he'd collect on anybody, no matter who," said Mr. Powell.

Northside's nonperforming assets have been reduced by two-thirds. The bank was released from an FDIC memorandum of understanding in February, 17 months after it was issued.

In the Black

In late 1992, the bank became profitable again. It made $318,000 last year, and so far this year has made $239,000 with no loan-loss provisions.

Only three out of 18,000 credits were past due at midyear, and the high-rate jumbo deposits used to grow the bank in the early years have been bled off.

Northside now is considering new branch sites, is offering mutual funds and is on the verge of launching its own credit card.

With the cleaning job done, Mr. Powell can look back on why he stuck it out.

"I know a lot of bankers in Georgia, and I think I have a pretty good reputation," he said. "I just didn't want anyone to think that I couldn't do it." □

'There Are Very Few People Still Mad at Us'

By TERRENCE O'HARA

ROSWELL, Ga. — When James Powell and Laurice Tatum, respectively CEO and chief credit officer of Northside Bank and Trust Co., got here in 1990, they might as well have worn buttons on their lapels that screamed, "Pay Up!"

Mr. Powell "likes to say that I'd foreclose on my mother if she was late by 30 days," Mr. Tatum, the point man for much of Northside's cleanup, said with a laugh.

Tight-Knit Community

But the aggressive workouts created relatively little ill will in this tight-knit community, Mr. Powell said.

When he lunches at the local delicatessen, he's heartily welcomed by patrons who still do business with the bank. And his children and Mr. Tatum's children hang out with those of borrowers.

Northside's workouts created relatively little ill will, the bank's CEO says.

Mr. Powell says the good will reflects the success of the bank's founders in establishing it as a community fixture.

"That's the one thing they did right," Mr. Powell said. "They marketed this institution to make it a key part of this community, and they succeeded."

Mr. Powell said that despite its problems, Northside remained the premier community bank in suburbs north of Atlanta.

Throughout 1990 and 1991, its core deposits remained steady as management bled off high-cost deposits and went after nonaccruals with a vengeance.

A key reason was Northside's board. Only two directors resigned, one being Tom Perdue, the Georgia politician who was the driving force behind the bank's formation.

"This has been a very cohesive board," said bank chairman Trummie L. Patrick, a local insurance agent. "We all hanged tough."

"There are very few people who are really still mad at us," Mr. Powell said. "Even though this is a very personal business, you can't get emotional."

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A Portfolio Value Rule Has Gone by the Boards

By EDWARD KULKOSKY

Pipeline

WHAT'S A MORTGAGE servicing portfolio worth these days?

Recent major transactions haven't shed much light on the topic, except to make it clear that the long-standing rule of thumb of 125 basis points is obsolete.

GE Capital Corp.'s purchase of the Shearson Lehman Hutton Mortgage Corp. portfolio, for example, appeared to be priced at about 40 basis points, a big bargain. But observers pointed out that the deal included liabilities as well as assets, so the effective price could not be determined without a look at the acquired company's balance sheet.

The 125-point rule of thumb apparently developed during periods of stable interest rates and delinquencies and moderate prepayments. This stability made the value of servicing easy to predict.

But life isn't so simple anymore. The long decline in interest rates has caused a fire storm of refinancings that continues to devastate servicing portfolios.

Now experts say the industry has quite properly given the thumb to the old rule of thumb. Instead, every underlying mortgage should be evaluated, they say. That's between 8,000 and 9,000 loans for each $1 billion of servicing.

* * *

Countrywide Credit Industries is getting to be a bit of a bore.

Every month brings from the company another remarkable success story. The latest is that its mortgage pipeline – applications being processed – has swollen to $9.1 billion.

Just a month ago, the figure was $8.1 billion, something previously unheard of in the industry. That means it will soon be reporting originations of more than $5 billion a month, something also previously unknown.

Back in May, Countrywide shares plunged 2 points, to $28 a share, when a prominent analyst removed his "buy" rating. But the company has since gotten votes of confidence from others, the latest being Standard & Poor's Corp., and the stock has rebounded to about $32.25.

* * *

The rules put in place by the Department of Housing and Urban Development to implement the Real Estate Settlement Procedures Act have stimulated a lot of talk about one-stop shopping for real estate and mortgage services – known more ponderously as vertical integration.

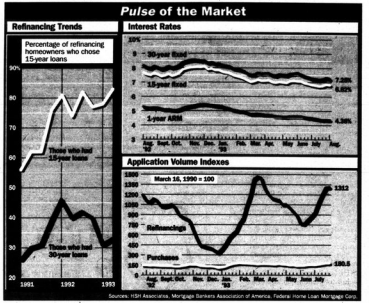
In their present form, the regs appear to facilitate such integration. But in the real world, developments have for various reasons been a mixed bag.

Network Financial Services of San Jose, Calif., has been making acquisitions to build a one-stop shopping capability. And in Minneapolis, Rottlund Cos., a home builder, has announced it is forming a mortgage company.

On the other hand, the mortgage and realty brokerage units of Sears, Roebuck and Co. are no longer under the same roof. And San Francisco-based Grubb & Ellis Co., which has a home-loan brokerage business, has sold its residential realty brokerage offices in Northern California as it continues to shed such brokerage businesses.

So one-stop shopping is idea whose time has yet to come.

Pulse of the Market



Sources: HSH Associates, Mortgage Bankers Association of America, Federal Home Loan Mortgage Corp.

Unexpected Economic Weakness Leads to Drop in 30-Year Rate

By CHRISTOPHER NOBLE

Mortgage interest rates fell last week in response to slower-than-anticipated economic growth, reversing the preceding week's surge.

"I think the markets calmed down a little after Alan L.Greenspan's comments, and everything's back in perspective," said David Lereah, chief economist for the Mortgage Bankers Association of America.

Last week, rates on 30-year fixed rate mortgages fell 6 basis points to 7.25%, erasing slightly more than half of the gain recorded the week before, according to HSH Associates, Butler, N.J.

Information Leaks Cited

The rate decline was expected, and most industry experts said they believed continued slow growth would keep levels low for the forseeable future.

Mr. Lereah said a series of information leaks from the Federal Reserve Board indicated to him that Fed chairman Greenspan was retreating from his threats to raise short-term interest rates and that markets had responded with a rally, driving rates down.

The rate on 30-year loans fell 6 basis points, to 7.25%.

Meanwhile, the MBA refinance index continued to climb. The index reached 1,312 for the week ending July 30, up from 1,304 the preceding week.

An index value of 100 corresponds with the level of March 1990. The value is calculated as a moving three-week average.

Charles Shaffer, president of Mark Twain Mortgage of St. Louis, said the last week had produced yet another rise in refinancings.

"We never expected rates to go this low, and we never expected it to last this long," he said of the refinancing boom.

Over the past 18 months, many borrowers have taken advantage of the low rates to move from 30-year mortgages to 15-year mortgages.

With rates so low, homeowners can pay off the mortgage in half the time while barely increasing monthly payments.

According to a survey by the Federal Home Loan Mortgage Corp., 33% of homeowners who refinanced their 30-year loans chose 15-year loans to replace them.

Fully 83% of homeowners refinancing 15-year mortgages chose to stay with the shorter term mortgages, the highest repeat rate since 1987. □

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2 Origination Systems May Herald a New Era

By JAMES H. SAFT

If two new electronic systems for originating home loans are successful, the way mortgage lenders and borrowers find each other could be changed significantly.

GHR Systems of Wayne, Pa., and Smart Mortgage Access of Hinsdale, Ill., are two new entrants in the growing field of computerized loan origination systems. The systems are networks that will allow lenders and homebuyers to hook up directly at real estate offices.

An amendment to the Real Estate Settlement Procedures Act of 1974 that took effect Jan. 1 allows real estate brokers to receive fees for processing applications. It also permits lenders to pay referral fees to employees of other companies owned by the same parent.

Linking Lenders to Agents

This is expected to open the field to computerized loan origination.

GHR Systems, founded by two Wharton School professors, has designed the MARS Independent Network, a loan origination system that will be open to all real estate companies and lenders.

Under the system, real estate professionals will be able to provide consumers with an array of loan rates and payment scenarios. The real estate agent, using the computer system, will handle the loan application and be able to monitor it as it moves toward approval.

Pacts and Partnerships

Real estate agents and lenders participating in the system will make agreements to work together, according to Gerald Hurst, vice chairman and cofounder of GHR, so that an agent may, for instance, end up working with four lenders.

A standardized fee will be disclosed to the borrower at the point of sale.

GHR already has commitments from three lenders for the program.

Whereas GHR will train real estate agents and provide and maintain an infrastructure through which they will work with lenders, Smart Mortgage Access wants develop partnerships with realty companies to provide point-of-sale mortgage service.

Smart Mortgage Access, targeting real estate offices with 35 to 40 agents, will seek partnerships that would employ a mortgage counselor to handle originations. Each partnership will offer the loan products of 10 to 15 lenders, according to David Buckman, executive vice president of Smart.

As with MARS, the mortgage counselor will receive a standard fee, to reduce the possibility of steering.

A unique feature is that the Smart system will undertake to process, underwrite, and close the loan, presenting the lender with a finished product.

The loan counselor will prequalify the loan and complete the application at the point of sale, passing the documents on to an independent provider, which will underwrite and close the loan. The loan would then be delivered to the lender.

Mr. Buckman said he believes that the system will help to level the playing field, from the point of view of mortgage providers. "It's getting harder for loan officers to get through the door at real estate offices, and this is one way to get access." □

Housing Aide 'Inscrutable' at Hearing

By SNIGDHA PRAKASH

WASHINGTON — The hearing last Friday on the regulations for the Real Estate Settlement Procedures Act wasn't quite the donnybrook that everybody expected.

Mortgage bankers seemed more preoccupied with sizing up Nick Retsinas than with the substance of the testimony. Was the new assistant secretary of housing, who presided over the hearing, with them or the other side?

While industry representatives spoke their minds on the controversial rules, everything remained civilized and orderly. The session even ended a bit ahead of schedule.

A Careful Listener

Jackettless in a sea of blue suits, Mr. Retsinas was almost like a psychotherapist in his noncommital demeanor.

Listening carefully and taking notes, he perked up when the combatants lapsed into plain English. But he gave no clue as to how he felt.

Norman D. Flynn, past president of the National Association of Realtors, drew Mr. Retsinas' attention when he likened the dispute over the legitimacy of referral fees to a "family spat" between realty brokers and mortgage bankers.

'Looked Us in the Eye'

Warren Lasko, executive vice-president of the Mortgage Bankers Association, said he found Mr. Retsinas impressive but "inscrutable."

"He looked us in the eye. He clearly seemed to be listening," said Mr. Lasko. "He's got a good technique for not showing his hand."

Bankers are Bullish on Mutual Funds



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BayBanks' Big Leap Meant a Training Blitz

By MICHAEL O'D. MOORE

The way John J. Arena of BayBanks sees it, "you can't inch your way into mutual funds."

So when the Boston-based banking company launched its own no-load mutual funds last spring, a training blitz was on.

Between December and March, the bank put 3,000 employees – about half of its work force – through mutual fund sales and referral seminars that lasted one to five days.

"This was a huge, herculean task," said Mr. Arena, president of BayBanks Investment Management. In fact, he said, it was the largest and fastest training program in BayBanks' history.

Tricky Logistics

Taking employees off the line for days at a time was a logistical nightmare, Mr. Arena said. "We commandeered the training center for January, February, and March."

Training accounted for a large chunk of the $5 million the Boston-based bank spent developing its proprietary funds, which have $1 billion in assets.

"Just the Xeroxing cost alone would surprise you," Mr. Arena said.

BayBanks linked up with Performance Systems Inc., a Boston-based training firm, to develop a manual and other materials to teach employees at all levels of the bank about the funds.

Primary responsibility for selling the BayFunds rests with 35 sales representatives, most of whom hold series 7 stockbroker licenses from the National Association of Securities Dealers.

An Emphasis on Promotion

But to build referrals, BayBanks wanted employees throughout the banks to understand and promote the funds. Thus, branch employees, officers, and the bank's 24-hour telephone sales and service staff all needed training.

Performance Systems, which has worked with companies like Fidelity Investments, had to step lively to develop the program. "They were hiring people at the same time we were developing the training," said John Roberts, a development specialist.

The goal was to pare the training to the basic compliance and selling skill elements that each group needed, he said.

For 2,000 employees who received the most extensive training, BayBanks provided a thick home-study manual, said Rick Lyman, the BayBanks training manager who led the effort.

Employees had to study the information and pass a test before being admitted to educational sessions. The days spent in training emphasized the application of skills, Mr. Lyman said.

One particularly successful facet of the training involved role-playing sessions, he said. With trainers taking the part of customers, the trainees made mutual fund presentations. Videotapes allowed employees to see themselves and their colleagues in action, and to critique one another's techniques.

The process encourages employees to share accumulated knowledge about bank customers, Mr. Roberts said. □

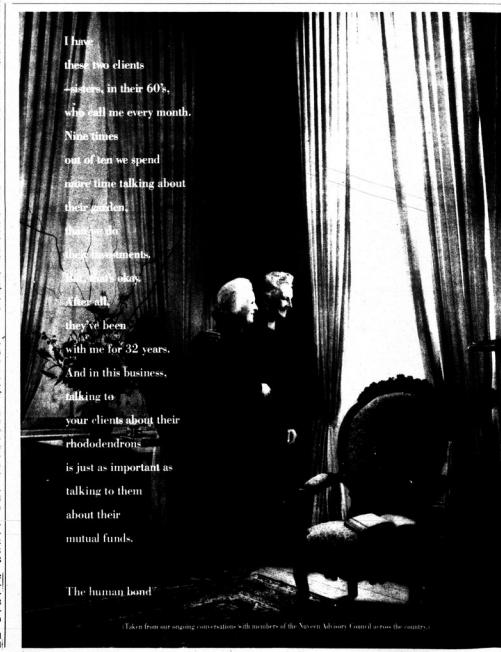




"You can't inch your way into mutual funds."

John J. Arena
BayBanks Inc.

CRASH COURSE: BayBanks employees use paddles to answer "true" or "false" to questions posed by an instructor teaching fund sales techniques.





Distributors' Fund Role at Banks Is Pivotal and Varied

By KEITH DuBAY

More than 100 banks manage their own families of mutual funds, and they all need an outside partner to act as "distributor." But how do they choose? And what exactly does a distributor do, anyway?

Distributors perform a variety of legal and marketing tasks that are off limits to banks under the Glass-Steagall Act.

The distribution function is often overlooked in the rush to put mutual fund companies like Dreyfus and Goldman Sachs will do the job for banks. At the other end of the spectrum are specialty firms such as Concord Holding Corp. and Alps Securities Corp. All distributors are registered broker-dealers.



David Raub
Sought legal expertise

Distributors have legal departments that handle registrations with state and federal regulatory bodies. Distributors also prepare the prospectuses that are mailed to potential investors.

Some of the companies go a step further, helping banks to develop and carry out marketing strategies.

Earlier this year, Boulevard Bancorp in Chicago had to pick a distributor when it launched its Boulevard Fund family. It was an unusually small startup, with only $100 million.

Boulevard looked at several different distributors before settling on Federated Investors. A big attraction was Federated's expertise in legal and compliance matters.

"If there was one thing we needed to be strong in, it was legal," David Raub, Boulevard's senior vice president and trust manager. "We wanted to feel we were dealing with someone who could tell us authoritatively about what the regulatory response was likely to be, and we've been quite pleased." Mr. Raub said.

Federated also provided advice on how to organize, train, and motivate the bank's in-house sales staff.

Because Boulevard was not set up to administer and service its own fund, it looked to Federated for that also.

Mr. Raub recommends that banks "make sure your sales culture is in place before you start. If we hadn't started five years ago, we would have gone to a lot of trouble for nothing."

Task Force Often Used

The process of choosing a distributor starts with a task force of three or four people who will be responsible for the mutual fund effort.

The task force studies the market and meets with prospective distributors to determine their strengths and weaknesses.

W. Robert Alexander, chairman of Denver-headed Alps Securities, advises banks to check out the back shop operations. Be convinced, he advises, that the necessary staff is in place to handle legal and compliance issues and to produce prospectuses.

Bankers should also quiz prospective distributors on how they can integrate a program into the bank's operations, said Dennis McGonigle, a senior vice president at SEI Corp.

The Wayne, Pa.-based company provides mutual fund distribution services to many banks, including Banc One Corp., Columbus, Ohio.

'3d Party' Guide Offered to Banks

By KAREN TALLEY

American Brokerage Consultants has published its 12th edition of the "Bankers Guide to Third Party Securities & Annuity Programs."

The guide, produced semi-annually since 1988, describes the services, products, and programs of scores of marketing companies that supply investment products to banks.

The guide is "the only publication that brings together all the data banks need about these companies," said Richard A. Ayotte, managing partner of American Brokerage Consultants, St. Petersburg, Fla.

Mr. Ayotte's firm is also updating its "Bankers Guide to Mutual Fund Companies & Packaged Products."

This publication covers more than 20 major companies that distribute more than 500 mutual funds through banks on a retail level.

First Financial Setting Sights on Grocery Stores

By JEFFREY KUTLER

First Financial Management Corp. has opened another front in its drive to dominate in transaction processing.

And this one has nothing to do with its recent headline-making catch of Sears, Roebuck and Co.

Sears represented a coup for First Financial's Nabanco subsidiary, which was tapped to process MasterCard and Visa sales in all Sears stores beginning Aug. 1. But that potentially sizable chunk of merchant-processing business may ultimately be dwarfed by First Financial's new target: the supermarket industry.

Key Acquisition

To go after this relatively untapped market, First Financial announced a definitive agreement on July 28 to acquire IBT, a consulting firm that has helped financial institutions install branches inside about 600 grocery stores in 34 states.

IBT and First Financial, each based in Atlanta, expect to close the deal within a month, pending antitrust clearance under the Hart-Scott-Rodino Act.

IBT will join other First Financial units in "an integrated product offering and sales strategy approach to supermarkets," said Patrick H. Thomas, chairman, president, and chief executive of the fast-growing processing firm.

IBT — it is an acronym for International Banking Technologies — "has significant relationships with a significant number of the major supermarkets in the country," said Donald Y. Sharp, senior vice president at First Financial.

Basket of Services

"We have a lot of services – such as check verification, credit card authorization, point-of-sale systems, coupon fulfillment – to offer that market, and IBT brings us into contact with a lot of potential customers," Mr. Sharp said.

The company's supermarket clients include Kroger, Safeway, Albertson's, Ralph's, and Winn-Dixie.

Whereas the Sears contract brought about 1,800 stores into the Nabanco point-of-sale network, there are 138,000 supermarkets, many of them just beginning to consider taking bank credit and debit cards.

Nabanco is especially interested in the 30,000 large stores that account for 75% of total grocery sales, where the economies of scale pay off.

"These superstores handle over 18 billion transactions per year," Mr. Thomas said.

"IBT has active relationships with 56 of the top 200 retail food companies, which represent over 10,000 stores," Mr. Thomas added. IBT has had more limited relationships with 46 other retailers that have 4,000 stores.

Contributing to the planned "integrated product offering" would be IBT as the supermarket liaison; Nabanco as bank card processor; Telecheck, which provides check verification services; Microbilt, which markets card-reading terminals for retail points of sale; and First Image, an image processing company.

By combining resources, First Financial said it can handle all credit card, debit card, and check transactions, with technical linkages to supermarkets' internal computers, the automated clearing house network, and various information systems and services.

"All of these consumer services will be based on an electronic solution offering greater efficiency, functionality, and flexibility in a cost-effective manner," Mr. Thomas said.

IBT has not only been bringing bankers and supermarket operators together – a business in which its closest rival is National Commerce Bank Services Inc., a unit of National Commerce Bancorp. of Memphis.

Spreading the Word

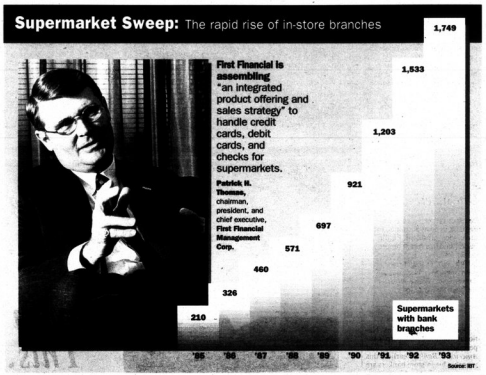
IBT has taken on the role of champion of the in-store branching concept. Its missionary work has included organizing an interest group – the In-Store Bankers Alliance; an annual conference on the subject, where it gives an award to in-store branch manager of the year; and a running count of supermarket branches, which stood at 1,749 on June 30.

About 3% of all U.S. bank branches are in supermarkets, and advocates like IBT say they have barely scratched the surface. A store's traffic typically ranges from 15,000 to 30,000 shoppers a week, and the banks stay open for them far longer than normal banking hours, often seven days a week.

Some bankers have become true believers in supermarkets' business development potential.

Star Bank in Cincinnati is typical, with staff at store branches who spend most of their time selling in the aisles. The bank is primarily opening

See FIRST FINANCIAL next page



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Visa Close to Taking Full Control Of Merchant-Assistance Center

SAN FRANCISCO — Visa U.S.A. announced that it had entered the final phase of its transition to the direct management of its merchant assistance center.

The center, which provides support services to Visa banks' merchant customers, has been operating under a five-year outsourcing contract with POS Systems Inc. of Tempe, Ariz.

Visa took over the management functions on July 6 and has scheduled a complete transition for November. The 24-hour center provides point-of-sale equipment installation and training, support and management of data-capture terminals, and after-hours help-desk services.

Visa said POS Systems will continue to provide terminal support services through the transition period. Visa plans to maintain a working relationship with POS Systems for specific projects and services.

The assistance center and its associated help desks "have grown dramatically" over five years, said Jeffrey C. Connelly, senior vice president of Visa U.S.A.

"POS Systems has proven to be a valued business partner, and they will play a key role in providing [merchant bank services] as we continue to grow," he added. □

Equifax Completes Integratec Deal

By JEFFREY KUTLER

The credit bureau paid $23 million for the debt collector.

Equifax Inc. said Monday that it completed its acquisition of Integratec Inc., a debt-collection outsourcing company, for $23 million.

The agreement in principle was announced last month, but the price and related details were not disclosed.

Complementary Programs

Equifax, one of the leading credit bureaus, is aiming to provide a "total solution" to customers' marketing and risk management needs, said Thomas F. Chapman, executive vice president and group executive of Equifax Financial Information Services.

Integratec's debt-collection, telemarketing, and teleservicing, application processing, and customer retention programs are seen as complementary to Equifax's core business and its credit card processing operation.

More than 800 Employees

"Integratec's impressive market presence will significantly enhance Equifax's ability to market a more comprehensive range of innovative information-based products and services," Mr. Chapman said.

Equifax and Integratec, both based in Atlanta, had 1992 revenues of $1.1 billion and $32 million, respectively. Integratec will add more than 800 full-time and part-time employees – the number fluctuates and has been up to nearly 1,000 – to Equifax's 12,000 in the United States, Canada, and Europe.

Donald K. Griffin, an Integratec founder who now is senior vice president and general manager, said the company's joining Equifax will "provide our clients with much more powerful and complete solutions in accounts-receivable management, telemarketing, and full credit card servicing." □

First Financial Setting Its Sights On Supermarkets

Continued from page 12

demand deposit accounts, executive vice president Phillip A. Parker said in a recent report put out by IBT.

"We look at the checking account as the linchpin," Mr. Parker said. "Once we have it, we have the basis for cross-selling additional products and services."

Attention, Shoppers

Doug Ferris, who runs National Commerce Bancorp.'s supermarket banking unit, told *American Banker* earlier this year that his in-store bankers are college educated and make 15% to 20% more money than tellers. They make money for the bank by playing the supermarket promotion game.

"They use the public address system a lot, and they get requested above the produce section, the meat section, and elsewhere."

"In-store banking is a bottom-line retail solution," John W. Garnett, IBT executive vice president, said recently.

"For each fifth the cost to build a traditional branch, a financial institution can get into an in-store location," he added. "Now more than ever, cost-conscious, results-driven bank executives are looking for [such] opportunities to impact market share."

Branching Out

IBT traces its history to 1983 when Heritage Bank of Atlanta began experimenting with branches in Kroger stores. The bank was owned by Virgil R. and James M. Williams, who, based on Heritage's growth through in-store branching, formed IBT in 1985.

Other principal officers included Craig Gieler, who came from Kroger Co. and left about three years ago, and John Garnett, formerly of Heritage Bank and First National Bank of Atlanta.

IBT chairman Virgil Williams, a prominent Atlanta businessman who served on the First Financial Management Corp. board from 1985 to 1989, rejoined it when the IBT acquisition was agreed to. □



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Opinion

Comment

By Steve Britt

The Industry Has a Stake In Reform of Home Loan Banks



Despite its many other priorities, the Clinton administration is moving ahead on its community development agenda. This includes urban revitalization, elimination of mortgage bias, creation of a new community development fund, and toughening the Community Development and Reinvestment Act of 1977.

For banking, the key question is whether this program will add to or alleviate the industry's own problems – increased regulatory burdens, reduced profit margins, and diminished loan portfolios.

Meeting Goals Faster

Fortunately, there is another legislative goal, that, if properly framed, could put the administration, the banking industry, and consumer and community development interests on the same side. That issue is Federal Home Loan Bank System reform.

Mr. Britt is an associate at Furash & Co., Washington, a management consulting firm specializing in the financial services industry.

Unlike frontal assaults on the Community Reinvestment Act, which pit lenders against consumers and big banks against small, this issue could further everyone's goals. It could also give banking what it most needs: a way to reduce the regulatory costs of community lending.

The administration's community reinvestment initiative identifies all the right goals, but Home Loan Bank System reform is a quicker and more effective way of achieving them.

THE PRESIDENT's *community reinvestment initiative identifies all the right goals, but Home Loan Bank System reform is a quicker and more effective way of achieving them.*

The Issue

Last year, Congress enacted the government sponsored enterprises bill. In addition to updating Fannie Mae's and Freddie Mac's capital standards, this law ordered a comprehensive review of the third housing government sponsored enterprise – the Federal Home Loan Bank System.

Four government agencies and a special shareholder committee were ordered to evaluate the system in the context of today's mortgage market. They are to recommend any changes necessary for it to better serve that market.

These studies, originally due at the end of April, now are being completed. They will document the changes which have occurred to housing finance, including reduced multifamily, economic development, and minority lending.

They also will provide a new context for banking's call for regulatory relief. Because the fact is, banking and community lending and the Federal Home Loan Bank System are all suffering from the same problem: a regulatory environment which discourages local risk-taking. The fix for the system – an expansion of its credit powers – could provide the very relief that banking seeks.

The System

Among the Financial Institutions Reform, Recovery, and Enforcement Act's many changes was the opening of the Federal Home Loan Bank System to commercial banks and credit unions. So far, more than 1,700 banks have taken advantage of the system's low-cost funding and other community lending services.

Many have found its risk mitigation measures particularly valuable. Others have been undrawn to attractive member dividends, totaling $600 million in 1992. All in all, the system has been a good-news story for banking.

This is not to say that all is well with the system. It, too, is being undermined by some legislative burdens, such as an annual fixed tax of $300 million to help fund the Resolution Trust

See **REFORMING** *next page*

Comment

By Kenneth J. Kaul

Banks Must Learn to Juggle Their Wholesale and Retail Strategies

With the economic environment much more subdued than 20 years ago, many banks and thrifts have turned to wholesale activities to help offset the volatility that has been inherent in retail activities.

By diversifying in both the wholesale and retail arenas, financial institutions can improve their services to customers, enhance profitability, and maintain balance sheet stability.

Lending institutions have a basic challenge in working with retail customers. They offer borrowers the opportunity to prepay or refinance their loans, or both, yet they cannot revoke or "refinance" certificates of deposit, a major source of funding to support lending activity.

A Tough Sell

In the current low-interest-rate environment, it is difficult for banks to attract new CDs, though refinancing activity is rampant.

Should interest rates rise in the next several years, institutions that rely strictly on retail deposit funding may be forced to offer higher rates on short-term CDs, while they continue to accrue income at lower rates from their assets. This is the same combination that led to the thrift crisis of the early 1980s.

Regardless which direction interest rates move, however, wholesale banking can benefit financial institutions.

In fact, any diversification from a wholly retail strategy to a mix of retail and wholesale activities would be a more conservative approach to banking and place the bank in better control of its asset-liability mix.

Link to Capital Markets

Wholesale banking, by definition, involves raising and investing money on a retail level, as a community bank would normally do.

Superregional and money-center banks can issue debt in the capital markets to help fund their positions and manage the duration match (or mismatch) of their balance sheet.

While community bankers do not generally have access to the capital markets, they do have access to similar wholesale funding via membership in the Federal Home Loan Bank System.

By using Home Loan bank borrowings, known as advances, community banks can lengthen the duration of liabilities. Those advances require no FDIC premium, and are offered at attractive spreads to the Treasury market. Borrowings can be used to purchase securities with more predictable prepayment profiles than a retail loan might provide.

INSTITUTIONS *need to maintain operating flexibility in an ever-changing economic environment.*

A Better Mix

Financial institutions do not necessarily need to keep the assets they produce. A better mix of assets may be available via the capital markets. Bankers can entertain both fixed-rate securities and fixed-rate loans with maturity ranges that, absent a matched-maturity funding, would never otherwise be considered.

Thus, by borrowing funds at a wholesale level to support loan growth or investments in capital markets assets, the banker has largely insulated the balance sheet from the market risk problems posed by retail banking.

Needless to say, this wholesale approach is not intended to, nor could it, replace the community nature of retail banking. The two concepts are not mutually exclusive; indeed, they support one another.

When loan demand is weak and/or deposit flows are fast (like today), the availability of cost-effective funding and credit-risk-free assets (at a positive spread) provides great comfort to asset-liability managers.

When to Push Retail Side

Conversely, when loan demand is good and deposit flows are strong, the retail franchise can, and should, be pursued to

See **WHOLESALE** *next page*

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Comment

By Steve Britt

Reforming the Home Loan Banks

Continued from *page 14*

Corp.

Second, the system's membership rules are unequal, with commercial banks enjoying voluntary membership while thrifts must belong to the system whether they use it or not.

Also, the system is required to hold too much capital, especially given the collateralized nature of its lending. This reduces its ability to compete against other funding sources.

Finally, the huge growth in securitization is reducing the system's traditional role, lending on mortgages in portfolio. This market will continue to shrink under mark-to-market and interest rate risk capital rules. Yet portfolio lending is the key to overcoming mortgage discrimination and the multifamily and community credit crunch.

Banking's Stake

System reform presents a unique opportunity to redirect an existing government sponsored enterprise to serve today's community lending needs. Banking has a special stake in this debate, given increasing pressure on it to fill these credit deficiencies on its own.

The components for sound community lending have not changed: underwriting expertise, flexible and low-cost funding sources, and willingness to take some risk. What has changed in today's regulatory environment is the cost of this risk. It has gone way up – both in market terms and in regulatory terms.

The system already can provide much of what community lending needs, including asset-liability management, technical assistance, and low-cost funding.

It already has limited authority to lend for commercial and economic development purposes. What it cannot provide, however, is what lenders most need: a way to share the risk of holding nonconforming loans or enhance their ability to sell them.

There are a number of ways the system could fill this need. One is to authorize it to purchase all or parts of community housing and economic development loans. These could be held in the system's own portfolio or pooled and participated back to other members or third parties.

A second option is to give the system new credit enhancement authority in the underserved multifamily market. This could be guarantee or enhanced letter of credit authority, targeted to the low-income and moderate-income market most in need.

A third possibility is the creation of a new community bank subsidiary in the system, investment in which would be given CRA credit.

A Comprehensive Effort

These ideas could unlock the entire industry's capacity for change, without additional cost or risk to the taxpayer. But the effort would need to be comprehensive to succeed. The needs of the current membership as well as the market as a whole must be served. This means changes to the system's tax under the thrift rescue act and its unequal membership and capital rules.

Already in Place

Also, since the purchase or credit enhancement of assets would alter the system's risk profile, it would mean other structural changes as well. This would include, at a minimum, centralized credit controls and loan-loss reserves, so as to protect the system's credit rating.

Before authorizing any new community development entity, Congress needs to take a hard look at redirecting the Federal Home Loan Bank System to new purposes. The system is up, operating, and profitable.

It is a valuable and viable government-business partnership that commercial banks have joined. System reform is a far better alternative to another start-up funding mechanism that would have to be organized. System reform will put money to work in our communities quickly.

The benefits of comprehensive reform would extend far beyond the system – to banking, to communities, and to consumers. This would make system reform a win-win situation for all. □

Comment

By Kenneth J. Kaul

Wholesale Activities Can Bolster Retail

Continued from *page 14*

its fullest.

Obviously, the value of a bank's franchise is a function, at least in part, of its local market penetration and its image in the community. To the extent that the bank serves its community with attractive loan products and competitive savings rates, its image in that community will be favorably affected.

The ability to offer these products, however, is determined by earnings, liquidity, and capital. These critical measurements can be greatly enhanced by the use of various wholesale-banking strategies as a supplement to local loan-deposit activity.

In order to be able to continue funding families and businesses, as it has done successfully for 60 years, institutions will need to maintain operating flexibility in an ever-changing economic environment. Wholesale banking will help them operate more profitably, and better serve their customers, in the years ahead. □

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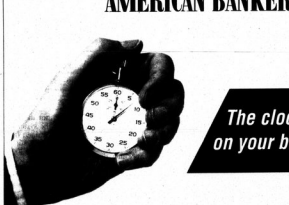

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D.McKenna DCA#880954 sells on 8-19-93 at 9:00AM at 1655 E. 233 St. Bronx, NY. '78 Ford Subn #1U1BRAG9663 Re: G.Rozario; 84 Dodge Omni #1B3BZ1BC-9ED227020 Re: K.A. Foster; at 10:00AM at 4151 Park Ave Bronx, NY. '87 GMC Van #1GCDM15Z4H8318188 Re: R. Morris; at 10:30AM at 1509 Jerome Ave Bronx, NY. '90 Chev 2dsd #1G1JU14-AXLY156931 Re: Executive Ins. Co.; '84 Audi Sedn #WAULGB8404A054887 Re: P. Sanna; '84 Nissan 300ZX #JZNH1Z1-454U302732 Re: Victor Yared Rios; '81 Toyota Celica #JT2SV14C4B0040364 Re: L.M. Taveras; at 10:45AM at 1506 Jerome Ave Bronx, NY. '85 Cad Sedan deVille #1G6CD69B4F4377674 Re: J.A. Torres; at 11:00AM at 838 W. 57St. New York, NY. '70 Plym Roadrunner #RM23-N8A75B627 Re: M. Flores; '81 Lincoln Town Car #1LNBP94F9BY628713 Re: M. Linton; '79 Ford Mustang #9H32Y256962 Re: F. Mejias; at 1:00 PM at 2276 First Ave New York, NY. '84 Chevy 4dsd #1C3BT3-6GSEC152643 Re: F.K. Avila; at 2:00PM at 1416 Inwood Ave Bronx, NY. '73 VW 2dsd #1122364925 Re: R.J. Arglander; '81 Ford F-300 #1FDHF36S0BNA09511? Re: M.A. Garcia; '85 Buick Riviera #1G4-EZ737FE405445 Re: R. Phillips & 4 ITT Consumer Financial Corp. Beneficial New York Inc., The Chase Manhattan Bank NA Publ.8/10/93 & 8-3-93 & 8-10-93.

DEFAULT In Security Agreement Made By Anibal Torres to Jacinto Marquez & assigned to L.V.M. Service Corp. I Will Sell On 8/11/93 At 10:30 AM At 201-02 Linden Blvd. Queens, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To A 1st & 2nd Priority & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP Auctr. Lic #783234 of E.F.S. AUCTIONS INC As Agents.

Pronto Lien Service, Lic# 869242 Sells on 8/17/93 at 9AM 2901 Bouton Rd Bx NY 81 Honda Prelude #JHMSS5226BC021814 Re: D. Crowal; 10AM 31 W Tremont Ave Bx NY 84 Mazda 626 #JM1GC2212E1164634 Re: Arma Casualty & Surety Co.; 86 Olds Delta 88 #3N69NAX128449 Re: Raphtel Leasing Corp. 11AM 18-30 W 8th Edtn Ave Bx NY 80 Buick Lesabre #1G4HR-Senerz...Published 8/02/93 & 8/10/93.

FINANCE

CAPITAL

BankAmerica Offers Floating-Rate Debt With a 4.2% 'Floor'

By DAVID SIEGEL

BankAmerica Corp. joined the trend toward floating-rate subordinated debt with a $150 million issue on Monday.

The 10-year subordinated issue, priced at par, has a yield that floats at 5 basis points over the London interbank offered rate, with a minimum rate of 4.20%, called a "floor." Three-month Libor is currently 3.2%.

First Boston was lead manager of the issue, which is rated A3 by Moody's Investors Service Inc. and A-minus by Standard & Poor's Corp. It is noncallable for life.

With the BankAmerica issue, six banks have sold a total of $900 million of "floored" floating-rate subordinated debt issues this quarter, according to Securities Data Co. This is about half the $1.9 billion of publicly issued subordinated debt by banks this quarter in the U.S. market.

Attractive Features

Floored floating-rate debt attracts investors with its minimum guarantee, a feature that may float upward if prevailing rates rise.

Issuers opt for floored floaters because they can be a less expensive source of funding than offering a fixed-rate issue and contracting for a floating-rate payment stream. The structure was launched on July 8 in a $150 million issue by Chase Manhattan Corp. that was managed by Bear, Stearns & Co.

Elsewhere in the market, First Hawaiian Inc. on Monday issued $50 million of fixed-rate subordinated debt.

The seven-year notes were priced at 6.30%, 87.5 basis points over the seven-year Treasury note. Goldman, Sachs & Co. was lead manager of the issue, which is rated Baa1 by Moody's and BBB-plus by Standard & Poor's.

Bankers Trust's Bet On Derivatives Pays Off

Continued from *page 20*

gives the management another benefit if the index slips.

"If I mention to another company that we were thinking about doing some weird derivative, they'll say you must have been talking to Bankers Trust," said Dan Urbani, assistant treasurer at Air Products and Chemicals, Allentown, Pa.

Says Risk Decreases

That concentration on novelty carries risk.

"These instruments are more risky, and more difficult to hedge," said Ms. Azarchs. "They may be tied to more volatile and less liquid markets."

Mr. Walsh said that in fact the risk in Bankers Trust's derivatives portfolio has decreased in the past year and the business requires less capital now than 12 months ago.

And that's the real proof of a risk manager – rising profits and lessening risk.

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STOCKS

Further Decline in Rates May Put Banks in a Bind, Analysts Caution

Continued from *page 1*

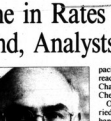
earning assets were replaced, bank net interest margins widened to record levels and industry earnings blossomed.

But now further declines in rock-bottom deposit rates seem remote. So the consequence of fresh declines in money market rates would be a decline in net interest income as returns on earning assets fall.

Rate stability would also put pressure on margins as the slow pace of asset repricing catches up with lower cost of funds, Mr. Berman said.

Analysts at Lehman Brothers noted that the median net interest margin for banks contracted 3 basis points during the second quarter to 4.86%. "Asset yields dropped more quickly than deposit costs," they said, especially yields on investment securities portfolios.

Mr. Berman said that for many banks' balance sheets, the best possibility would be a moderate rise in rates. That would help maintain rate margins by



Stephen Berman
Best scenario: mild rate rise

blunting the repricing of assets.

But there is also the risk that rising rates might deal a blow to the stock market that would surely hit bank shares.

"Should the market suffer a setback, it could quickly reveal that bank stocks are ripe for profit taking," Mr. Berman warned. He urged clients to focus on money-center banks with global funding and trading capacities whose earnings have not reached full potential – Citicorp, Chase Manhattan Corp., and Chemical Banking Corp.

Other analysts are less worried about the consequences for banks from rate movements.

Margins, a key ingredient of bank earnings, should remain wide for several reasons, Lehman's analysts said. Not only do assets reprice slowly, but loan growth is finally growing, with prospects for more assets.

Meanwhile, banks are "awash in liquidity" and will not have to compete for deposits to fund loan growth. Finally, competition has shrunk because of mergers and regulatory supervision of "irrational competitors."

Mary P. Quinn, an analyst at Keefe, Bruyette & Woods Inc., said that investors concerned with the near-term outlook for margins ought to "shake off their exaggerated interest rate anxieties and pay more attention to the improving fundamentals intrinsic to the industry."

BANK CALL NOTICE

Report of Condition of

THE PARK AVENUE BANK, N.A.

of New York, New York

In the state of New York, at the close of business on June 30, 1993, published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161. Charter Number 20982 Comptroller of the Currency Northeastern District.

ASSETS	Dollar Amounts In Thousands
Cash and balances due from depository institutions	
Noninterest-bearing balances and currency and coin	$ 543
Interest-bearing balances	11,589
Held-to-maturity securities	447
Federal Funds Sold	2,000
Loans and lease financing receivables: Loans and leases, net of unearned income	65,890
LESS: Allowance for loan and lease losses	921
Loans and leases, net of unearned income, allowance, and reserve	64,969
Premises and fixed assets (including capitalized leases)	717
Customers' Liability to this bank on acceptances outstanding	7,973
Other assets	1,719
TOTAL ASSETS	$ 90,613

LIABILITIES	
In domestic offices: Noninterest-bearing	47,831
Interest-bearing	43,807
In IBF - Interest bearing	15,622
Federal Funds Purchased	2,209
Other borrowed money	
Bank's Liability on Acceptances Executed and Outstanding	7,291
Subordinated notes	5,000
Other liabilities	445
TOTAL LIABILITIES	$ 76,428
EQUITY CAPITAL	
Common stock	$ 2,310
Surplus	12,310
Undivided profits and capital reserves	(3,453)
TOTAL EQUITY CAPITAL	$ 11,185
TOTAL LIABILITIES AND EQUITY CAPITAL	$ 90,613

I, John J. Malone, Vice President & Cashier of the above-named bank do hereby declare that this Report of Condition is true to the best of my knowledge and belief.

JOHN J. MALONE
July 28, 1993

We, the undersigned directors, attest the correctness of this statement of resources and liabilities. We declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

MAURICE ACOCA
HUSEYIN UNVER
JAMES POALE

DIRECTORS

This announcement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus and the related Prospectus Supplement.

NEW ISSUE — July 29, 1993

5,000,000 Shares

H.F. Ahmanson & Company

Depositary Shares Each Representing a One-Tenth Interest in a Share of 6% Cumulative Convertible Preferred Stock, Series D
(Liquidation Preference $500 per share)

Each of the 5,000,000 Depositary Shares (the "Depositary Shares") represents a one-tenth interest in a share of 6% Cumulative Convertible Preferred Stock, Series D, $500 liquidation preference per share (the "Series D Preferred Stock"), of H.F. Ahmanson & Company ("Ahmanson") deposited with the Depositary (as defined in the Prospectus) and, through the Depositary, entitles the holder to all proportional rights and preferences of the Series D Preferred Stock (including dividend, voting, conversion, redemption and liquidation rights). The proportionate liquidation preference of each Depositary Share is $50. The Series D Preferred Stock is convertible by the holder at any time prior to the close of business on the tenth day prior to the redemption date, if any, into Common Stock of Ahmanson at a conversion rate ("2.05465 shares of Common Stock per share of Series D Preferred Stock (equivalent to 20.5465 shares of Common Stock per Depositary Share) and a conversion price of $24.315 per share of Common Stock), subject to adjustment under certain conditions. See "Descriptions of the Series D Preferred Stock—Convertibility" in the Prospectus Supplement.

Price $50 Per Depositary Share
(Plus accrued dividends, if any, from the date of original issue)

Copies of the Prospectus and the related Prospectus Supplement may be obtained in any State in which this announcement is circulated only from such of the undersigned as may legally offer these securities in such State.

The First Boston Corporation

Bear, Stearns & Co. Inc.

Goldman, Sachs & Co.

Lehman Brothers

Merrill Lynch & Co.

MARKETS

Stocks Reach A Record High

By DAVID SIEGEL

A surprising rally in the bond market pushed rates to record lows, triggering a surge in stock prices to historic highs. The yield on the 30-year Treasury bond finished at 6.47% Monday afternoon, down five basis points from Friday's close, and the lowest yield since the Treasury began issuing the long bond in 1977.

In when-issued trading, the 30-year bond to be auctioned on Thursday fell to 6.39%.

Trading volume was light, with short-covering responsible for much of the drop in rates.

Many participants stayed on the sidelines ahead of Thursday's $11 billion auction of 30-year bonds.

Unexpected Turn

The rally took most observers by surprise. Analysts had expected stocks and bonds to post marginal gains, at best, following the Senate's passage late Friday of the deficit reduction bill.

Instead, optimism over the president's budget victory and over the rally in bonds sent blue-chip stocks racing to a record.

The Dow Jones industrial average rose 15.65 to 3,576.08, topping an all-time high of 3,567.70 set July 26.

Broader indexes also gained but stayed below their all-time highs.

But smaller stocks, as measured by the Nasdaq Composite Index, set a fourth straight record high. That index rose 0.41 to 718.49.

BANK AND THRIFT STOCKS

Highlights for Monday, August 9

TOP 10 GAINERS %

National City Bancorporation	6.4
Comerica	6.3
First Midwest Bancorp, Inc.	5.7
California Bancshares	4.2
UJB Financial Corp.	3.5
Hancock Holding Company	3.5
Suburban Bancorp, Inc.	3.5
North Fork Bancorporation	3.1
CPB Inc.	3.0
Community First Bankshares	2.7

TOP 10 LOSERS %

Security Capital Bancorp	-7.0
First United Corporation	-6.9
Chemical Financial Corporation	-5.8
Harleysville National Corp.	-5.7
Allied Bankshares, Inc.	-5.7
National City Bancshares	-4.1
One Valley Bancorp of WV, Inc.	-3.8
Jefferson Bankshares, Inc.	-3.6
Western Bank	-3.2
First Commercial Corporation	-3.0

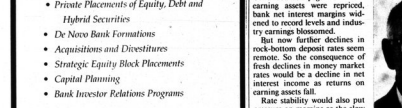
MOST SHARES TRADED

BankAmerica Corporation	1280000
Citicorp	1042500
Chase Manhattan Corporation	580700
Wilmington Trust Corporation	477800
Continental Bank Corporation	475400

VOLUME AS % OF AVERAGE

First Midwest Bancorp, Inc.	1021.5
Wilmington Trust Corporation	756.8
Community First Bankshares	744.3
Boulevard Bancorp, Inc.	525.4
Hubco, Inc.	517.4

Stock Index Trends



Percentage Changes
Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.44	0.42	1.56	0.44	0.86	-0.24	-0.05	-0.67	2.36

Top 225 BANKS

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cap.	Chg.	Chg.
26¾	15¾	1stSourceCorp/IN	11.4	113.4m	-¼	-1%
27¾	18¾	ABCBANCO	11.4	129.6m	-¼	-1%
19¾	13¾	AmeriBancSys	15.6	118.2m	+¼	+1%
25¾	18¾	AmSouthBancorp/FL	14.1	2.6b	-¼	-1%
20¾	12¾	AssociatedBanc-W	12.8	185.2	⅜	+1%
35¾	27¾	BB&T Financial	15.7	553.4	-¼	-1%
27½	12	BOKFinancial-OK	11.5	227.5	25	
33	21¾	BT FinCorp/A	13.5	138.9	⅛	
11¾	8	BaltimoreBancp/MD	13.9	117.1	+¼	+2%
35¼	24¾	BankFirstCorp/WI	10.0	122.8	29	
61	42¼	BancOneCorp/OH	14.7	23B.7	54¼	
52¾	40¾	BancorpSouth/MS	9.3	137.4	-43	
40¾	27½	BancorpSouth-WI	11.0	140.5	37	
54¾	41	BankAmerica/CA	9.8	18.3B	-¼	-1%
30½	26	BankCentre/Cap/TX	16.8	262.4	29	
34¾	25¾	BankSouth/GA	11.2	177.4	-¼	-1%
78¾	59	BankersTrust/NY	8.0	171.7	78¼	
39½	22½	BankersTrustgrp/KY	20.5	102.2	39¼	
28¾	18¾	BankofBoston-MA	8.9	11.1B	24¼	
28¾	18¾	BankofNewEngland	8.9	1.1B	24¼	
28¾	18¾	BanksOfBoston-FL	8.9	11.1B	24¼	
28¾	18¾	BayBanks-MA	13.4	136.6	49¼	
64¼	49¾	BeneficialCorp/DE	11.8	1.6B	24¼	
21¾	13½	BoulevardBanc/IL	29.1	165.4	21¼	+1%
35¾	24¾	BrenhamBancshares	11.4	18.4	29¼	
35¼	26½	CBT Corporation/NY	11.7	141.9	33	
34¾	23¾	CB&T Financial/OH	11.4	24.2	29¼	
34¾	23¾	CNB Bancshares/IN	16.5	193.2	33¼	
34¾	23¾	CPB Inc./IN	8.7	127.0	29	+1%
13½	7½	CSB FinCorp/CA	8.8	145.3	12¼	
54	37¼	CalFed/Inc/Cap/CA	14.2	1.0B.0	12¼	
24½	12¼	CathayBancorp/CA	10.4	137.8	14	+¼
24½	20¾	CenterBancorp/NJ	11.2	177.4	25	+¼
30½	22¾	CentralFidelity-W	11.8	177.1	29¼	+¼
30½	22¾	CentralFidelity/MA	11.8	177.1	29¼	+¼
24½	16¾	CenturaBanks-NC	11.1	153.0	30¼	
24½	16¾	CenturyBancorp/MA	11.1	153.0	30¼	
21¾	8¾	ChemicalBanking/NY	13.4	18B.3	44¼	+2%
42¾	35¾	ChemicalFinCorp/MI	13.4	189.3	44¼	+2%
32¾	24¾	Chittenden/VT	12.0	137.7	33	
33¾	14¾	Citicorp/NY	12.0	13B.7	33	
33¾	14¾	CitizensBancorp/MD	12.0	13B.6	33¼	
26¼	16¾	CitizensBanking/MI	13.5	150.4	26	+¼
79	70¾	CitizensFinancial/A	11.9	19B.3	7	
30	17¾	CityNational/Cp-WV	13.5	181.1	27¾	
11¼	6¾	CoastalCorp/DE	NM	106.6	6¼	
23¾	12¼	ColonialBancGrp/AL	9.4	135.1	21¼	+¼
34¾	27¾	ColonialBancorp/VA	9.7	185.1	29¾	+¼
26¾	14¾	CommercialBanc-WV	18.6	195.8	26¼	
17½	12¼	CommercialBancorp/NJ	11.4	144.6	17¼	+¼
25¾	20¾	CommercialBncs-MD	11.3	137.2	25¼	
45¾	25	CommercialFed/NE	10.5	1.4B	45¼	+¼
15	11¾	CommunityFirst/SD	15.5	143.5	14¼	
30¾	19¾	CompassBancshs/AL	12.3	187.0	19¼	
7¾	4¾	CoreStates/PA	4.7	88.8	7¼	
47¼	41¾	CoreStatesFinCp/PA	10.9	17.2	54¼	
47¼	41¾	CoreStatesFinCp-W	13.9	185.4	54¼	
40¾	21	CulbertsonTr/TX	10.0	172.8	38¼	
27¾	20¾	DauphinDeposit-PA	12.1	183.0	24¼	
35¼	20¾	DepositGuaranty/MS	8.4	140.8	29¼	
17¼	12¾	F & M Natl/Cp-W	11.8	151.3	15¼	
22	17¼	F&MBancorp/MD	10.2	141.5	20¾	+¼
18¾	15¾	FB Bancorp/MI	15.6	108.7	14	
29	24	FarmersCapital/KY	15.8	134.8	29	
58½	48¾	FedNatMtg/Assn-DC	11.7	298.0	53¼	
41¾	31¼	FinancialTrust-IN	13.4	191.8	41¼	+¼
31¾	24¾	FirstTenn/Natl	13.1	1.2B	31¾	
39¾	27¾	FirstAmerica-IL	11.2	172.5	31¼	+¼

52 Wk Hi	52 Wk Lo	Name	PE to Ne	Mkt Cap.	Chg.	Chg.
20¼	15¼	FirstAmerBk-TX	7.8	192.3	24¼	+¼
20¼	15¼	FirstAmerCorp/TN	7.8	192.3	24¼	+¼
20¼	15¼	FirstBancorp-OH	11.4	160.7	47	
27¾	17¾	FirstBancshs/MidAm	27.6	177.5	24¼	+¼
46¼	29¾	FirstChicago/IL	121.4	127.2	46¼	
46¼	29¾	FirstChicagoNBD	8.3	127.3	46¼	
18¼	14¾	FirstCmtlBnkCp	16.1	131.0	17¼	
24¾	19¾	FirstCmwlth/PA	11.4	1.0B	24¼	
75	43½	FirstCommerce-NF	9.9	151.9	73	
30¾	27¼	FirstCommercial-AR	10.7	159.0	30	+¼
31¾	25¼	FirstCommBnsh/IN	12.1	157.2	29¾	
25¼	19¾	FirstCommCp/LA	NM	184.4	24¾	+¼
157½	128	FirstEmpire/NY	11.4	161.3	143	
51¼	39	FirstFidelity/NJ	11.3	187.2	48¾	+¼
49¾	37¾	FirstFtrBncs-OH	15.7	233.4	48¾	+¼
25¾	20¾	FirstFtrCorp/KY	11.6	146.6	25¾	
30¼	23¼	FirstHawaiian/HI	10.1	150.7	27¾	+¼
30¼	23¼	FirstHawaiian-W	10.1	150.7	27¾	+¼
24¼	17¾	FirstHorizon/TN	17.5	1.1B	24¼	+¼
18¾	11¾	FirstMidAmer/IL	18.1	178.0	27¾	1½
28¾	21¾	FirstMichBk/MI	10.1	146.6	47	
26	17	FirstUnitedMO	14.4	35.8	23¾	
30¾	21¾	FirstSecurity/UT	10.9	155.8	27	
30¾	30	FirstSecurities/TN	10.1	145.0	30¾	
51¼	35¼	FirstUnionCorp/NC	13.1	168.2	45¾	
51¼	35¼	FirstUnionCp-W	13.1	168.2	45¾	
26	17	FirstUnitedMO	14.4	35.8	23¾	
30¾	21¾	FirstVirginia/VA	10.9	155.8	27	
39¾	30	FirstVirginia-W	10.9	145.1	37¾	
30¾	30	FirstWisconsin/WI	10.1	145.0	30¾	
39	34	FirstbankIL/IL	11.6	162.6	36¼	
30¾	24¾	FirstbankPR/PR	12.8	178.0	26	
37¾	29¼	FleetFinancial/RI	13.9	154.7	33¼	
37¾	29¼	FleetFinancial-W	13.9	174.5	37¾	
31½	24	FourthFin/Cp/KS	11.2	151.8	29	+¼
31½	24	FourthFin/Cp-W	11.2	151.8	29	+¼
31¾	24¾	FranklinBncp/MI	11.9	183.8	29¼	
31¾	24¾	FranklinBncp-W	11.9	183.8	29¼	
17¼	13¾	GBC Bancorp/CA	8.0	132.7	15¾	
25¼	15¼	GreatAmBcshs/MS	10.1	145.0	24	
35¾	24¾	HancockHldg/MS	9.5	153.3	30	1
30¾	21¾	HarborFed/MD	11.0	177.3	27¾	
19¾	13¾	HawkeyeBancorp/IA	11.5	156.9	18	
19¾	13¾	HawkeyeBncs/IA	12.8	178.0	18	
8¼	4¼	HiberniaCorp/LA	NM	148.3	7	+¼
14¾	11	Hubco/NJ	11.1	122.3	14¼	
27¾	18¾	HuntingtonBcshs-OH	13.3	218.5	25¾	⅛
27¾	18¾	HuntingtonBancorp/IN	13.3	218.5	25¾	⅛
29¾	21¾	IndependenceBk/PA	10.8	158.4	29¾	⅛
18¾	13¾	IndianaFed/Cp/IN	11.2	146.8	18¾	+¼
18	13¾	InterstateBancs/IL	11.2	146.8	18¾	+¼
24¾	17¾	InterWestBancp/OR	10.1	145.0	24¾	+¼
24¾	17¾	InterWestBancp-W	10.1	145.0	24¾	+¼
18¾	10¾	JP Morgan/NY	16.1	183.1	71¾	+¼
46¾	30¾	JacksonvilleBncs/IL	10.1	145.0	46¾	
46	30¾	KeyCorp/NY	11.4	196.3	40¾	
46¾	30¾	KeystoneFin/PA	11.4	196.3	40¾	
19¾	14¾	LakeBancs/IL	13.4	184.1	22¾	
22¾	17¾	LibertyBancorp/OK	9.1	154.9	18	
28¼	20¼	LibertyNatBncs/KY	14.1	183.6	27¾	+¼
28¼	20¼	MBNACorp/DE	17.3	4B.8	32¾	
14¾	10¾	MNC Financial/MD	10.2	123.4	14¾	
18¾	13¾	MagnaGroup/MD	11.3	137.2	29¼	
29	17¾	MarshallBcshs/WI	13.4	211.7	27¾	+¼
29¾	17¾	MarshallIsley-W	13.7	211.7	27¾	+¼
60¾	40	MellonBank/Cp/PA	10.0	147.4	49¾	
60¾	40	MellonBank/DE/PA	10.0	147.4	49¾	
62¾	44¾	MercantileBncp/MD	10.5	180.2	54	
62¾	44¾	MercantileBncp/IL	11.7	196.2	52¾	

52 Wk Hi	52 Wk Lo	Name	PE to Ne	Mkt Cap.	Chg.	Chg.
23¾	18¼	UnitedCarolina/NC	10.5	139.4	23¾	+¼
89	72	UnitedBancshares/AL	8.1	123.8	89	
40½	36¼	UnitedBankshares/WV	11.6	1.0b.2	38¾	
30¾	22¾	UnitedCommBk/GA	10.8	145.0	30¾	
45¾	35	UnitedNatBancs/NJ	12.4	174.7	44¾	
28	19¼	UnitedNatBancs-NJ	12.4	248.1	25	¼
27¾	20¼	UnitedBcshs/TX	8.6	124.5	24¾	
40¾	29	WachoviaCorp/NC	13.8	214.6	39¾	½
22½	16¾	WellsFargo/CA	22.3	19B.0	22½	2
32½	21¼	WestAmerBncp/NM	11.5	177.1	32¼	
55¾	38¾	WestAmericanBncp/CA	13.4	270.1	55¾	
29¾	18¼	WestamericaBanCo/A	10.5	136.1	25¾	+¼
16¾	10¾	WestcornBncs/CA	10.4	206.1	15¾	+¼
36¾	21¾	WhitneyHolding/LA	5.5	147.7	36	
31	25	WilmingtonTr/DE	10.2	2B0.6	30¾	
27¾	20¾	WorthenBanking-AR	8.7	144.4	23¾	
49	27	ZionsBancorp/UT	10.2	194.3	41¼	+½

TOP 25 THRIFTS

52 Wk Hi	52 Wk Lo	Name	PE to Ne	Mkt Cap.	Chg.	Chg.
18¾	12¼	ALBANYFinancial-NY	11.2	82.0	18¼	+¼
21¾	13¾	AmericanCp/A	21¾	13½	AmericanCp/A	
23½	6¾	CalFedBanF/SB/CA	NM	30.4	10¾	+¼
34¾	22¾	CharterFed/SB/GA	8.9	157.2	32	
18¾	6¾	CoastSavingsFin/CA	14.4	66.4	13½	+¼
23¾	11¾	CollinsMcHargan/FL	9.1	19B.0	22¾	
27¾	11¾	CommercialFed/SB/NE	11.2	113.8	25¼	
19¾	15¾	CraigCorp/CA	12.0	18B.4	19¾	
22	11¾	DowneySavings/CA	6.7	105.7	21¾	+¼
19¾	13¾	FFY Financial/OH	9.3	94.2	19¾	
19¾	13¾	FFY Financial-W	9.3	94.2	19¾	
50	37¾	GoldenWestFn/CA	9.3	141.2	41¼	+¼
30¾	19¾	GreatWestern/DE	34.1	1.9B.0	30¾	
26¾	18¾	ISB Financial/KY	9.9	94.2	25	
24¾	11¾	MeritorSav/CA	10.8	118.1	24¾	
32¾	18¼	NBB Bancorp/MA	10.8	118.1	32¾	
21¾	15¾	NSBancorp/L	8.5	117.0	20	
46¼	18¾	RooseveltHldg/-MO	9.9	172.6	42¼	
24¾	14¾	SeacoastBanking/FL	11.5	182.0	16¼	
30¾	19	SFSvcBancorp/IL	9.9	123.9	30	
24¾	16¾	SecurityCapital/GA	8.8	134.9	24¾	
23¾	13¾	ShoreBancshs/MD	9.4	188.6	23¾	+¼
24¾	12¾	TCFFinancial/MN	9.1	141.2	31¼	+¼
34¾	24¾	WashingtonFed/CO	11.4	171.1	30¾	
29	22¾	WashingtonFed/VA	11.0	207.5	29	+½

Bank Stock Table Explained: The table lists in alphabetical order the composite stock prices as of 4:30 p.m. Eastern time yesterday for the 225 largest publicly traded commercial banking firms and for the 25 largest publicly traded thrifts, as measured by the market value of common shares outstanding. As of June 30, 1993, the market value cutoff for banks was $75.06 mil. and for thrifts $244.20 mil.; **52 Wk Hi** is the moving 52-week high and low closing prices through the end of the previous week; **PE to Ne** is the net share price divided by the trailing four-quarter net profit per share adjusted for latest announced earnings. The ratio is annualized for companies with less than four quarters of data; **Mkt Cap. bank:** the ratio of the current day's closing price to the stock's most recent four-quarter net profit per share, adjusted for latest announced earnings and dividends; **Last:** The price at which the last trade was made; **Chg.** The change in price from the day before. **BOLD TYPE indicates** 1) weighted average of the top 225 banks in market value and the top 25 thrifts in market value, respectively; 2) highlights new target companies added to the table and new index indicators; most shares traded and today's volume as a percentage of average shares traded; NM: not meaningful.

Data source: SNL SECURITIES, Charlottesville, Va. 804/977-1600, produced the tables. Financial News Network, Inc. provides SNL with the daily prices.

Stock Standouts
Largest price and volume changes at banks and thrifts during the week ended August 6

	8/6/93	8/6/92
LARGEST PRICE GAINERS*	**% increase**	
Signet Banking Corp.	9.332%	53%
Boulevard Bancorp., Inc.	8.0%	21%
Citizens Banking Corp.	7.143	24%
Baltimore Bancorp.	6.977	11%
UJB Financial Corp.	6.944	27
LARGEST PRICE LOSERS*	**% decrease**	
Comercial Financial Corp.	5.820%	647%
FNB Corp.	5.172	14%
National Bancorp. of Alaska	5.000	57
Bank Granite Corp.	5.085	29
GBC Bancorp.	4.545	15%
LARGEST CHANGES IN VOLUME*	**Multiple**	**Average Last week**
Boulevard Bancorp., Inc.	4.508	1,015,440
Citizens Banking Corp.	4.479	55,835
Magna Group Inc.	3.144	38,200
Boulevard Bancorp. Inc.	2.770	14,190
Standard Bancshares	2.718	376,900

Table described: From the 250 bank and thrift stocks listed above, the five institutions with the largest price gain, the five with largest price decline, and the five with largest change in daily volume for the week are listed. Percentage change calculated by dividing last week's close by the previous week's close. (*)— The **multiple** of last week's volume to the average volume for the over the previous 12 months.
Data Source: *Salomon Brothers Inc. New York*

Key Rates•

(August 9, 1993)

	8/9	8/6	8/2	8/10/92
Federal Funds domestic range:	3-3⅛	2¹⁵/₁₆-3	2¹⁵/₁₆-3	3¾-3¹⁵/₁₆
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	5.00
Certificates of Deposit¹				
3 Month Posted	2.73	2.78	2.78	2.90
3 Month Secondary	2.97	2.87	2.97	2.95
1 Year Posted	3.25	3.25	3.30	3.20
Eurodollar deposits²				
3 Month	3⅛	3⅛	3¹/₁₆	3¹/₁₆
6 Month	3⅛	3⅛	3⅛	3⅛
1 Year	3⅜	3⅜	3¹/₁₆	3⅜
Dealer Commercial Paper³				
1 Month	3.15	3.15	3.10	3.35
3 Month	3.21	3.20	3.15	3.37
6 Month	3.35	3.35	3.32	3.42

(*)— Late afternoon quotes, New York market. (•)— Highest offering rates (annual % yield) at selected NYC money center banks. (¹)— Late London bid. (²)— AA rating or the equivalent.

BT's Bet on Derivatives Business Paying Off

By RICHARD LAYNE

NEW YORK — There is a revolution going on in corporate finance, and Bankers Trust New York Corp. is leading the charge.

Using complex financial instruments called derivatives, it is helping corporations like Shell Oil Co. and Johnson & Johnson dramatically change their financing methods while protecting against fluctuations in interest rates and currency values, or even in the values of products and investments.

Shell, for example, recently needed to finance a new oil field. Traditionally, it would have borrowed the money or issued bonds. But Bankers Trust advised Shell to raise funds by selling some of the oil before it was produced, by using prepaid forward contracts.

As a bonus, Shell was able to lock in a price for its major revenue source, a dramatic change from the usual crapshoot of selling oil on the open market.

The Door to Knock On

Transactions like that have made Bankers Trust one of the biggest dealers in swaps, options, and other derivatives. And many corporate treasurers regard the bank as the most innovative player in the market, the door to knock on when complex risks need to be hedged with novel products.

"I see Bankers Trust leading a revolution," said Eugene Barron, assistant treasurer at Johnson & Johnson.

The revolution is internal as well. In the past few years, Bankers Trust has abandoned lending as a major source of revenue, reshaping itself as a risk manager. In so doing, it has moved even further into investment banking and away from its roots as a commercial bank.

"We are derivative missionaries," said Brian E. Walsh, 39, co-head of Bankers Trust's derivatives business and joint manager of the global investment bank, the company's umbrella group for worldwide capital markets and finance.

Dependent on Derivatives

Some other banks, including J.P. Morgan and Citicorp, are also emphasizing risk management, but by the $4 trillion derivatives market. But no other bank's capital and earnings are as tied to these products as Bankers Trust's. Indeed, nearly three-quarters of the company's before-taxes net income last year came from derivative dealing and related activities.

Bankers Trust's evolution into a derivatives powerhouse has not been seamless. Unlike some rivals, the bank does not have the credit rating. It has suffered the body blows of defections. And even now, analysts worry about the amount of risk Bankers Trust assumes in supplying derivatives products.

Paying Off Big

So far, though, the bet on derivatives is paying off big.

Raphael Soifer, an analyst with Brown Brothers Harriman & Co., calculates that the net income from managing clients' risk has grown from a loss of $33 million in 1988 to a $228 million profit last year. During that same period, Bankers Trust's net income from lending moved in the opposite direction: from $344 million in profits to a $23 million loss, said Mr. Soifer.

Derivatives and related trading last year provided $431 million in net income before taxes, or 68% of total profits. The comparable figure for Morgan was 56%, according to Mr. Soifer.

15% of Capital at Risk

"Derivatives are more important to Bankers Trust than any

> **"I see Bankers Trust leading a revolution."**
>
> **Eugene Barron**
> *Johnson & Johnson*

other bank," said Mr. Soifer.

That dependence is evident in the amount of capital at risk from derivatives positions. Tanya Azarchs, an analyst at Standard & Poor's, estimates that in the first quarter of this year, $600 million of the bank's capital, or 15%, was at risk. At Morgan, the percentage of capital at risk is 11%, Ms. Azarchs said.

If anything, derivatives will become more critical to Bankers Trust. It has recently been politicating other business lines with derivatives experts.

'A Way of Life'

Lucy Rinaldi, an expert in foreign-exchange derivatives, is now in charge of the internation- al private bank. Lisa Polsky, a former risk-management executive, will be creating investment funds that use derivatives. Richard Marin spent several years in derivatives and is now head of the bank's retirement services.

"They are focused on derivatives as a way of life," said Mr. Barron of Johnson & Johnson.

Aided by Bankers Trust, Johnson & Johnson has issued $50 million and $100 million of medium-term notes at lower-than-expected rates. The trick: include an option or forward that lets an investor place a bet on the direction of interest rates.

Switch Hasn't Been Easy

Bankers Trust hasn't always doted on derivatives. Nor has its strategic shift been a breeze.

Throughout the 1980s, risk management took a back seat to lending and foreign-exchange trading. Back then, Bankers Trust was the leading source of leverage buyout financing and was Kohlberg Kravis Roberts & Co.'s lead bank.

The emphasis on lending, combined with internal squabbling and turf battles, may have convinced some top executives to leave. Allen Wheat, the head of derivatives, and a dozen managing directors jumped to Credit Suisse to form Credit Suisse Financial Products. The mass exodus hurt Bankers Trust initially.

Since then, another top executive, Martin Loate, has moved to Merrill Lynch, and John Giannotti, London-based head of the global advisory products group, has resigned.

Bankers Trust has had other hurdles to overcome in building its business. In a business where relationships and balance sheet strength are critical ingredients, it lacks the loyal clients and the AAA credit rating of Morgan. Bankers Trust is nine more AA.

But in the words of a rival, "They turn those into not very big weaknesses."

Innovations Spur Growth

What has kept Bankers Trust's derivative business growing despite cracks and competition is the bank's ability to be innovative, to create new derivative products from the building blocks of options, forwards, and futures. Only Credit Suisse rivals Bankers Trust in inventiveness, said analysts and corporate treasurers.

Mr. Walsh said that 80% of the profits in the derivatives business comes from more customized products developed in the past three years, as opposed to interest-rate swaps.

These products can earn bigger spreads – needed to meet the bank's profit hurdles and pay the huge contracts top derivatives people command.

Bankers Trust has spearheaded the innovation in this business," said Ms. Azarchs.

The bank invented equity derivatives, instruments linked to stock indexes or baskets of stocks. These allow a corporation, for example, to get the economic benefit of investment in foreign securities without taking the currency risk of actually owning them. Or, an investor can con bet that a stock index will rise.

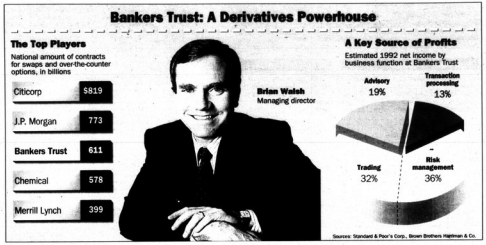
The bank has either led the way or been among the leaders in derivative trading with companies and governments in Southeast Asia, Latin America, and Central Europe.

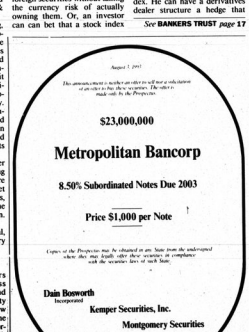
A Pioneer in Credit Hedges

And it was among the first to market the latest in derivatives, credit hedges. This type of instruments can be used as insurance against credit exposure.

Say a money manager buys $100 million of a corporation's bonds and the yield of those bonds is tied to a junk-bond index. He can have a derivatives dealer structure a hedge that

See **BANKERS TRUST** *page 17*





TOP MANAGERS OF BANKING FIRMS Told Angeles on page 12

AMERICAN BANKER

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First Interstate Digs Deep to Buy San Diego Gem

By SAM ZUCKERMAN

First Interstate Bancorp's purchase of San Diego Financial Corp. is a breakthrough deal at a breakthrough price.

In acquiring the biggest independent financial institution in San Diego, First Interstate will triple its local share of deposits, making itself the No. 3 bank in California's second-largest market.

But it's paying an eye-popping price to get there. The nation's 13th-largest bank company has agreed to a stock swap valued at $340 million — or 2.35 times book value – for San Diego's Financial's $2 billion of assets.

"That's a very high price," said Diakin Bucktin Securities analyst Campbell K. Cheney. "I'm surprised."

Indeed, not since the heady years of the late 1980s have Californ- nia banks traded hands at such multiples.

First Interstate was far more frugal in two transactions earlier this year, paying no more than 1.7 times book value for California commercial banks.

But First Interstate officials contend that San Diego Financial is a special case that justifies a premium price.

Strong Franchise

The company's San Diego Trust and Savings Bank unit has 52 of its 53 branches in San Diego County, a one-of-a kind franchise in a market of nearly three million people.

First Interstate has just 15 offices in the area and a paltry 3% share of commercial bank deposits. That puts it far behind market leaders BankAmerica Corp. and Wells Fargo & Co.

"For some time, First Interstate has sought to increase its presence in San Diego County," said First Interstate Bank of California chairman Bruce G. Willison in a statement. "The acquisition of San Diego Trust allows us to quadruple our local branch network."

End of an Era

The deal, expected to close early in 1994, is by far First Interstate's biggest acquisition since returning to financial health last year. And for the San Diego banking community, it represents the end of an era.

San Diego Trust and Savings, founded ill 1889, remains an old-line institution with conservative management and ties to the local business community that go back generations. De-

See **1st INTERSTATE** *page 4*

INSIDE NEWS

COMMUNITY BANKING



EVELYN FRANCE, head of community reinvestment at Elyria Savings in Ohio, goes the extra mile with a program to fix up houses and haul them by truck to a needy neighborhood. *Page 6*

AMITY BANCSHARES of Tinley Park, Ill., has engaged Kemper Securities to help it find a buyer. *Page 6*

WASHINGTON

COMMERCIAL BANKS could lose their dominant position in small-business lending to nonbank competitors and changing market conditions, an industry consulting group warned. *Page 2*

REGIONAL BANKING

AMSOUTH BANCORP, said it will buy Citizens National Corp. in Naples, Fla., for $48.8 million in stock. *Page 4*

MORTGAGES

THE PEDDING FRENZY of refinancings continued in July for seven large mortgage lenders. *Page 8*

CREDIT/DEBIT ATMs

VISA IS BEEFING UP its global product support, communications, and related functions under U.S. product czar Wesley Tallman. *Page 16*

TECHNOLOGY

SPS PAYMENT Systems Inc., a processor of electronic credit card transactions, is providing authorization services that comply with Visa International's fraud detection program. *Page 3*

FINANCE

EUROPEAN bank stocks are rallying as interest rates fall. *Back page*

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Crossland Sale Seen This Week

By BARBARA A. REHM

WASHINGTON — The government is aiming to complete its $300 million sale of Crossland Federal Savings Bank to institutional investors this week, at least a week ahead of schedule, Federal Deposit Insurance Corp. officials said.

The FDIC is hurrying to finish the deal in order to head off bids from rival New York savings banks, according to sources who work for these potential bidders.

Sources close to the negotiations claim that Harrison Young, the FDIC's resolutions director, is dead set on selling the $5.3 billion-asset Brooklyn-based Crossland to several dozen institutional investors and does not want to be sidetracked by other bidders.

"What's happened is Harrison has wound up his money and wants to pull the trigger," said a source involved in the horse race for Crossland.

Competing Plans

A consortium of New York-area savings banks, led by Anchor Savings Bank in Northport, N.Y., sent FDIC a letter last month explaining their plan to buy Crossland's branches and spin off its assets to a workout company, according to sources.

Dime Savings Bank in Brook-

See **FDIC** *page 22*

Bank Fund in the Black; Treasury Loan Repaid

By BARBARA A. REHM

WASHINGTON — The Bank Insurance Fund is back in the black and debt free for the first time since 1991.

The Federal Deposit Insurance Corp. said Tuesday that the insurance fund repaid its final $2.5 billion in borrowings from Treasury on Aug. 6. The fund's balance, too, rebounded – to $6.8 billion at June 30 from negative $100 million at yearend 1992, according to the FDIC's midyear financial update.

Just 18 months ago, the fund was $7 billion in the red.

Premium Prospects

The improving financial picture sets the stage for quicker-than-expected reductions in the deposit insurance premium that banks pay. The FDIC is barred by law from lowering premiums below 23 cents per $100 of deposits before the insurance fund's ratio of reserves to insured deposits hits 1.25%.

With the fund at $6.8 billion, the fund has just 35 cents for every $100 of insured deposits.

The FDIC's official estimate has premiums declining in 2002, but FDIC staff members have said they think premiums will come down in 1994.

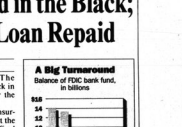
Acting FDIC Chairman Andrew C. "Skip" Hove improved on that prediction Tuesday, telling reporters that premiums could come down as early as 1996. Mr. Hove did hedge his prediction by saying that if the economy sours, premiums may not be reduced until 1999.

Mr. Hove credited the turnaround in the FDIC's fortunes to the dramatic decline in the number of bank failures, the added income from higher premiums, and expense savings.

"We're very happy to be debt free," Mr. Hove said during an open meeting of the FDIC board. "This loan repayment should help demonstrate that the insurance fund is recovering from the financial strains of the past, and that the fund will not become another drain on the American taxpayer."

In 1991 Congress gave the FDIC the right to borrow from

See **BANK FUND** *page 22*



Proprietary Funds' Assets Up 36% in Year

By DEBRA COPE

Banks may be newcomers to the mutual fund business, but they are outpacing the pack in asset growth.

In the 12 months through June 30, banks boosted the mutual funds assets they manage by 36%, to $190.9 billion, according to data compiled for the *American Banker*.

That was well ahead of the 23% growth recorded by the fund industry overall, which had $1.803 trillion of assets at midyear.

While the gains underscore banks' growing involvement in the mutual fund business, it is still unclear whether banks can reap substantial profits by managing mutual funds, said Geoffrey Bobroff, a senior vice president at Lipper Analytical Services, which assembled the data for the *American Banker.* (Table begins on page 12.)

Fees Being Waived

He noted that banks have been waiving investment advisory fees as they build their fund businesses.

"As late entrants, banks have had to engage in subsidization to maintain competitive returns," Mr. Bobroff said.

"At some point, it may come home to haunt the bank executive if true revenues cannot be achieved from this venture."

Lipper ranked 103 bank and thrift holding companies that act as investment advisers to mutual funds, comparing their assets in the second quarter with assets three months and one year earlier.

The Leader Slides

The ranking, which will be updated quarterly, showed nearly universal gains in fund assets,

See **BANKS OUTPACE** *page 13*



GRAPEVINE/ *Edited by Yvette D. Kantrow*

Short Stay

David B. Horn, banker to the superwealthy, has left Bessemer Trust less than one year after jumping there from Chicago's Northern Trust Corp.

Mr. Horn has set up his own private banking boutique, Graystone Partners, which he says specializes in nontraditional investments. The venture is being backed by the Blackstone Group, the prominent New York merchant bank.

Mr. Horn is the architect of Northern's gilt-edged wealth management group, which caters to families with a net worth of at least $100 million. Joining him at Graystone are Charles S. Hopper and Louise M. Wasso, who worked with him years ago at Morgan Stanley & Co. and followed him to Northern and Bessemer.

Also in the group is Mark S. Ostroff, who was briefly at Bankers Trust New York Corp. Mr. Ostroff was said to be setting up a wealth management group there similar to Northern's. But Bankers Trust recently abandoned the effort, sources said.

— Yvette D. Kantrow

* * *

Southern Persuasion

Bankers First Corp., beware! Jerry Shearer, a former South Carolina banker with a penchant for coercive investing, has his eye on you.

Mr. Shearer's Mid-Atlantic Investors purchased 7% of the $880 million-asset thrift, based in Augusta, Ga., in late July. The thrift's shares have since climbed from $12.25 to just over $18.

Why the surge? Because Mr. Shearer's group has a history of persuading reluctant managements to sell out.

Just ask First Savings Bank of Greenville, S.C., which last week agreed to sell itself to North Carolina's Southern National Corp. for 1.74 times book value. Earlier this year, Mid-Atlantic bought 10% of First Savings and then lobbied hard for a sale.

Mid-Atlantic was also instrumental in the sale of South Carolina Federal Corp. to First Union Corp. in 1992 for $78.7 million, or 1.4 times book value.

"When our name is associated with something, it starts the rumor mill running," Mr. Shearer quipped.

Bankers First officials declined to comment.

— Kenneth Cline

* * *

Bidding War Brews

A deal announced last week by a Detroit banker to buy America's largest black-owned bank may be just a prelude to a lengthy bidding war.

Indecorp, a Chicago bank holding company with $267 million of assets, signed a letter of intent to be acquired by an investor group led by William T. Johnson. Mr. Johnson is president of Omni Bancorp., a black-owned bank company in River Rouge, Mich., with $22 million of assets.

But now Marcus Alexis, a professor at Northwestern University's J.L. Kellogg Graduate School of Management, says he has assembled a group of African-American investors in Chicago to make a counteroffer.

"We still intend to make an offer for Indecorp," said the former board director for the Federal Reserve Bank of Chicago. He declined to elaborate.

— Robert Cox

* * *

Calling All Analysts

Wheat First Securities is having a hard time replacing Anthony R. Davis, its senior banking analyst, who left to join Dean Witter Reynolds in New York back in February.

"There's not a big supply of analysts, and people like where they are," said a source at the Richmond brokerage.

So Wheat is considering lowering its sights by seeking a second "junior" analyst to cover banks. The candidate would work with David Stumpf, who is 29 and was Mr. Davis' assistant for five years.

Elsewhere in the southern bank investment world, Buck Jones is saying goodbye to J.C. Bradford & Co., where he was managing director of financial institutions. Mr. Jones, a virtual fixture of the southeastern banking scene, has been with the Nashville firm for 21 years.

He is going to Okra Marketing Corp., Tampa, Fla., where he will be an executive vice president at Okra, a market research firm.

Mr. Jones, 45, began his career as a bank analyst at Bradford in 1972. In 1984, he transferred to the firm's corporate finance department, where he helped raise capital for many Southeastern banks.

— Kenneth Cline

Banks Said to Underestimate Risk Small-Business Loan Rivals Pose

By ROBERT M. GARSSON

WASHINGTON — Commercial banks could lose their dominant position in the small-business lending market and not even know what hit them, a prominent industry consulting group warned.

Reporting on a study her firm conducted for the Association of Reserve City Bankers, an analyst for Furash & Co. said the "commercial banking industry's traditional small-business franchise is at risk" to nonbank competitors and changing market conditions.

And with few exceptions, "The banks in our survey do not see the depth and nature of the nonbank threat to their small-business lending franchise," added Cynthia Glassman, director of research at the Washington-based firm.



Cynthia Glassman
Says threat hasn't hit home

'It Really Adds Up'

In an interview, Ms. Glassman said the changing nature of competition may be difficult for bankers to see because they operate in well-defined local markets while competitors from outside the industry market their products nationally.

"When a Merrill Lynch makes a push in commercial lending, it may not show up as real big in any one market," she said. "But across the country, it really adds up."

Most Banks, she added, don't have the same opportunities to market nationwide.

Ms. Glassman said bankers should be particularly wary of proposals under consideration in Congress to create a secondary market in small-business loans.

"The threat to banks of such programs is that they facilitate the same type of disintermediation that has drained large commercial financing out of the banking industry," Ms. Glassman wrote.

In the interview, she said banks should be particularly concerned about the development of a secondary market with implicit or explicit government guarantees.

"That will take the market away from intermediaries that make loans to hold in their portfolios, as banks do, and give it to those that originate loans to sell, rather than hold," she said.

Urges a Number of Steps

The result would be similar to the way in which the mortgage lending business was transformed by the secondary market agencies, shifting volumé from thrifts to mortgage bankers, she said.

Ms. Glassman said banks, individually and as an industry, should take a number of steps to maintain their share of the small-business market:

• Continue to press for regulatory relief legislation.

• Support efforts to require other types of lenders to make the same kind of lending disclosures as banks do. Without such reporting by others, banks "will continue to take the heat" for problems such as the credit crunch.

• Reduce the "hassle factor" for customers by making regulatory impediments as transparent as possible.

• Fight nonbank competitors by leveraging the industry's inherent advantages. For example, Ms. Glassman said, securities firms are viewed by businesses as companies that "want to sell you something. That's a perception banks can market against." ☐

COMPANY *index*

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SPS, a Card Processor, Upgrades Fraud Effort

By DEIDRE SULLIVAN
Special to the American Banker

SPS Payment Systems Inc., a third-party processor of electronic credit card transactions, is now providing transaction authorization services that comply with Visa International's new fraud detection program.

SPS, of Riverwood, Ill., is one of the country's largest processors of credit card receipts for merchants, handling more than 247 million transactions last year.

A code helps thwart card counterfeiters who lift valid account numbers and expiration dates from receipts.

The new Visa program, called Card Verification Value, strengthens SPS' fraud detection capabilities by using information encoded on a card's magnetic strip to help issuers identify transactions made with counterfeit cards.

The technology involves adding a three-digit code to the account number on a credit card's magnetic strip.

Because the code remains hidden in the strip, it is supposed to thwart criminals who lift account numbers and expiration dates from receipts so that they can manufacture counterfeit cards.

With the swipe of a credit card at a point-of-sale terminal, the data on the magnetic strip is transmitted to SPS, which forwards it to Visa for validation.

To ensure the card's authenticity, Visa checks the code against a one generated in its own system.

By adapting its systems to the new Visa technology, SPS officials said they have ensured that its merchant customer base can qualify for the lowest fee structure offered by the card association.

Compatibility Issue

"Since we are processors, we always try to qualify our merchants for the best rates," said JoAnn McCartney, an executive at SPS.

Ms. McCartney also said that instituting the program was relatively simple because most of SPS' equipment was already compatible with the new verification technology.

Ms. Sullivan is a freelance writer based in New York.

NationsBank Agrees To Link with Vendor Of Float Analysis

NationsBank, in a move to restructure the way it delivers some cash management services, has agreed to refer customer requests for float studies to Sagner/Marx Inc., a Chicago-based consulting firm.

Float studies are quantitative analysis tools that are used to examine a corporation's accounts-receivables collection and disbursement processes.

For many years, banks performed these studies for their largest clients, often charging little or no fee. The studies were used to identify the customer's lockbox and controlled disbursement needs.

According to Larry Marx, president of Sagner/Marx, in recent years most banks have stopped offering this service because the analysis is too time-consuming and expensive.

Considerable Savings

"The studies can result in significant savings for the customer, but they are extremely costly and highly specialized services for banks to provide," he said.

"Banks have to make strategic decisions as to where to deploy their expertise and people," said Edward Sykes, senior vice president at NationsBank. "We're no longer performing float studies, so having a credible third party to refer customers to is important."

Sagner/Marx specializes in cash management and treasury consulting services. The firm has entered into over 20 agreements with banks that no longer perform float studies but want to refer their clients to a firm that does.

Mr. Marx said the Sagner/Marx studies often include recommendations on which banking products and services a corporate customer should use to be more profitable.

— Deidre Sullivan

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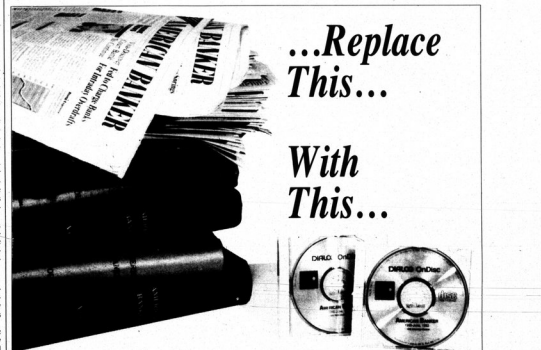

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NEWS *briefs*

Metropolitan Financial to Buy Back Stock

MINNEAPOLIS — Metropolitan Financial Corp. said its board authorized management to repurchase up to 5% of the company's outstanding stock in the open market and in other transactions through the first quarter of 1994.

The stock will be used by the Minnesota savings bank company for employee benefit plans as well as to replenish shares issued in a recent acquisition.

The company's shares rose 87.5 cents to $15 on the news.

Norman Jones, Metropolitan's chairman and chief executive, said the company is exploiting "the recent price of our stock" to purchase shares below book value, an activity he termed "the best and most prudent use of our capital in this market."

As of June 30, the company's book value was $14.96 a common share. Metropolitan operates more than 190 offices in the upper Midwest and Arizona.

Southern National CDs Put on Alert List

NEW YORK — Fitch Investors Service Inc. said it put the long-term and short-term certificate of deposit ratings of Southern National Bank of North Carolina on its alert list, with negative implications. The action follows an announcement last week by the bank's parent company, Southern National Corp., that it plans to acquire First Savings Bank of Greenville, S.C.

The acquisition, scheduled to be completed early next year, will boost consolidated assets by roughly 40% and result in significant decreases in nonperforming assets and balance sheet leverage. But it noted that the First Savings transaction is more than five times larger than any other merger the company has undertaken to date and, along with other pending acquisitions, will reduce consolidated equity to approximately 7.2% of June 30 assets on a proforma basis from its reported level of 8.7%.

In addition, it said management's demonstrated ability to quickly resolve asset quality problems will be challenged by the acquisition-related surge in the company's consolidated nonperforming asset ratio to 2.63% from 0.82%.

Separately, Standard & Poor's Corp. affirmed its BB-Plus subordinated debt rating on Signet Banking Corp. and revised its rating outlook on the Virginia banking company to "positive" from "stable." It said the revision "reflects Signet's continued progress in disposing of its large book of troubled commercial real estate assets, as well as strong operating performance measures derived principally from its rapidly growing credit card portfolio."

Net Soars at Pittsburgh Home Loan Bank

PITTSBURGH — The Federal Home Loan Bank of Pittsburgh reported second-quarter net income of $14.2 million, more than a sixfold increase from the $2.1 million it earned in the first quarter. The bank, which earned a 9.74% return on equity, paid an annualized dividend rate of 8% in the quarter to its thrift and bank members.

The Pittsburgh home loan bank said its financial performance improved during the quarter because of strong loan demand in spite of a weak housing market and a higher net interest margin. Prepayment fees and gains on the sale of securities also contributed to the second-quarter results.

James D. Roy, president of the bank, said loan demand was driven by customers' eagerness to lock in low interest rates.

The briefs were compiled from staff and wire reports.



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Amsouth to Buy Citizens National Of Fla. for $49 Million in Stock

By KENNETH CLINE

ATLANTA — Amsouth Bancorp., Alabama's largest bank company, said Tuesday it will buy Citizens National Corp. in Naples, Fla., for $48.8 million in stock.

The move will give Amsouth another $289.6 million of assets in Florida, a state in which it has been expanding aggressively.

Amsouth now has six acquisitions pending in Florida. When they are completed, the company's $1.2 billion-asset bank in the Sunshine State will more than double to $3.5 billion of assets.



John W. Woods
Hints at more acquisitions

'Going Rate'

Amsouth agreed to pay a hefty price for Citizens National – 2.74 times adjusted book value. But analysts suggested that the bank's attractive location and good market performance justified the deal.

Citizens National earned $1.6 million in the first six months, representing a 1.11% return on assets.

"It's the going rate" for strong banks, said Kathryn Bissette of Sterne, Agee & Leach Inc. in Atlanta.

Shares of Amsouth, an $11.1 billion-asset institution with a presence in Alabama, Florida, Tennessee, and Georgia, were up 12½ cents Tuesday afternoon.

John W. Woods, Amsouth's chairman and chief executive, said the purchase of Citizens National will complement its pending acquisition of a bank in Fort Myers on Florida's southwest coast, which is one of the state's fastest-growing areas. And he hinted that more deals in the area are on the way.

The acquisitions "provide us with a strong nucleus to build an even stronger southwest Florida banking franchise," Mr. Woods said in a prepared statement.

Thrift in Its Sights?

In a related development, the stock of Fortune Bancorp, a thrift in Clearwater with $3 billion of assets, has been active on speculation about a takeover by Amsouth or another bank. Since early April, its stock has risen from $18.50 a share to over $23.

John R. Torell 3d, the chairman of Fortune, said in a recent interview that the reviving company wants to expand along the West Coast.

But he also repeated on Tuesday that his company is obligated to talk to any potential acquirer that would increase value for current shareholders. He would not comment specifically on Amsouth or any other company. □

First Interstate Goes All Out to Stake Claim In San Diego, California's 2d-Biggest Market

Continued from *page 1*

scendants of Joseph W. Sefton, the bank's founder, still own a majority of the holding company's thinly traded stock.

The company is well capitalized and steadily, if unspectacularly, profitable. It has posted returns on assets ranging between 0.6% and 0.8% in recent years.

It is also known as a tightfisted lender, with loans equaling only 45% of deposits.

Despite the slumping Southern California economy, San Diego Financial's problem assets represented just 1.7% of loans and foreclosed property at the end of June. That may have been one of the biggest attractions for First Interstate. Since returning to the acquisition market last year, the company has scrupulously avoided buying banks with credit problems.

NEWS ANALYSIS

'You Pay for Quality'

"This is a premier bank," said executive vice president Theodore F. Craver, who oversees acquisitions for First Interstate. "You pay for quality."

Still, First Interstate faces a challenge in earning back the huge premium it is paying. It can earn an adequate return on its investment only if it cuts costs sharply and takes advantage of cross-selling opportunities to boost revenues.

Analysts who were briefed by



Bruce G. Willison
Long-held goal accomplished

First Interstate said it is aiming to trim $50 million in San Diego Financial's annual operating costs, with more than half the amount coming from staff cutbacks.

First Interstate is reluctant to provide details of cuts because of community concerns in San Diego.

Fund Sales May Be Boosted

On the revenue side, First Interstate expects to sell its diversified product line through its new branches and is also considering expanding sales of the San Diego bank's successful proprietary mutual funds.

Based on these assumptions, First Interstate has been telling investors to expect less than 1% earnings dilution in 1994. By 1995, they added, the acquisition should begin adding to earnings.

"You look at all these things and the price begins to make a little more sense," said Brent B. Erensel, an analyst at UBS Securities.

First Interstate executives also told analysts they expect an acquisition-related charge of about $50 million in the first quarter of 1994.

Family Considerations

In San Diego, the disappearance of the biggest locally owned bank was a surprise. Through the years, Sefton family members repeatedly proclaimed their determination to keep San Diego Financial independent.

The family changed its mind to avoid hefty estate taxes that could force the sale of the bank under disadvantageous conditions, said Harley K. Sefton, a family member and vice chairman of the company.

At the request of the Sefton family, the company's board hired J.P. Morgan Securities earlier this year to contact potential buyers, a bank spokeswoman said. Several potential buyers explored the deal, the spokeswoman added, but she declined to identify them.

For San Diego Financial stockholders, the deal is a tremendous windfall. They are expected to get about $756 a share when the deal closes. The stock has traded hands most recently at about $255 a share. □

REGIONAL BANKING

EXECUTIVE *changes*

Tokai's Takao Soeda Is Chosen As President of California Unit

Takao Soeda has been elected president of **Tokai Bank of California**, Los Angeles, a unit of **Tokai Bank Ltd.**, Nagoya, Japan.

He will also be general manager of the parent bank's Los Angeles agency.

He succeeds **Takashi Inouchi**, who was promoted to general manager of Tokai Bank Ltd.'s New York branch.

Mr. Soeda, who has an MBA from Northwestern University in Evanston, Ill., was joint general manager of Tokai Bank Ltd.'s international headquarters in Tokyo. He joined Tokai in 1969. — **Franklin Smith**



Takao Soeda

MIDWEST

BANC ONE OHIO CORP., Columbus, has promoted **Glover L. Shearron** to vice president of workforce diversity.

Mr. Shearron had been a vice president of Bank One Columbus, managing equal employment opportunity matters and employee relations, since 1982.



Glover L. Shearron

MERCANTILE BANK OF St. Louis has elected **Linda P. Jones, Joseph B. Mercer, Paul C. Rhea, Laura S. Roberson,** and **Walt L. Stroud** as vice presidents.

Ms. Jones works in the institutional banking department. Mr. Mercer in **Mercantile Information Co.**, Mr. Rhea and Mr. Stroud in consumer banking, and Ms. Roberson in the institutional banking department.

NATIONAL CITY CORP., Cleveland, said **Dale A. Branham** has been elected senior vice president and chief financial officer of **National City Mortgage Co.**, succeeding **John W. Mann 3d.** Mr. Branham was vice president and controller of the unit.



Dale A. Branham

MIDDLE ATLANTIC

UNITED STATES TRUST Co., New York, said **Donald P. Casler, Martha A. Kirwin,** and **A. John Wright** have joined the company as vice presidents.

Mr. Casler is a banker in the private banking division. He was formerly a private banker at Citibank.

Ms. Kirwin is in the institutional sales department of the asset management business development division, specializing in retirement planning services. She was a senior retirement plan counsel at Alliance Fund Services.

Mr. Wright is a portfolio manager in the private client services department of the private banking division. He was a portfolio manager at Bank of New York.

SOUTHEAST

WACHOVIA CORP., Winston-Salem, N.C., said **Richard H. Sneleire** and **Beverly B. Wells** have been named to new positions at **Wachovia Corporate Services Inc.** Both will remain based in Winston-Salem.

Mr. Sneleire has been given responsibility for enhancing Wachovia's cross-border capabilities in treasury services, corporate finance, and international banking through the development of strategic alliances with financial institutions and providers of information technology services.

Ms. Wells succeeds Mr. Sneleire as manager of the treasury services group. In addition to her new responsibilities for the marketing of cash management operational and consulting services, she retains responsibility for corporate product management and corporate technology and information services.

SOUTHWEST

COMERICA BANK Texas, Dallas, has announced a new executive management team.

In addition to **Charles L. Gummer**, president and chief executive officer of the bank, the team includes vice chairman **Joseph R. Goyne 3d** and executive vice presidents **C. Fred Ball, J. Patrick Faubion, George F. Jones Jr., John M. Killian,** and **Edward K. Mims.**

It also includes directors **Lisa J. Murray** and **Gail B. Cooksey.**

Mr. Goyne is responsible for state banking markets and the operations areas. Mr. Ball is responsible for the newly created custom banking division, which includes private banking and statewide trust and investment services. Mr. Faubion is responsible for statewide loan administration.

Mr. Jones is responsible for the Metroplex corporate lending division and Mr. Killian for the Metroplex retail banking division. Mr. Mims is responsible for the finance division.

Ms. Murray is responsible for human resources, and Ms. Cooksey for marketing.

The new organizational structure is a result of Comerica Bank Texas' recent mergers with Hibernia National Bank in Texas, NorthPark National Bank, and Sugar Creek National Bank.

WEST

GREAT WESTERN Financial Corp., Chatsworth, Calif., said **Jesse L. King** has joined as senior vice president and controller.

He succeeded **Bertill A. Gustafson,** who retired.

Mr. King was senior vice president and manager of accounting operations for NationsBank in Charlotte, N.C. □

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For an Illinois Savings Bank, Red Tape Spurs Decision to Sell

By ROBERT B. COX

Amity Bancshares of Tinley Park, Ill., announced that it was engaging investment bankers Kemper Securities to help it find a buyer.

"It has just become so difficult to keep up with regulations," said Edward Eckert, a vice president and a member of the thrift's board.

Management's Age a Factor

Those are powerful words coming from Mr. Eckert, who spent 40 years as a regulator at the Federal Home Loan Bank of Chicago until retiring four years ago.

Amity is the holding company for Amity Federal Bank for Savings, a $130 million-asset thrift in Chicago's southern suburbs.

The company is well capitalized, with an equity-to-assets ratio of 13%, and a healthy return on average assets of 1.15% in the second quarter of 1993.

Amity has been mentioned as a possible acquisition target by analysts for some time, mainly because the average age of the thrift's board members is about 70 years.

Many of the Illinois thrift's managers are at, or beyond, retirement age.

"I think management decided that now is a good time to sell," said one thrift analyst, Linda Stromberg, at Howe Barnes Investments, Chicago.

"They have two choices: Either pass the reins on to someone else, or take the money and run," Ms. Stromberg said.

The timing appears to be excellent. The average price paid by suitors for thrifts in the second quarter was a record 1.55 times book value, according to SNL Securities of Charlottesville, Va.

Amity management's decision to put the bank on the auction block is typical of institutions where officers and directors are near or beyond average retirement ages, experts said. In Amity's case, increased regulations and directors' liabilities have strengthened the resolve of bank officials.

"The emphasis today on the board is almost to the point where they are being made responsible" for management of the institution, said Mr. Eckert.

"Individuals up in years don't want to face the possibility of having to defend themselves in any legal action," Mr. Eckert said. □



PRIME MOVER: Evelyn France, left, and one of five houses she had rehabilitated and hauled by truck to a needy neighborhood.

Elyria Goes Extra Mile With 'Home Delivery'

By BILL ATKINSON

CRA

IN THE RUGGED AUTO TOWN of Elyria, Ohio, even houses have wheels.

Ever since Evelyn France was named president of a low-income housing corporation formed by Elyria Savings and Trust National Bank in 1991, town residents have watched two-story houses inch their way down West Avenue on flatbed trucks.

Last summer, Ms. France engineered the rescue of five houses slated for demolition. They were not only renovated, but also hoisted atop the trucks and moved more than three miles to a low-income neighborhood so poor families could have a roof over their heads.

Now, she's working to save six more, and possibly as many as 14 more houses.

"You've got to rebuild from the bottom up," said the 41-year-old Ms. France, who heads community reinvestment for the bank and is president of Community Housing Cooperative, a nonprofit corporation. "I see things that need to be done."

Ms. France's effort to help Elyria, a blue-collar city of 57,000 with 7.7% unemployment, is unique. But it is an example of the work some community banks are doing to rebuild their communities.

So far, examiners haven't given the bank Community Reinvestment Act credit for its work because the program got off the ground during its last exam. But officials say moving houses is more important than getting a good CRA grade.

"Lorain County is a county that needs some help," said C. Donald Bramley, president and chief executive of the profitable $465 million-asset bank. "Evelyn sells this bank in more ways than just CRA."

Experience as a Loan Officer

A native of Elyria, Ms. France decided to help house low-income people while she was working as a loan officer with the bank. Customers didn't want traditional home loans, but kept asking her for affordable home loans.

At that time, the Elyria United Methodist Home was expanding its facility and planned to tear down five large houses. She persuaded Mr. Bramley, a trustee of the home, to see if United Methodist officials would donate the houses. A deal was struck, but many people doubted she could pull off the move.

Hauling houses over bridges, railroad tracks, and under telephone wires is a tricky business. But at a meeting, she got city officials to donate vacant lots for the houses, movers to transport the houses, the police to use free time to block traffic, and electrical engineers to take down power lines.

Politicians Had an Incentive

"Timing is everything," Ms. France said. "It was an election year for the councilmen as well as for the mayor."

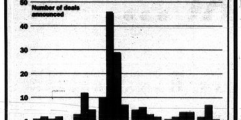
Ms. France also rounded up a committee made up of six members of the community to interview applicants who wanted to live in the houses. More than 200 people applied. To qualify, the families' income could not exceed 80% of the median income established by the Department of Housing and Urban Development. Most of them made about $20,000 a year.

The bank counseled the families on resolving credit problems. It also charged them $370 a month to rent the houses, and agreed that after 18 months of payments, the funds would be used as a down payment. The bank also agreed to provide 20-year mortgages at a 7.5% rate. The houses sell for about $40,000.

"We hope this will be long term," Ms. France said. "I really love this community." □

Focus on Community Banking...

M&A Mutual Conversions Still In Doldrums



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AMERICAN BANKERS ASSOCIATION

In Brief

Security Capital Bancorp said its second-quarter earnings jumped to $3.4 million for the quarter ended June 30, from $219,000 a year earlier.

The 1992 quarter's earnings were adversely affected by $4.1 million in special charges relating to the merger of First Security Financial Corp. and Omni Capital Group, which formed Security Capital.

Exclusive of 1992's special charges, Security's earnings in the second quarter and the first half of 1993 increased 14% and 23%, respectively. Security is based in Salisbury, N.C., and has 41 offices and $914.6 million of assets.

* * *

The Federal Reserve recently approved Pinnacle Bancorp's plan to acquire Windsor Bancorp and its Windsor Bank in Windsor, Colo.

The Central City, Neb.-based banking company's acquisition will add $20.5 million to Pinnacle's $893.9 million of consolidated assets. The deal had led to complaints competition in Windsor would be stifled. But the Fed found that Windsor and nearby Greeley form a common market.

* * *

Central Virginia Bankshares said it raised $4.3 million in a secondary stock offering, and earned a record $352,964 in the quarter ended June 30.

For the first six months of the year, the Powhatan, Va.-based bank earned $672,049, up 54% from a year ago. The bank's stock offering was oversubscribed. Central Virginia has $97 million of assets and three branches. □

Relieve Banks of the Responsibility for Flood Insurance

By T. HERBERT STEVENSON
Executive vice president, Young & Associates, Kent, Ohio

In the wake of the "great flood of 1993," Congress is beginning to reassess the National Flood Insurance Program. Begun with the National Flood Insurance Act of 1968, the program was designed to mitigate the personal losses of citizens and the need for federal disaster relief.

The program has never performed according to plan. Many lenders do not require flood insurance as a condition for credit approval for properties in floodplains, and as many lenders allow the coverage to be canceled during the term of the loan.

Comment

It's ironic that customers and lenders do not require or maintain flood insurance coverage. The majority of customers maintain some type of property insurance and the majority of lenders immediately take action to "force" insurance coverage for minimum property insurance.

The irony becomes clear by observing the laws of probability. There is a 26% chance of a devastating flood during a 30-year period of homes in a 100-year floodplain, compared with a 1% chance of a devastating fire during the same period. Yet less than two million of the approximately 11 million properties in floodplains are covered by flood insurance.

Realizing that the insurance program is not working, Rep. Doug Bereuter, R-Neb., introduced legislation to allow banks to require flood insurance, similar to property-insurance requirements.

In addition, he has proposed that fines of up to $100,000 per year be assessed on institutions that maintain a pattern and

Insurance should be required in all floodplain areas.

practice of failing to require flood insurance.

Flood insurance is not a banking issue and never will be, except as a risk that can be considered in the credit approval process. As a result, the National Flood Insurance Program will never work so long as it is focused on using banks as loan enforcement officers versus the insurance industry as a means to finance the flood risks.

Much of the failure of the flood insurance program is due to its design. It ensures conflict between customers and bankers.

On the one hand, the bank is required to foist flood insurance on the customers as a condition of credit.

A Better Deal

On the other hand, customers without the need to finance their properties have the choice to maintain insurance, knowing that some form of federal disaster relief will be provided if a major flood occurs. In other words, millions of taxpayers not living in floodplains will be required to help foot the bill.

A simpler and more effective solution would be to require all insurance carriers to incorporate flood coverage in all policies for properties in floodplains. This would eliminate the need for any banking laws for flood insurance.

Further, the Federal Deposit Insurance Corp. would have one less risk, as it would minimize loan losses resulting from flood damage as well as eliminate the threat of lawsuits against lenders for falling prey to customer demands to drop the flood insurance requirement and later being sued by the customers when floods wipe out their properties.

Using the flood insurance program, incentives for floodplain control could be developed by



T. Herbert Stevenson

the market in cooperation with federal law. Specifically, the present law requires that local communities participate in the National Flood Insurance Program in order to have access to flood insurance. Such participation requires the local community to establish minimum flood-control building codes.

Failure to establish and/or to enforce these codes can lead to suspension of the community and loss of flood insurance availability and disaster relief grants.

The Bottom Line

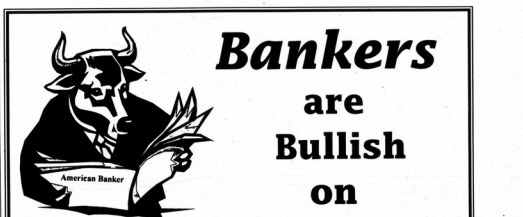
If flood insurance were required as part of all property insurance coverage for properties in flood plains, the insurance rates could be set by the insurance companies similar to other coverages.

In other words, insurance would be available and required in all floodplain areas. Its costs would be determined by the local communities' compliance with the flood insurance program's flood-control requirements.

The bottom line is that the costs of disaster relief could be brought under control for flood damages.

Using the present cost of flood insurance of $300 per year and the nine million properties not carrying flood insurance, there would be $27 billion per year to pay for annual flood damages.

More important, it would push the burden back to the industry that finances risk, where it belongs, and off the backs of bankers. □



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CEO of Lender's Service Races with Refi Boom

Q&A

Phillip Bracken, 43, was named chairman and chief executive of Lender's Service Inc. in January after a 17-year career in mortgage banking.

The Pittsburgh unit of Prudential Insurance Company of America is the nation's largest residential appraisal management company, with 10,000 appraisers, over $150 million in revenue, and more than 900 clients, mostly lenders.

Teresa Carson, a Pittsburgh-based freelance writer, talked with Mr. Bracken.

Q: We've been in a huge refinancing boom. Should your clients be worried that you can't keep up with the demand?

BRACKEN: I'm confident we'll be able to keep up. I'm a little bit less confident about the infrastructure of some of our clients at these volume levels for this length of time. It has been a marathon refinance stress test.

We are beginning beta tests to automate the assignment process [for appraisers], the order process, the way lenders or clients order work from us.

Where we want to head is to make it a personal-computer-based order system, so anybody can put it right on any PC they have anywhere in their office. It will be a seamless transaction which will take only minutes. We expect to be through the testing phase by the third quarter and we will have begun the rollout.



Phillip Bracken

Q: Are we on the brink of yet another boom?

BRACKEN: Yes, we are relatively close to the point where the 30-year fixed-rate mortgage passes below the fully indexed adjustable mortgage rate. If we get there, that will stimulate another boom.

And there are still something like $1 trillion of adjustable-rate mortgages on the books, and something close to $1 trillion of fixed-rate mortgages out there with rates over 9%. And that doesn't even take into consideration the purchase activity.

Q: What about rates?

BRACKEN: The likelihood of their declining is probably a little greater than the likelihood of their increasing. I don't expect to see a 100-basis-point change either way for six to nine months.

Q: Has the flood in the Midwest affected your business at all?

BRACKEN: We are getting a significantly larger number of orders for properties we have appraised there in the last six months. In some cases, the loans have been sold and the lenders want to know if the home is still there.

Q: What regions have strong housing markets, and where is there still weakness?

BRACKEN: We have this incredible living software network, our appraisers, that we survey. It is a very thorough survey and it is prospective, not retrospective. I want to thrust us forward in this regard and be in lender information services. We're going to improve the data and the speed and probably the frequency of the information.

But to get back to your question, the strongest markets are Austin, Denver, Omaha, and Madison, Wis. The worst continue to be in California. The four worst in the country are Los Angeles, Orange County, San Diego, and San Francisco.

July Refinancings Up Sharply At Seven Big Housing Lenders

By JAMES H. SAPT

Seven large mortgage lenders have reported their customers continued the feeding frenzy of refinancings in July.

All seven institutions showed marked increases in loan production in July over the level in the corresponding month last year.

Even the smallest gain was a hefty 54%, at Standard Federal Bank of Troy, Mich., while American Residential Mortgage Corporation of La Jolla, Calif., showed an exceptionally strong 110% rise.

An Unusual Gain

Standard Federal reported $319 million in originations in July, up from $207 million the year before. Year-to-date originations at the thrift were up to $2.19 billion, from $1.88 billion in the first seven months of 1992.

The gain was unusual for a thrift because most S&Ls have been reluctant to write fixed-rate mortgages demanded by consumers. Standard's originations grew partly because of the strong local appetite for adjustable-rate loans, according to Joseph Krul, chief financial officer.

Keeping ARMs on Its Books

Perhaps because of lower housing costs in the Midwest, 17% of all mortgages booked by Standard Federal of Troy, Mich., are 10-year adjustables.

"Our loan portfolio is growing," said Mr. Krul, who says that the portfolio increased by $700 million in the first six months of this year.

Mr. Krul says that loans originated by Standard Federal now make up a higher percentage of its portfolio, replacing mortgage-backed securities that have been prepaid.

Even the smallest gain was 54% as borrowers sought lower rates.

Like most other thrifts, Standard is selling almost 100% of its production of 30-year, fixed-rate loans into the secondary market while keeping most of the ARMs on its own books.

Others Join Uptrend

Plaza Home Mortgage, of Santa Ana, Calif., currently the 18th-largest mortgage originator, showed total mortgage production of $638 million in July, versus $355 million in the corresponding period last year. The year-to-date total is $4.04 billion, up from $3.17 billion last year.

American Residential Mortgage announced total origination of $707 million as well as a year-to-date total of $4.20 billion.

North American Mortgage Company, the publicly traded mortgage giant based in Santa Rosa, Calif., experienced a jump to $1.32 billion in total fundings in July, up 73% from last July.

The company has originated $8.38 billion so far this year, up from $5.86 billion in the equivalent period last year. Refinancings comprise 68% of North American Mortgage's July volume, up from 60% last July.

Countrywide Credit Industries of Pasadena, Calif., the nation's largest mortgage lender, saw its total production in July hit $4.3 billion, a 67% increase from last July's $2.6 billion figure. The company had total originations of $25.4 billion for the first seven months of this year.

Margaretten Financial, of Perth Amboy, N.J., also weighed in with a large increase, reporting $833 million in total production in July, up 72% from last year. Margaretten's total production year-to-date is $5.62 billion, up from $3.88 billion in the first seven months of last year.

Fleet Mortgage Group, of Columbia, S.C., had total originations of $2.2 billion in July, up 59% from last year's period. □

Housing Affordability Hits 20-year High

The affordability of housing has reached a 20-year high, according to figures compiled by the National Association of Realtors.

The association's index reached 132.6 in the second quarter, up from 118.9 a year earlier. An index of 100 means that a family earning the median income has exactly the amount needed to buy a median-priced resale home with a 20% down payment.

The second quarter number means that the median-income family has 132.6% of the income needed to buy a median-priced home. Thus, well over half of all households can afford to buy, but the figures do not indicate how many.

Well over half of all households can afford to buy.

Gain Shown for Renters

The outlook for first-time homebuying has also improved significantly, the association's report said. Among renters between the ages of 25 and 44, the the affordability index reached 86.7, up from 78.5 a year ago. This index assumes a lower-priced home and a down payment of just 10% on a conventional mortgage.

This means that less than half of prime prospects for first-time purchases can afford to buy. The median price used in the calculations for repeat buyers was $107,000, while the median for a starter home was $91,000.

— Edward Kulkosky

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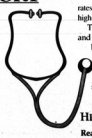

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Give Consumers Full Disclosure, and Let the Chips Fall

By LAURENCE E. PLATT
Principal
Brownstein, Zeidman, and Lore

Never trust a consumer to make an informed credit decision. Indeed, never let a consumer have the freedom to make a bad economic choice – unless, of course, the consumer picks me.

After all the rhetoric is peeled away, this is the basis that underlies the efforts of some participants in the mortgage business to roll back the regulatory relief recently afforded consumers by the U.S. Department of Housing and Urban Development.

The department has announced that it is considering revision of regulations issued last year. These regulations are perceived by some to promote unfairly the ability of diversified companies to cross-market residential real estate products and services by permitting employers to compensate their employees for successful referrals to affiliated companies.

In addition, the regulations facilitate the automation of the lending industry through computer loan origination systems by permitting customers to pay for such a service.

The HUD Revision

The final regulations rejected proposals both to restrict the amount and timing of payments of these fees and to require the products of multiple lenders to be displayed on these systems. In each case, the agency concluded that requiring full disclosure to consumers was sufficient.

Protection of the consumer is not the industry's paramount concern.

HUD is now rethinking whether both the cross-marketing of residential real estate products by efficient companies and the origination of mortgage loans by computers should be restricted further under the Real Estate Settlement Procedures Act.

The amended regulations are very controversial. The free flow of uncompensated referrals to unaffiliated mortgage brokers and mortgage lenders is perceived to be impaired.

Whether the government should sharply limit these activities by rescinding the revised regulations or merely require the disclosure to borrowers of the potential risks is the heart of the debate.

Protection from Bad Choices

Neither cross-marketing nor new computer technology is generally perceived in other industries to be abusive to consumers. Yet mortgage bankers are the strongest proponents of increased regulation.

Why should practices not objectionable in other industries be considered abhorrent and worthy of increased government intervention in the residential real estate market?

Critics of the law say, in effect, that the government should take away the right of a borrower to make an informed but ill-advised choice.

Under this view, the job of the government is not merely to assure that consumers are provided with accurate information on which to make decisions, but to protect the consumer from making bad choices.

But even if this view were correct, the alternative certainly is worse. If the government is going to limit choices, at what point should the government draw the line? No mortgage broker or mortgage lender wants to limit the right of a borrower to choose it, only the right to choose someone else.

Allow a borrower to make an informed but ill-advised choice.

The logical extension of this principle is that the government should prohibit any referral or the making of any loan that is not in the best interests of the consumer.

Federal consumer credit law generally relies on informed choices through full disclosure. The new regulations are consistent with this approach.

Fight for Market Share

Protection of the consumer is not the industry's paramount concern. Protection of turf is. The cloak of consumer protection could be viewed as a subterfuge for an intense fight to retain market share.

The battle is based on three simple facts. First, through the use of diversified companies and new computer technologies, the capital markets can directly access home loan applicants.

Second, mortgage products essentially are generic, with little variation in type or price discernible to the consumer. If a product is generic, who cares who offers it?

Third, mortgage brokers and lenders generally market their loan products to real estate agents and builders rather than directly to consumers.

Nobody is saying that retail lenders should not fight back. There are legitimate unfair-competition issues to be raised. Using the Real Estate Settlement Procedures Act, however, to disparage the ability of consumers to make informed choices after receiving full disclosure probably will backfire. □

Commentary

Mr. Platt specializes in mortgage finance. He is a co-author of "A Practical Guide to Respa," the Real Estate Settlement Procedures Act.

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1	PNC Bank Corp., Pittsburgh	18,851	19,277	30,270	16,742	579	319	1,211	59	34	8	7	10	
2	BankAmerica Corp., San Francisco	18,336	15,732	11,043	17,395	232	223	486	25	18	2	1	4	
3	NationsBank Corp., Charlotte, N.C.	10,502	9,052	N.A.	6,058	1,852	707	1,886	73	8	22	25	18	
4	Wells Fargo & Co., San Francisco	7,352	6,793	3,860	2,239	2,943	659	1,211	24	6	6	4	8	
5	Northern Trust Corp., Chicago	6,904	6,401	4,991	6,084	421	0	460	13	5	5	0	3	
6	NBD Bancorp Inc., Detroit	5,244	5,025	3,415	3,401	718	54	1,072	15	7	2	2	4	
7	Banc One Corp., Columbus, Ohio	5,010	4,768	3,723	2,096	1,264	649	1,001	34	8	7	6	13	
8	J.P. Morgan & Co., Inc., New York	4,238	4,380	4,173	3,180	91	460	508	7	2	1	1	3	
9	Barnett Banks Inc., Jacksonville, Fla.	4,031	4,185	2,903	3,581	125	174	151	14	11	1	1	1	
10	First of America Bank Corp., Kalamazoo, Mich.	4,002	3,886	3,237	1,182	1,035	354	1,432	27	6	8	4	9	
11	State Street Boston Corp.	3,964	3,519	3,516	3,382	322	6	254	8	2	2	1	3	
12	Norwest Corp., Minneapolis	3,941	3,707	2,811	3,391	314	125	112	11	5	3	2	1	
13	Chase Manhattan Corp., New York	3,696	3,275	2,006	2,469	202	158	867	20	8	4	2	6	
14	Comerica Inc., Detroit	3,638	3,424	2,182	1,685	532	123	1,298	40	11	7	3	19	
15	First Financial Group, Inc., Providence, R.I.	3,630	3,154	2,426	2,020	622	192	794	17	4	3	4	6	
16	Mellon Bank Corp., Pittsburgh (a)	3,629	3,807	3,368	2,683	153	89	705	56	23	8	12	13	
17	Citicorp, New York	3,583	3,413	2,716	2,946	67	103	467	14	9	1	1	3	
18	Chemical Banking Corp., New York	3,555	3,674	1,213	3,188	175	0	193	20	7	5	0	8	
19	U.S. Trust Corp., New York	3,392	3,243	3,305	2,426	158	542	266	27	4	4	5	14	
20	SunTrust Banks Inc., Atlanta	3,330	2,692	1,165	1,146	383	17	1,784	16	6	2	1	7	
21	Bankers Trust New York Corp.	3,291	2,921	2,211	3,171	17	20	83	19	10	2	1	6	
22	Boatmen's Bancshares Inc., St. Louis	3,184	3,297	2,980	3,098	86	0	0	10	9	1	0	0	
23	First Interstate Bancorp, Los Angeles	3,169	2,838	2,627	2,338	278	92	461	22	7	5	5	5	
24	First Union Corp., Charlotte, N.C.	2,989	2,662	2,211	930	647	174	1,238	20	6	4	4	6	
25	Great Western Financial Corp., Beverly Hills	2,751	2,503	1,653	154	1,448	899	251	11	3	3	2	3	
26	Society Corp., Cleveland	2,647	2,586	2,292	2,055	204	42	346	14	5	3	1	5	
27	Firstar Corp., Milwaukee	2,194	2,139	1,723	1,113	413	18	650	14	5	3	1	5	
28	National City Corp., Cleveland	2,167	2,110	1,598	1,927	105	43	93	16	10	2	2	2	
29	First Fidelity Bancorp., Lawrenceville, N.J.	2,101	1,588	1,489	1,729	195	34	143	11	6	2	1	2	
30	Midlantic Corp., Edison, N.J.	1,887	1,840	1,496	853	522	95	417	14	5	3	2	4	
31	First Chicago Corp.	1,807	1,794	1,469	1,296	46	40	426	12	5	2	2	3	
32	Wilmington Trust Corp., Del.	1,746	1,548	1,670	1,633	37	0	76	7	3	1	0	3	
33	First Bank System Inc., Minneapolis	1,622	1,470	382	821	275	2	523	15	3	5	1	6	
34	Marshall & Ilsley Corp., Milwaukee	1,553	1,399	N.A.	798	448	0	307	6	2	3	0	1	
35	Old Kent Financial Corp., Grand Rapids, Mich.	1,525	1,383	87	329	543	81	572	16	2	4	2	8	
36	Bancal Tri-State Corp., San Francisco*	1,449	1,340	1,160	1,034	33	0	382	14	10	1	0	3	
37	Crestar Financial Corp., Richmond	1,420	1,439	846	1,096	123	21	181	9	3	2	1	3	
38	Schroders Plc., London, U.K.†	1,398	1,187	1,000	0	0	0	1,398	3	0	0	0	3	
39	AmSouth Bancorp., Birmingham, Ala.	1,366	1,266	1,153	889	117	0	360	8	3	2	0	3	
40	CoreStates Financial Corp., Philadelphia	1,290	1,503	1,338	1,056	44	0	190	10	5	1	0	4	
41	Huntington Bancshares, Columbus, Ohio	1,261	1,235	1,065	645	345	59	212	17	7	5	2	3	
42	Premier Bancorp, Baton Rouge, La.	1,242	1,215	1,003	264	479	177	322	7	1	2	1	3	
43	Glenmede Corp., Philadelphia	1,223	1,221	1,009	341	505	79	299	10	2	2	1	5	
44	Union Bank, Los Angeles	1,164	1,100	753	686	115	0	363	8	4	1	0	3	
45	Washington Mutual Savings, Seattle	1,148	1,095	911	166	338	225	418	8	2	2	1	3	
46	San Diego Financial Corp., Calif.	1,105	1,060	892	316	315	251	223	8	2	2	2	2	
47	Marine Midland Banks, Inc., Buffalo, N.Y.+	1,075	1,067	880	803	105	50	118	12	5	2	1	4	
48	Bancorp Hawaii Inc., Honolulu	1,023	941	902	393	0	629	0	4	3	0	1	0	
49	UJB Financial Corp., Princeton, N.J.	924	858	510	566	170	31	156	22	6	6	2	8	
50	Harris Bankcorp, Inc., Chicago+	891	665	678	761	83	0	47	6	3	1	0	2	
51	Fifth Third Bancorp, Cincinnati	804	780	521	591	65	0	148	9	4	2	0	3	
52	Signet Banking Corp., Richmond	763	723	461	346	210	129	79	12	4	2	4	2	

Data Source: The data were provided by Lipper Analytical Services Inc., New York, from its mutual funds data base. A proprietary fund is a fund over which the bank exercises management discretion or that was formed or founded by the bank. (*)— In the case of funds with multiple classes of shares, each share class is counted as one portfolio. (a)— Data for prior periods have been restated for the acquisition of *The Boston Company*, in May 1993. (†)— Mutual funds are managed by a U.S.-based investment advisory unit of the bank. (+)— Majority owned by a foreign bank. N.A.— Not available.

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Table continues on page 14.

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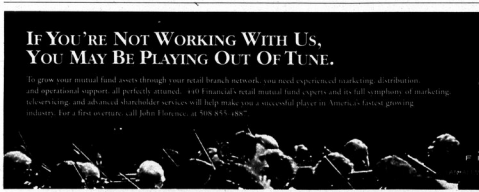

Banks Outpace Investment Industry As Proprietary Fund Assets Rise 36%

Continued from *page 1*

though there was a striking exception.

PNC Bank Corp., which took first place with $18.9 billion of fund assets, experienced a nearly 40% decline from mid-1992 as institutional investors seeking higher yields shifted assets into other investments, including Treasury securities and funds of rivals.

"Our trading volume is about $5 billion a day," said Thomas H. Nevin, president of PNC Institutional Management Corp.

"People will move that kind of money, believe me, even for a basis point."

BankAmerica Gains

Closing in on PNC, BankAmerica Corp. ended the second quarter with $18.3 billion of assets, up from $11 billion a year earlier. Like PNC, BankAmerica specializes in running money market funds for institutional clients.

BankAmerica's growth has been fueled by the strong performance of its Prime Fund, a money market portfolio. The bank has also stepped up its retail marketing and is developing new funds.

Third-place honors went to retail-minded NationsBank Corp., which broke into double digits with $10.3 billion of fund assets.

Much of the money came from conversions of trust assets, as NationsBank geared up for a big sales push via its joint venture with Dean Witter Financial Services, Mr. Bobroff said.

Though a few banks have managed mutual funds for as long as 20 years, most of the 103 banks with proprietary funds have entered the business in the past five years.

One attraction: the investment advisory fees that banks can collect. "Every day you turn on the lights and you're assured a stream of income," Mr. Bob-

See **BANKS OUTPACE** *page 15*

Bank and Thrift Fund Rankings

As part of its stepped-up coverage of mutual funds, the *American Banker* today unveils exclusive rankings of bank and thrift companies that manage funds.

The data were prepared by Lipper Analytical Services, following specifications set by the newspaper. The detailed rankings will be updated quarterly and expanded as banks enter the field.

"This new initiative is in recognition of the growth of assets in mutual funds advised and distributed by banks," said A. Michael Lipper, president of the mutual fund tracking firm, which is based in Summit, N.J.

"The banks are becoming a potent force and now have assets in excess of where the fund industry was approximately 10 years ago," Mr. Lipper added.

What's Tabulated

The charts list bank and thrift companies in order of their total proprietary fund assets, and provide breakdowns according to the types of funds.

They also list the number of portfolios – greater, in some cases, than the number of funds. In the case of funds with multiple classes of shares, each share class is counted as one portfolio.

The reason: Each share class is a distinct product, with its own pricing structure and record of performance.

Money Market Funds Dominate Banks' Business

Types of mutual funds under management of bank and thrift companies



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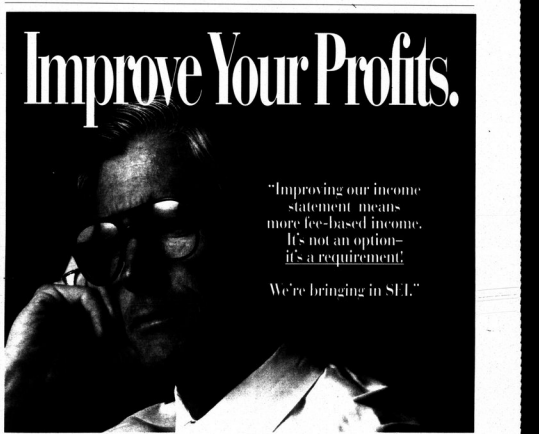

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INVESTMENT PRODUCTS

Banks and Thrift Companies that Manage Mutual Fund Assets

Listed in order of total proprietary fund assets on June 30, 1993, compared with March 31, 1993, and June 30, 1992 (dollar amounts in millions)

Continued from page 12.

Rank	Name of Bank, City, State	TOTAL FUND ASSETS 6/30/93	TOTAL FUND ASSETS 3/31/93	TOTAL FUND ASSETS 6/30/92	FUND ASSETS AS OF 6/30/93 BY TYPE Money Market	Fixed Income	Muni	Equity	NUMBER OF PORTFOLIOS AS OF 6/30/93 BY TYPE* Total No. of Portfolios	Money Market	Fixed Income	Muni	Equity
53	**United Missouri Bancshares, Kansas City**	757	782	679	550	87	0	121	6	3	1	0	2
54	**MNC Financial Inc., Baltimore**	693	487	186	627	24	6	36	12	7	1	2	2
55	**Shawmut National Corp., Hartford, Conn.**	690	704	N.A.	241	205	0	245	8	2	3	0	3
56	**Michigan National Corp., Farmington Hills**	639	648	602	639	0	0	0	3	3	0	0	0
57	**Star Banc Corp., Cincinnati, Ohio**	622	614	600	532	0	0	90	5	3	0	0	2
58	**Golden West Financial Corp., Oakland, Calif.**	621	549	427	64	275	235	47	10	3	2	4	1
59	**Meridian Bancorp Inc., Reading, Pa.**	609	657	554	516	45	7	41	7	3	2	1	1
60	**Dupont Quarterly Corp., Jackson, Miss.**	593	585	0	147	206	0	239	4	1	2	0	1
61	**BOK Financial Corp., Tulsa, Okla.**	585	576	495	398	97	16	74	7	2	2	1	2
62	**Riggs National Corp., Washington, D.C.**	568	462	359	478	47	0	43	4	2	1	0	1
63	**Hibernia Corp., New Orleans**	508	501	341	143	142	81	143	5	1	2	1	1
64	**First Empire State Corp., Buffalo, N.Y.**	499	462	344	499	0	0	0	5	5	0	0	0
65	**Bank of New York Co., Inc.**	493	369	N.A.	314	53	42	84	4	1	1	1	1
66	**Central Bancshares of the South, Birmingham, Ala.**	487	557	465	367	91	30	0	7	4	2	1	0
67	**BayBanks Inc., Boston**	469	492	261	171	213	0	86	5	2	2	0	1
68	**U.S. Bancorp, Portland, Ore.**	427	413	374	124	0	303	0	2	1	0	1	0
69	**First Alabama Bancshares, Birmingham**	407	393	221	125	142	0	140	6	2	2	0	2
70	**Trustmark Corp., Jackson, Miss.**	394	376	303	0	295	0	99	6	0	4	0	2
71	**Credit Suisse, Zurich, Switzerland†**	384	347	46	48	133	0	203	5	1	2	0	2
72	**Wachovia Corp., Winston-Salem, N.C.**	355	351	261	280	0	75	0	6	5	0	0	0
73	**Brown Brothers Harriman & Co., New York**	315	311	183	137	0	33	145	6	2	0	1	3
74	**JB&T Financial Corp., Wilson, N.C.**	306	257	N.A.	79	118	28	80	10	2	4	2	2
75	**Imperial Bancorp, Inglewood, Calif.**	304	249	N.A.	304	0	0	0	2	2	0	0	0
76	**SouthTrust Corp., Birmingham, Ala.**	288	272	205	228	27	0	33	3	1	1	0	1
77	**First National of Nebraska, Inc., Omaha**	287	307	81	92	84	0	111	4	1	2	0	1
78	**Amcore Financial, Inc., Rockford, Ill.**	268	226	N.A.	92	66	19	91	4	1	1	1	1
79	**KeyCorp, Albany, N.Y.**	262	187	216	228	24	1	8	7	2	3	1	1
80	**Fiduciary Trust Co. International, New York**	259	206	192	0	122	0	137	4	0	2	0	2
81	**First Michigan Bank Corp., Holland**	256	237	120	81	111	20	45	8	2	2	2	2
82	**National Commerce Bancorp., Memphis, Tenn.**	248	228	215	142	36	17	53	4	1	1	1	1
83	**Trust Company of the West, Los Angeles**	244	313	372	244	0	0	0	2	2	0	0	0
84	**Republic New York Corp.**	231	223	222	38	77	0	116	6	1	1	0	4
85	**First Tennessee National Corp., Memphis**	229	213	N.A.	229	0	0	0	3	3	0	0	0
86	**Mark Twain Bancshares Inc., Ladue, Mo.**	225	238	N.A.	130	40	24	31	5	2	1	1	1
87	**Central Fidelity Banks Inc., Richmond**	195	165	N.A.	12	82	20	82	5	1	2	1	1
88	**Mercantile Bancorp Inc., St. Louis**	183	163	108	54	14	61	53	10	3	2	2	3
89	**Provident Bancorp., Cincinnati**	162	118	N.A.	112	27	0	22	3	1	1	0	1
90	**Bessemer Group, Inc., Woodbridge, N.J.**	159	153	134	0	0	145	14	2	0	0	1	1
91	**Boulevard Bancorp Inc., Chicago**	142	119	N.A.	0	70	15	57	4	0	1	1	2
92	**First Security Corp., Salt Lake City, Utah**	122	115	133	109	0	13	0	4	3	0	1	0
93	**CCB Financial Corp., Durham, N.C.**	62	49	0	0	33	29	0	2	1	1	1	0
94	**First Bancorporation of Ohio, Akron**	60	59	64	60	0	0	0	2	2	0	0	0
95	**First Bancorp of Kansas, Wichita**	5C	51	42	0	0	56	0	1	0	0	1	0
96	**Swiss Bank Corp., Zurich, Switzerland†**	53	43	N.A.	0	43	0	11	2	0	1	0	1
97	**First Nationwide Bank, FSB, San Francisco**	35	39	49	35	0	0	0	1	1	0	0	0
98	**Citizens Financial Group, Providence, R.I.●**	15	8	N.A.	0	0	15	0	1	0	0	1	0
99	**Farmers & Merchants Investment, Lincoln, Neb.**	11	7	8	0	7	0	4	3	0	1	0	2
100	**Credit Commerciale de France, Paris†**	10	11	19	0	0	0	10	1	0	0	0	1
101	**Trust Company of the South, Burlington, N.C.**	5	2	N.A.	0	2	0	3	5	0	2	0	3
102	**Canandaigua National Corp., N.Y.**	2	1	N.A.	0	1	0	2	2	0	1	0	1
103	**Mercantile Bankshares Corp., Baltimore**	N.A.	891	N.A.	0	0	0	0	7	4	1	1	1
	Totals for all 103 banks and thrifts	190,859	179,964	140,360	128,155	23,532	9,736	29,436	1,134	417	237	154	326

Data Source: The data were provided by **Lipper Analytical Services Inc., New York**, from its mutual funds data base. A proprietary fund is a fund over which the bank exercises management discretion or that was formed or founded by the bank. (*)— In the case of funds with multiple classes of shares, each share class is counted as one portfolio. (†)— Mutual funds are managed by a U.S.-based investment advisory unit of the bank. (●)— Majority owned by a foreign bank. N.A.— Not available.

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INVESTMENT PRODUCTS

Chemical and Liberty Financial Get OCC Approval for Partnership

By MICHAEL O'B. MOORE

The Office of the Comptroller of the Currency has given its nod to a plan by Chemical Bank to form an investment-products company in partnership with Liberty Financial Services, provided strict disclosure practices are followed.

The joint venture, dubbed Chemical Investment Services, must clearly inform consumers of the risks associated with nontraditional bank products, the Comptroller's office said in an approval letter.

Industry observers said the nine-page letter, dated July 1, contained no surprises. It is similar in tone and content to one the Comptroller's office issued earlier this year, when it approved a joint venture between NationsBank Corp. and Dean Witter Financial Services.

Among the conditions:

• The partnership should explain to customers any relationships either party has to products, the letter stipulates.

• Chemical, through its subsidiary, must have veto power over any partnership activities.

The deal is structured so that Chemical and Liberty have a fifty-fifty stake in the partnership for an initial term of 20 years.

The last regulatory hurdle is approval by the National Association of Securities Dealers. Chemical Investment Services expects that will come in September.

Meanwhile, 60 Liberty representatives have been selling products in Chemical branches as part of an intermarketing arrangement.

* * *

U.S. Trust Wins Pact For 21 Nuveen Funds

U.S. Trust Corp. has snared a big mutual fund servicing contract with John Nuveen & Co., Chicago.

The New York-based bank will take over custody and account servicing on 21 Nuveen funds that previously were serviced by State Street Bank of Boston.

U.S. Trust already provides custody, fund accounting, and transfer agency services to 76 of Nuveen's funds with $22 billion of assets, according to the bank.

Nuveen plans to transfer the 21 open-end mutual funds, totaling more than $6 billion of assets, in September because of the "efficiency of having funds done through one source," said Ed Dunn, a Nuveen spokesman.

U.S. Trust already services 76 Nuveen funds with $22 billion of assets.

The move reflects Nuveen's trend toward consolidating services in all areas. U.S. Trust is also a known quantity, Mr. Dunn said.

Through the services now provided, U.S. Trust has demonstrated its "willingness to customize the types of services our clients need," said Frederick S. Wonham, vice chairman and head of U.S. Trust's fund services group, in announcing the deal last week.

"This significant new commitment from Nuveen cements the strength of the total partnership," Mr. Wonham said.

U.S. Trust has more than $28 billion of assets under management and over $350 billion of total assets under administration.

— Kalen Holliday

* * *

Mellon Sued Again Over Its Sweep Fees

Disgruntled investors have hit Mellon Bank with another lawsuit alleging that trust customers are being charged exorbitant fees.

A class-action suit filed in the U.S. District Court for the Eastern District of Pennsylvania alleges that Mellon's "sweep fee" violates federal banking and securities laws.

Like many banks, Pittsburgh-based Mellon charges trust customers for sweeping idle cash into interest-bearing accounts, such as money market deposit accounts.

A federal appeals court recently overturned an earlier ruling that Mellon had overcharged customers. That case alleged violations of state banking laws.

The current suit "is a different complaint, alleging a federal course of action," said C. Oliver Burt 3d, a partner with Chimicles Burt Jacobson & McNew in Haverford, Pa.

The suit contends that Mellon violates state and federal laws that allow reasonable fees for sweep services. The fees are "unreasonable, unjustifiable, and unlawful," the complaint charges.

Mellon maintains that its sweep fees, at 50 cents a year per $100 invested, are legal and competitive with others charged by banks.

The lawsuit "is without merit, and we will be looking at all our options to resist and defend the case," said Stephen Yoder, assistant general counsel for Mellon.

The Mellon suit probably won't go forward until a similar case against CoreStates Bank is decided, said Sarah A. Miller, senior counsel for the American Bankers Association.

— Karen Talley

Banks Outpaced the Investment Industry As Proprietary Fund Assets Climbed 36%

Continued from page 13

roff said.

By contrast, banks that sell only other companies' funds earn only sales commissions.

CD Flight

Consumer demand for alternatives to low-yielding deposits is also driving banks into the fund business.

"Every banker in the country has woken up to the fact that his customer has a need for mutual funds," said David B. Dyche, director of financial industries at Arthur D. Little Inc., New York.

But while consumers are developing an appetite for fixed-income and equity funds, the data showed that the banking industry is still heavily tilted toward money market funds.

Some $128.2 billion, or about two-thirds of the money invested in bank-managed funds, was in money funds. In comparison, money market funds make up about 30% of the fund industry's $1.8 trillion of assets, according to the Investment Company Institute.

Some industry experts foresee changes, though.

"We are seeing a shift into nonmoney-fund sales," said Richard Stierwalt, president of Concord Holding Corp., a New York mutual fund distributor that has helped several major banks boost their fund sales.

One reason, he said, is that "banks are maturing in their retail delivery systems. They're going to be selling more and more product."

Equity Funds

Though banks had $29.4 billion of equity fund assets under management, only 10 had more than $1 billion each. The leader was NationsBank, with $1.9 billion of equities.

Taxable fixed-income funds totaled $23.5 billion. Tax-exempt fixed-income funds – that is, municipal bond funds – had $9.7 billion of assets. Wells Fargo & Co. led in both categories, with $2.9 billion of taxable funds and $959 million of tax-frees.

In a clear sign of banks' growing stature as fund managers, the Lipper data showed that 29 banks have $2 billion or more of mutual fund assets under management. That places them squarely within the top 100 mutual fund companies, Mr. Bobroff said.

'A Significant Player'

"Even though the banks are still money-fund dominated, they are very much a significant player in the industry," he said.

"They've got to grow assets from the current level, and they need to diversify the assets into products that are less interest-rate sensitive," Mr. Bobroff added. □



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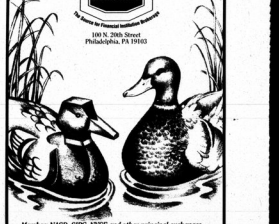

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Tallman, Visa's U.S. Product Czar, Faces Wider Assignment – the World

By JEFFREY KUTLER

Visa's product and market development team is going international.

Moving to beef up its global product support, communications, and related functions, Visa is expanding the scope and responsibilities of a 50-member staff headed by Wesley C. Tallman.

Mr. Tallman, Visa U.S.A.'s executive vice president of product and market development, has been given the same title and responsibility for Visa International as well.

Internally, it means Mr. Tallman reports to both H. Robert Heller, president of Visa U.S.A., and Charles T. Russell, chief executive officer of the international body.

People in the News

Mr. Tallman is a counterpart on the executive vice president level of Roger Peirce, who is responsible for systems and operations.

From the critical strategic standpoint, the increasingly influential Mr. Tallman and his team of managers, with noteworthy domestic accomplishments under their belts, will turn their attention to the whole global picture.



"THERE IS AN EXPLOSION in card usage" in the United States and abroad, says Wesley C. Tallman. "All regions want support for such things . . . so we brought our resources together" to meet global needs.

Shrinking World

"It may be a cliche, but there is a realization that the world is becoming a smaller place," Mr. Tallman said in a telephone interview from his San Mateo, Calif., office.

"There is an explosion in card usage, both debit and credit," he said. "All regions want support for such things as debit cards, corporate cards, and business cards, so we brought our resources together" to meet international needs.

Mr. Tallman's domestic product and market development staff dwarfed the resources that had been available internationally. The growth in global demands prompted the realignment. Mr. Tallman stressed that the U.S. region will not suffer in the transition.

Visa U.S.A. is the largest of the autonomous regional units in the Visa International structure. The others, which include fast-growing card markets in developing countries, are Canada, Latin America, Europe-Middle East-Africa, and Asia-Pacific.

Debit Cards Burgeoning

Mr. Tallman pointed out that while U.S. credit card growth rates have slowed in comparison to those in the rest of the world, the U.S. debit card business is just beginning to take off.

Visa expects its debit products – Interlink and Visa Check – to grow to 100 million cardholders, from the current 30 million, within a few years. That would require significant involvement by his staff.

"We have never grown that fast in credit cards," Mr. Tallman said. "It took 20 years" to reach 100 million. (There are currently 152 million Visa cards in the United States and 309 million worldwide.)

Visa International anticipates growth in payment volume from $500 billion of this year to $1 trillion by 2000, so demands for staff support will escalate in the United States and other regions alike.

"We have some very talented and capable managers and middle managers," Mr. Tallman said. "The idea was to spread that expertise."

Meanwhile, he said, it is likely that Visa will add staff just below the level of those who report to Mr. Tallman.

That level includes Greg Bjorndahl, overseeing product operations; Richard Hagedorn, credit products; Peter Gustafson, debit products; and Mike Nash, market development.

Mr. Tallman has also consolidated international market research, under Harvey Bondar, and marketing and communications, under John Bennett, the veteran Visa U.S.A. executive who engineered the Olympics sponsorships that have become key elements of Visa's advertising and promotions.

"We have never before had an international marketing-communications function," Mr. Tallman said.

Mr. Bennett was "very good at taking the international Olympic flavor and communicating it to the U.S. market," Mr. Tallman said. "We are looking to him to spread that effectiveness" so that other regions can get the same mileage from the sponsorship.

A Payment-System Veteran

Transferability, in fact, describes much of what Mr. Tallman is doing and has done throughout in his career.

Before joining Visa U.S.A. in 1989, the 50-year-old executive spent three years in an older but parallel payment system – as chief operating officer of Paychex Inc., a Rochester, N.Y., payroll processor.

Mr. Tallman came to Visa as executive vice president of debit products – an appointment that signaled Visa's seriousness of purpose in that emerging area. He used the post as a springboard to the broader product and market development job.

Earlier, he spent 20 years at Chase Lincoln First Bank, the Rochester subsidiary of Chase Manhattan Corp., rising to senior executive vice president. □

Verifone Certifies Broadcast System

By JEFFREY KUTLER

Verifone Inc. has certified a radio-transmission system for use with its transaction authorization terminals.

The system, Bison Data Corp.'s DataMover 2000, uses broadcast signals as an alternative to telephone lines.

Focus on 'Developing' Areas

Bison Data, based in Buffalo, markets the system mainly in parts of the world that have "developing telecommunication infrastructures," said Joseph P. Savage, vice president of Verifone's network systems division.

Verifone, based in Redwood City, Calif., is the leading provider of terminals and related systems for handling card transactions at points of sale.

3 Million Installations Made

The company has made three million installations in 70 countries and had $226 million in revenue last year.

Bison Data president Joseph Wolfson said the Verifone agreement was a strong endorsement for DataMover 2000 that gives both companies the opportunity to jointly open previously restricted new markets.

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U S West Sees Bright Future for Phone-Company Cards

In May, Colorado-based U S West joined the ranks of telephone companies marketing cobranded credit cards.

William F. Keenan, who was hired away from First Omni Bank to become managing director of Phoenix-based U S West-BRI Credit Card Services, gave an upbeat progress report in an interview with American Banker *reporter Stephen Kleege.*

Q.: How has the U S West card fared so far?

KEENAN: We're very happy with the results. The industry average response rate is about 1.5%, and we're considerably above that. Our expectation is to grow to 500,000 accounts in 24 months and a million by our fifth year.

Q&A

Q.: What value does this cobranded card offer?

KEENAN: The value we add to it is the brand and the quality we've built in our natural market, our 14-state franchise.

The most important functionality is calling-card access. It also offers a competitive rate, a rebate on purchases, no annual fee.

Q.: What are the rates?

KEENAN: The product is evolutionary. We're being responsive to the market. But the initial offering was 16.9% for classic, 15.9% for gold. No annual fee. Up to 1% rebate on all purchases, and up to 2% on calling card.

Q.: Why did U S West choose U.S. Bancorp [of Portland, Orc.] as the issuer?

KEENAN: One of the initial decisions by U S West was to cobrand the card not only with a major mark, Visa, but also to have a relationship supported by a national bank.

The cards are "advertising in the consumer's wallet."

For the most part, banks were responsible for growing and building the Visa and MasterCard associations, and we wanted to go with an organization that had that history.

U S West went though a fairly exhaustive selection process and U.S. Bancorp met the initial criteria.

The organization has strong skills in managing relationship-driven, cobranded opportunities – they've got a very big portfolio with the American Automobile Association – and we thought it was a very good fit. Because they're on the West Coast, there was a strong geographic fit, too.

Q.: What were the precursors to your card?

KEENAN: The Discover card stimulated a lot of demand and educated the market on the no-fee proposition. Advanta Corp. was very successful in marketing a no-fee gold card, which differentiated them in the marketplace based on price.

AT&T came along and assessed the success of both Discover and Advanta and took the no-fee position to gain critical mass.

Q.: What do the phone companies get out of these deals?

KEENAN: The value AT&T, U S West, Ameritech, MCI, Sprint, and some of the large telecommunications players see with credit cards is that it's another extension of the brand – personalized billboard advertising in the consumer's wallet.

They can use that credit card as platform for helping market some of their core services, especially the calling card.

GM is following a similar formula, using the credit card and rebate structure as a vehicle for generating higher incremental profits.



William F. Keenan
Pleased with response

Q.: Aside from the calling feature, what products or services does U S West plan to sell through the card?

KEENAN: We're very interested in the credit card as a channel for marketing a number of core services.

We have a lot of regulatory constraints and issues we have to manage through, but within that framework we're examining a lot of possibilities. I'm not in a position to go into detail, because I don't want to tip off my competition.

Q.: Can you at least say what kinds of products we can expect? What is it that has prompted all these phone companies to issue credit cards?

KEENAN: The Visa and MasterCard networks offer lot of potential for synergy, with MasterCard developing a fiber optic network in Project Omni, and Visa making tremendous inroads with its Payment Service 2000.

The credit card industry may look entirely different 10 years from now. Today it's credit and payment utility. In the next decade you'll also have the information-access tie-in with the card.

It'll carry forward as far as our imaginations lead – to home banking, electronic banking, and a lot of other ideas that I'm sure all of us are looking at. □

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Opinion

Comment

By Paul S. Nadler

On the Speaking Circuit, A Greater Sense of Purpose

One part of my professional life that has always been fascinating has been giving talks before business and banking groups.

Speaking for a living is not easy. First, there are the plane rides, where happiness is an empty middle seat and a baby in the next row who doesn't cry.

For as a fellow speech-maker put it to me, "Every night is opening night, closing night, and the whole run." There is no second chance – you have to win the audience right away.

Speech Must Go On

Yet, in many instances, the talk itself is the least important part of the convention or meeting. The value to the business people or bankers is in getting together before and after to converse informally, and many a valuable idea that more than pays the cost of the trip has been planted that way.

But the speech goes on, and woe be to the reputation of the speaker who misses an engagement.

I have had a few close calls, like the time I had to hitch a ride on a plane of bank checks going from Atlanta to Dallas, because my chartered plane from Hilton Head didn't reach me in time for a scheduled flight.

In that instance, I was also laughingly later bawled out by Paul Volcker for paying the pilot $250 to let me sit on a bag of checks in his Learjet.

"That was my plane!" the former Federal Reserve chief exclaimed a year later, when I told him the story. "He had no right to let you go."

Marquee Value

Usually a group has two types of speakers. The first type is picked because of fame, and the audience can go home and say, "When I was with ex-President Reagan," or "When Henry Kissinger was with us at the convention, he said . . . "

Frequently, this group includes TV newspeople who fill their responsibilities if they just stand up and smile. (I heard a talk by a network TV anchor whose principal contribution to the meeting was in telling us that he had traveled so much that he could spell Kaopectate in seven languages.)

The Other Type

I include myself in the second group – those who must both

CONVENTIONS *are different: more serious, more informal, less lavish*

educate and entertain in the same talk if they ever want another booking. I find that I am more valuable if I spend most of my time explaining rather than predicting.

This means giving an explanation of something like the Europe-dollar and how it does not violate the concept of "money never leaves the country of origin, only the ownership does," instead of predicting interest rates for the next 30 days.

One of my greatest triumphs was when a banker told me I had

WE ARE SEEING *more meetings devoted to one topic of interest, and groups spending more time in educational breakout sessions or roundtables and less at formal addresses.*

saved him about $1 million through one of my talks.

He explained: "You had said that if the examiner tells you to raise more capital [it was a time when capital requirements were more negotiable than they are today] you should first explain why you don't need it, then scream and yell, and he will go away. I did and he did, and I saved a million."

Days of Wine and Stand-Up

But not all my talks offer such usefulness. I remember one for a now-defunct savings bank, where they asked me to speak at the 21 club in New York for their First Annual Economic Seminar. When I arrived, I found it was only their top officers, their directors, and me.

We had two hours of great food and wine, and then, just before I was to speak, the CEO said, "Sommelier, brim the cups." Then he said, "We will now have our First Annual Economic Outlook Address," and turning to me he whispered, "Make it short and funny."

I did eight minutes, concluding after the jokes that the economy would go up unless it went down. Then we all went home and reevaluated.

Executives may budget millions of dollars on the basis of multiyear forecasts, yet they are often unable to tell what products or customer relationships are actually profitable. They are also frequently "flying blind" with respect to major sources of financial risk.

Little Spent on Analysis

With information technology that can effectively process every penny in a $100 billion institution, banks still lack the timely and accurate information necessary to guide their most critical management processes.

As a result, some banks fail. Many others are gobbled up by rival institutions at bargain-basement prices. What's wrong with this picture?

The problem may be that while banks spend a great deal of money on automating and maintaining their processing operations, they have not invested enough in the analytic systems that can help senior management make sense of the numbers.

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Comment

By John C. Dorman and Doris Gentry-Buswell

Scrimping on Bank Analytic Systems Gives Rivals an Opening to Move Ahead

Surveys indicate that banks pay billions of dollars each year to maintain and improve their technology.

Estimates vary from $14 billion to $26 billion, depending on whether costs such as salaries and benefits are included. For some banks, technology expense may represent 25% of total noninterest costs and exceed 5% of total revenues.

Most of this sum appears to be spent in service of day-to-day operations. In the classic bookroom information processing shop of a full-service bank, powerful mainframe computers process literally millions of transactions every day.

'Flying Blind'

These operations generally run smoothly and, on a per-unit basis, cheaply. It is impossible to imagine contemporary banking without them.

As we move up the organization chart, the scene changes. Highly paid managers and analysts struggle to crank data into spreadsheet programs on personal computers. Critical information may be incomplete or unavailable. Financial managers can spend endless hours estimating missing elements and even more time justifying their estimates.

At every level of management, reviews produce changes that must be manually reentered

Mr. Dorman is president of Treasury Services Corp., Santa Monica, Calif. Ms. Gentry-Buswell is a senior manager for systemetrics Financial Services Inc., Little Rock, Ark.

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

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See **DON'T SCRIMP** *next page*

Comment

By John C. Dorman and Doris Gentry-Buswell

Don't Scrimp on Bank Analytic Systems

Continued from *page* **18**

erations, they invest relatively little in analytical and managerial systems that can inform such essential management processes as planning, performance measurement, risk measurement, and decision-making.

Little Data for the Dollar

Nearly half the money banks spend on information technology goes for personnel, overhead, and associated services. Hardware accounts for another quarter. Software accounts for only about 16% of the multibillion-dollar investment.

Within software, nearly all of the money goes to maintain and improve transaction processing operating systems and programs.

The smaller remainder includes, among other things, the money spent for the financial management and analysis systems that can help senior management with critical strategic decisions.

It represents only a tiny fraction of the total spent on information systems. It would appear that bank executives are getting relatively little information for their technology dollar.

Technology Not the Danger

This fact should startle us more than it does. Neither of us can think of one bank that has gotten into really serious trouble because its transaction processing costs were too high or its accounting systems too inaccurate.

Banks get into trouble because they make bad decisions at high levels. They lend too much money in one vulnerable industry (real estate, for example, or defense); they don't introduce the right products, or they misprice them, or market them ineffectively.

They can't generate enough revenues to match rising costs, including the costs of new transaction processing systems needed to match competition.

They don't position themselves properly to adapt to sudden shifts in interest rates. They cut costs too aggressively in service-intensive products and lose highly profitable relationships without knowing it.

'Smart' Systems

A favorable environment can temporarily reduce the penalties for bad decisions, but the increasing competitive pressures of the American financial industry will not let poorly informed decisions go unpunished for long.

The wave of acquisition and consolidation shows little sign of abating. By the end of the decade, only 8,000 of our current 12,000 banks will survive as independent entities. And competition with other, nonbank institutions will become ferocious.

Processing transactions swiftly and accurately is important. And improvements in processing operations can make real contributions to a bank's profitability and competitiveness. New processing technologies like check imaging and optical storage represent important advances in the way banks can do business.

However, the imbalance in technology focus is painfully evident in the fact that several banks have spent more effort scrutinizing a decision of less than $500,000 to install a new management system to measure profit and risk than they spent evaluating a more than $30 million commitment to image processing.

But the real improvements that information technology can make in a bank's balance sheet lie somewhere else. They lie in "smart" systems that can guide bank managers in essential functions such as profit performance measurement, asset/liability management, marketing, planning, and credit risk management.

Missing the Point

These systems can make effective use of the vast quantities of data already captured and paid for in a bank's information technology systems.

As more banks have begun to invest in systems to provide management information and decision support, an unfortunate number seem to be addressing the problem with the same approaches and techniques that are used for operational systems.

Missing the point that management systems are dramatically different from operational systems usually leads to much higher cost of development, longer lead times, and unacceptable risk of failure.

The real irony is that the most successful examples of financial management systems we're describing are very inexpensive compared with major transaction processing systems. They can be installed on existing hardware and operate with existing data bases.

They offer tremendous benefits for very small, risk-free investments. The vital information you need is probably sitting in your information system.

A small but rapidly growing number of high-tech-edge financial institutions is proving that effective investment in management systems leads directly to dramatic improvements in earnings and share price.

As these institutions become stronger through the power of information, banks that focus most of their technology investment on streamlining operational systems will increasingly wake up to find that they have been merely arranging deck chairs on the Titanic. □

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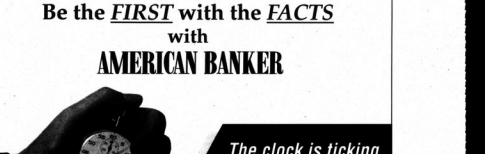

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As the saying goes, we need a few good people to start our team. If you have a strong background in investment management, Personal Trust, Employee Benefit Trust, Custody services, or administrative support, and an even stronger desire to not only make a difference, but be the difference, please consider joining our team.

Help us set the new standard of Service Excellence.

Please submit your resume and salary requirements to:

Nadine Schissel
Marquette Bancshares Inc.,
P.O. Box 1000
Mpls., Minn. 55440
E.O.E. M/F/V/D

Board of Governors of the Federal Reserve System
20th and C Streets, N.W.
Mail Stop 158
Washington, D.C. 20551
Attention: Juanita Johnson
EOE

Systems Coordinator

A large national specialized transportation company has an opening for an individual to install proprietary dispatch software and hardware in currency processing operations throughout the U.S. Provide training on-site and ensure proper set up and use of computer system.

The position requires 75% travel, mechanical aptitude, computer literacy and some training experience. Cash Operations experience is helpful.

Our employees enjoy an excellent benefit and compensation package. Send your resume to: Board 700, c/o American Banker, One State Street Plaza, 31st floor, New York, NY 10004. An equal opportunity employer.

Bank Analyst Opportunity
★★★★
Prominent investment banker (NYC), specialist in bank and financial service companies - seeks fixed income analyst with knowledge on banking industry to work with fixed income sales/trading group. 3-5 years experience, good writing/communications skills and some familiarity with large U.S. and foreign banks is ideal background for this fine career opportunity.
Please reply to:
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c/o American Banker
One State Street Plaza
New York, N.Y. 10004
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FINANCIAL ANALYSTS

- The Board of Governors of the Federal Reserve System has immediate openings for **Financial Analysts in the Division of Banking Supervision and Regulation.**
- Financial Analysts in the Surveillance function are responsible for applying complex financial analysis techniques to section projects related to structure, condition and/or activities of financial institutions.
- Requirements include experience in SAS Basics and PC software including LOTUS and graphics packages. Experience must also include experience analyzing and modeling bank data using SAS procedures; a minimum of three years experience in a financial institution; BA degree in Finance or equivalent. MBA or PHD in Finance or Economics preferred.
- Responsibilities in other functional areas include revising and updating examination procedures, implementing policy initiatives, reporting requirements, and monitoring troubled institutions. Knowledge of laws, regulations, examination procedures, accounting principles and regulatory reporting relating to Banks and holding companies; in-depth knowledge of the supervisory process; an understanding of credit and other banking principles; a solid foundation in financial analysis and superior communication skills are also required.
- We offer a competitive salary commensurate with background and experience. Qualified candidates should send resume and salary history to:

Board of Governors of the Federal Reserve System
20th and C Streets, N.W.
Mail Stop 158
Washington, D.C. 20551
Attention: Juanita Johnson
EOE

LEVERAGED FINANCING SPECIALIST

Based in Charlotte, NC, one of the premier middle market investment banking firms in the Southeast is seeking a specialist in structuring and managing leveraged private financings. Minimum of 5 years relevant work experience in arranging bank financings totaling $10 million or more. Must have a minimum of an undergraduate degree in finance, accounting or quantitative analysis skills. Credit training essential. MBA preferred. Reports to Managing Director/ Head of the Capital Markets Group. Position is Associate or Vice President.

Send your resume and compensation history in confidence to: Ms. Joanne Enos, Director of Personnel, Bowles Hollowell Conner & Co., 227 W. Trade St., Charlotte, NC 28202.

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INVESTMENT BANKERS

Banking Technology Analyst

Young Boston based consulting and research firm focussing on banking technology needs an experienced research analyst. Duties include: conducting and publishing research reports about banking technology and discussing the results of the research with clients. Primary focus is on the applications, their feature/functionality, and the effect of the technology on the industry. Requires several years experience in bank technology either with a financial institution (DP or user area), vendor, or consulting firm. Must be an articulate, independent self-starter with good writing and public speaking skills. Compensation is negotiable.

Please respond to: P.O. Box 967, c/o American Banker, One State Street Plaza, New York, N.Y. 10004. *E.O.E.*

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Nationally recognized financial consulting company seeks an individual to evaluate existing compliance programs, to perform on-site compliance reviews, and work with institutions in establishing compliance policies and procedures. Interested candidates should be self-confident and self-reliant. Extensive travel required. Willingness to relocate a must. Regulatory background helpful. College educational credentials and experience in the following areas are required:

- **Community Reinvestment Act**
- **Fair Lending Laws**
- **Federal Consumer Protection Laws**
- **Adjustable Rate Mortgages**

For consideration please submit resume and salary history to: **Mr. Wayne L. Barnes, Professional Bank Services, Inc., 6200 Dutchman's Lane, Suite 305, Louisville, Kentucky 40205.**

ProfessionalBankServices
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Senior Compliance Officer

First Empire State Corporation, a $10.0 billion bank holding company headquartered in Buffalo, New York, is seeking a results-oriented individual to join the Corporate Compliance team. The successful candidate will have a demonstrated working knowledge of the applicable federal and state laws and regulations governing loan production, mortgage project management and analytical skills with particular emphasis on reporting, procedures, documentation and policy are a plus. The position also requires superior written and oral communication skills and work experience that has had significant, regular interaction with senior management at all levels.

Applicants must have a minimum of ten years of progressively responsible experience. A Bachelor's degree or equivalent experience is required: an MBA and/or CPA or law degree preferred.

Salary is commensurate with experience and is accompanied by a comprehensive Flexible Benefits plan and relocation assistance. Qualified applicants should send a resume with cover letter detailing total compensation history in confidence to: **First Empire State Corporation, Dept. WM, One M&T Plaza, 10th Floor, Buffalo, NY 14203 or fax (716) 842-5030.** Only applicants providing compensation history will be considered. First Empire State Corporation is an equal opportunity employer M/F/D/V.

INVESTMENT PRODUCT OFFICER
SAUDI ARABIA

Major bank in the Middle East seeks Investment Product Officer to assess products and propose/develop new ones. Duties include analyzing/researching competition, identifying Saudi market needs, repackaging products and creating project plans/teams. Experience with various types of investment products required. Must be a mature, team-player with a "Hands-On" approach. Resume/salary history to: International Resources (212) 308-6392. *E.O.E.*

WANTED
TRUST GENERALIST

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c/o American Banker
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New York, N.Y. 10004
E.O.E.

AUCTION NOTICE

Wertheim's lien sale & JU Auctions Inc sells on 8/27/93 at 4pm at 1960 Wm Hwy, Cship storage units 148 A105 rec Daniel Demarco. Lienor may bail.

PARTNERSHIP NOTICES

Nardek Fund, L.P. has been formed as a foreign limited partnership (L.P.) and states the following: The name of the L.P. is Nardek Fund, L.P. The date of filing of the Application of Authority with the Secretary of State of the State of NY (S/S) is 8/5/93. The L.P. was organized in DE on 7/20/92. The county in which the office is located is NY. The S/S is designated as the agent of the L.P. upon whom process against it may be served. The P.O. address to which the S/S shall mail a copy of any process against the L.P. served upon him is c/o The Prentice-Hall Corporation System, Inc., 15 Columbus Circle, N.Y., N.Y. 10023-7773. In addition in DE is c/o The Prentice-Hall Corporation System, Inc., 32 Loockerman Sq., Ste. L-100, Dover, DE 19901. The list of names and addresses of all general partners is available from the S/S. The name and address of the authorized office in DE where a copy of the certificate of L.P. is filed is S/S. Corp. Dept., Federal & Duke of York Sts. Dover, DE 19901. The purpose of the L.P. is investment in Securities.

ONE WEST 190TH ST., L.P. has been formed as a domestic limited partnership (LP). Certificate filed with Secretary of State of NY 7/13/93. NY office location: Bronx County. Secy. of State is designated as agent upon whom process against the LP may be served. Secy. of State shall mail a copy of any process against the LP served upon him/her to ONE WEST 190TH ST., L.P., 29 East Fordham Road, Bronx, New York 10468. Name and address of each general partner is available from the Dept. of State. Term until June 30, 2043. Purpose/character of the purchase, sale and leasing of real and personal property.

AUCTION NOTICES

Georgetown's lien sale & Andrew O. Judge (4644680) sells on 8/27/93 at 9am at 32511 Rdwy 30, NYC 1987 nissan 4dsd JN1HT2-11HHT07704 re:Mary Perez. At 8:30am at 1890 Park Av,NYC 1982 chrysler 2dsd 1C3BC41D0CG124049 re: Monique Morray. At 10am at 1295 Jerome Av,BX 1985 olds 4dsd 1G3AM19E4FG308315 re:Aida Zuluaga; 1982 buick 4dsd 1G4AW69Y7-EH461614 re:Arnold M. Tarsh; 1986 honda 4dsd 1HGBA7443GA018815 re: Santiago A. Cruz; 1988 lincoln 4dsd 1LJ8-P96F1EY660632 re: Nereida Roque. At 10:15am at 1412 Jerome Av,BX 1984 pontiac 2dsd 1G2AS37H2EC419487 re: Ramon Rodriguez. At 10:45am at 1481 Jerome Av,BX 1988 pontiac 4dsd 1G2HX5-433JW239982 re: Edward Thomas & Jone D.Barnes. at 11:15am at 1452 Westchester Av,BX 1987 bmw 2dsd WBABB8203H1-946628 re: Sandus Holding Corp. Ray Lopez & Tildes Commercial Alianse; 1984 datsun 4dsd 3n8-JN1FS26E3EW012749 re:Jose F.Inoa & Luis S.Novas. At 11:45am at 1967-69 Cromea Av,BX 1988 suzuki 2dsd JS4CC51C7J4276362 re:Luis R. Lendi. At 12pm at 1913 Hemenway PLBX 1983 audi 4dsd WAUGB043HN001010 re: Bervenida Molina & Andrew Soup Bl. 1984 ford subn 1FMEE11Y1EHA30999 re: S. Mirmesoudi; 1987 nissan 4dsd JN1-HT2161HT058978 re:Bk of NY & Elsie Williams; 1982 buick 4dsd 1G4AN69A-XCK405317 re:Carlos A.Frias. At 12:15 pm at 3210 Webster Av,BX 1983 caddy 4dsd 1GSCD6844FE247829 re: Mary Mustafa Skender. At 2pm at 46-02 79th St, Elmhurst 1984 toyota 2dsd JT2TA40M1E4583171 re:Patricia Arambula A.Gubben & Patricia Gubben; 1983 avenger 4dsd 1A3AC4G-552DK126170 re:Allstate Ins Co & Paul Dubois; 1985 dodge van 2B6FB21C9F-R153793 re: Xiao Feng Zhang & Chrysler Credit Corp. 1983 subaru 4dsd JF1AN43A-7XG193253 re: Arthur Carter. At 3pm at 620 Willis Av.Williston Pk 1986 pontiac 4dsd 1G2JB6900G7547599 re: Yakov Kolmanovsky & Y. Kolmanovsky. At 3:30pm at 67 n.BdwyRt 107 Hicksville 1987 lincoln 4dsd 1LNBM81F4HY-657019 re: V. Pisrumantrie. Lienor may bd. Ad dates 8/11 & 19, 1993.

L. Posner lic #647081 sells for cash 8/19/93 at 10:30AM at 9 Rock Creek Rd, Commack 75 International Scout #E0022GD22010 Re: G. Johnson, 11:30AM at 1701 Bedford Ave Bklyn 87 Lincoln Town Car #1LNBM82F4HY624531 Re: Unpaid Lien, 2PM at 250-21 Northern Blvd Qns. 90 Mitsubishi Mirage #JA3CU16A2L0-05770 Re: M. Spence, 85 Ford Ltd. #2FABP72F8JX362790 Re: M. Cham.

MAGRILL AUCTIONEERS CO. INC. As Agents For Car Owners Hereby Sells At Locations, Will Sell All Unredeemed Pledges From 0001 12/1/90 To 89,999 10/15/92 To Be Held At Gem Pawnbrokers Corp. 216-15 Jamaica Ave., Queens Village NY, On August 16th, 1993 At 9 A.M.

PARTENSHIP NOTICE

Notice of formation of limited partnership ("LP"). Name: 65-7 Ave. L.P. Certificate filed with Sec. of State of NY ("Sec.") on 7/15/93. Office location: NY County. The Sec. has been designated as agent of the LP upon whom process against it may be served. The Sec. may mail a copy of any process to: 65-7 Avenue Associates, 138 Dieterle Crescent, Rego Pk., NY 11374. The name and address of each general partner is available from the Sec. Latest date to dissolve: 6/11/2042. Character: Real Estate Owner/Mngmnt/etc.

FOUNDATION NOTICE

NOTICE
The annual report of the LAUBICH FAMILY FOUNDATION for the calendar year ended December 31, 1992 is available at its principal office located at 4 Laura Lane, Scarsdale, NY (914) 472-4214 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Felicia G. Laubich.

Bank Fund in the Black; Treasury Loan Repaid

Continued from *page 1*

Treasury. The agency took its first loan in June 1991, and borrowing peaked at $15.1 billion in June 1992. The FDIC began paying back its loans last September; interest on the borrowings totaled $739.4 million.

Trade-Group Blames GAO

The American Bankers Association seized the opportunity to blast the General Accounting Office's audits of the insurance fund over the past two years. The GAO forced the FDIC to bulk up its reserves to cover bank failures that never materialized.

The fund was never insolvent, the ABA argued Tuesday. It blamed the GAO for shoving the Bank Fund into the red in 1991.

In a letter to Comptroller General Charles A. Bowsher, the ABA asked the GAO to restate the fund's size as of the end of 1991 and 1992. According to the ABA's figuring, the fund had $3.2 billion at yearend 1991 and $6.5 billion at yearend 1992.

Also at the meeting yesterday — the first since June 17 — the FDIC proposed interim rules regarding the national depositor preference provisions that became law yesterday, when President Clinton signed the massive budget bill. The new law requires the FDIC to be repaid before nondepositor creditors when a bank fails.

The rules that the FDIC put in place Tuesday merely clarify that administrative expenses related to a bank's failure will continue to be paid before anyone gets a dime, including depositors. Such expenses include the final payoff as well as data processing services and utilities. The FDIC said it will not cover "golden parachute" payments or severance pay claims.

Also at the meeting, the FDIC revised its branch closing policy. All the agencies will eventually make the same changes, which implement the FDIC Improvement Act.

Banks wishing to close a branch must give regulators and customers 90 days' notice. Signs must be posted in the branch 30 days before the closing. Automated teller machines and temporary offices are not considered branches under the rules. □

FDIC Aims for Sale of Crossland To Investors Group This Week

Continued from *page 1*

lyn also has talked to the FDIC about buying Crossland. Republic Bank of New York, a company that bid for Crossland 18 months ago when it was seized by the government, is also said to be mulling an offer.

Though the FDIC, Anchor, Dime, and Republic are all refusing to comment officially, people at the agencies are talking privately and painting a frantic behind-the-scenes picture of the FDIC's efforts to return Crossland to the private sector.

Possibly complicating matters more, the FDIC filed an amendment to its public offering on Tuesday. An explanation of the changes was not available, but they are not expected to delay the deal.

Quick Completion Sought

The FDIC announced in mid-May that it wanted to sell Crossland through a public offering. The agency released its prospectus in early June to kick the deal said it would complete the sale in three weeks.

Finishing this week would put the deal a week ahead of schedule.



Peggy Turbett/American Banker

Harrison Young

Insists he'll study all offers

Crossland's core deposit intangible.

When it took over Crossland, the FDIC had an incentive to bloat its capital because the more money Crossland had, the less cash the FDIC had to pump in.

But when selling the institution, it's in the FDIC's best interest to reduce its capital because that lowers the asking price.

If the FDIC gets the $300 million it is seeking from investors, the government's tab for Crossland will be $850 million, or $100 million more than the FDIC staff had predicted. But it is $450 million less than Chase's or Republic's offers would have cost, according to the FDIC's calculations.

The FDIC will assume 80% of the losses on Crossland's portfolio after its $179 million loanloss reserve is depleted, according to the prospectus. The FDIC, however, does not think Crossland's losses will exceed $179 million.

That's an optimistic assumption, considering that Crossland has $1.1 billion in nonperforming assets, or 4.6% of total loans, plus $571 million in repossessed real estate and another $435.4 million invested in restructured troubled debt. □

BANK CALL NOTICE

REPORT OF CONDITION OF

Consolidated Subsidiaries of the

Bessemer Trust Company, National Association

of New York

In the state of New York, at the close of business on June 30, 1993, published in response to call made by Comptroller of the Currency, under U.S. 12, United States Code, Section 161. Charter number 16417 Comptroller of the Currency Northeastern District.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 2,482
Interest-bearing balances	8,301
Securities	35,566
Federal funds sold	12,000
Loans and lease financing receivables:	
Loans and leases, net of unearned income	39,566
Loans and leases held for sale	
Allowance for loan losses and reserve	3,978
Premises and fixed assets	8,564
Other assets	5,541
TOTAL ASSETS	$ 97,000

LIABILITIES	
Deposits:	
Noninterest-bearing	$80,870
Interest-bearing	9,702
Federal funds purchased	71,168
Other liabilities	8,030
TOTAL LIABILITIES	88,900

EQUITY CAPITAL	
Common stock	2,000
Surplus	
Undivided profits and capital reserves	3,214
Total equity capital	8,114
Leases deferred pursuant to 12 U.S.C.	N/A
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, EQUITY CAPITAL, AND LOSSES DEFERRED	$ 97,009

I, John G. MacDonald, Senior VP & Comptroller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

JOHN G. MacDONALD
July 29, 1993

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

WINTHROP RUTHERFURD, JR.
DOROTHY E. MOORE
EDITH E. HOLIDAY
Directors

THE FEE INCOME MARKETPLACE

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- **Boldface** . . . 1st Line: $1,100. Additional lines: $250 per line.
- ALL CAPS . . . 1st Line: $1,100. Additional lines: $250 per line.
- **BY CAPS** . . . 1st Line: $1,200. Additional lines: $300 per line.

Option 'A' Listings Run for 52 Consecutive Wednesdays

B. 26x Frequency Option:

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- ALL CAPS . . . 1st Line: $ 650. Additional lines: $125 per line.
- **BY CAPS** . . . 1st Line: $ 700. Additional lines: $150 per line.

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- **BY CAPS** . . . 1st Line: $ 400. Additional lines: $125 per line

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DEADLINE FOR COPY AND PAYMENT:

20th of the month preceding test Wednesday of following month. Example: Next available Directory Issue is August 4th; copy and payment deadline is July 20th.

NOTE: PAYMENT IN FULL MUST ACCOMPANY ALL ORDERS

To Place Your Company's Listing in The Fee Income Product Marketplace, Contact: Penny Papakostas, Classified Advertising

Phone: (800) 221-1910 • Fax: (212) 943-8815.

BANK AND THRIFT STOCKS

Highlights for Tuesday, August 10

TOP 10 GAINERS %

First United Corporation	9.5
Chemical Financial Corporation	6.2
Allied Bankshares, Inc.	5.7
Financial Trust Corp	5.7
Security Capital Bancorp	5.7
Baltimore Bancorp	5.6
Southwest National Corporation	5.4
CBT Corporation	5.3
Shoreline Financial Corp.	5.3
United National Bancorp	4.7

TOP 10 LOSERS %

AMCORE Financial, Inc.	-4.0
Farmers Capital Bank Corp.	-3.5
Lake Shore Bancorp, Inc.	-3.3
Republic Bancorp Inc.	-2.9
Keystone Banks, Inc.	-2.8
Community First Bankshares	-2.7
MBNA Corporation	-2.3
UJB Financial Corp.	-2.3
Associated Banc-Corp.	-2.0
Synovus Financial Corp.	-2.0

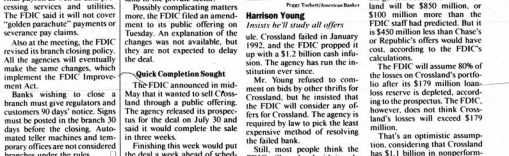
MOST SHARES TRADED

Citicorp	928300
BankAmerica Corporation	892200
Chase Manhattan Corporation	836300
Norwest Corporation	661900
Chemical Banking Corp.	640700

VOLUME AS % OF AVERAGE

Cathay Bancorp	2215.0
Park National Corp.	1889.7
F&M Bancorp	1074.8
Victoria Bankshares, Inc.	754.5
United National Bancorp	734.9

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts. 1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.09	0.32	1.37	-0.15	0.73	-0.29	0.15	-0.33	2.52

TOP 225 BANKS

52 Wk		Name	PE	Mkt	Chg.	Chg.
Hi	Lo			to bk		
26¾	19¾	1stSourceCorp/In	11.2	153.0	24¾	-¼
27¼	18¼	AMCORE Fi.	10.9	124.4	23¾	-1
27½	4¾	AmeriBancshs/Ga	40.9	29.8	5¼	-¼
35¾	26⅜	AmSouthBancorp/Al	10.7	147.6	31¼	-¼
31¾	25¾	AnchorBancorp/Wi	9.1	12.5	30¾	-¼
35¼	27¾	BB&T Fin/Corp/ NC	11.7	151.7	33¾	-¼
27½	12	BancFirst/Ok/ CA	11.1	234.6	26¾	-¼
33	21⅜	BT Fin/Corp/Pa	11.3	138.6	31	
13⅜	6	BalcorpInc/Mn/ MO	11.3	123.6	11¾	-¼
31¼	24⅜	BarPonCorp/Pr/ MO	10.1	124.9	29½	-¼
31¾	24⅜	BayBanksInc/Ma/ MO	10.7	2315	31¼	-¼
31¾	40¾	BancorpSouth/Ms	10.2	1.0	42¾	-¼
40¾	27¼	BancorpSouth/Ms	11.0	140.5	40¾	-¼
34¾	41	BankAmerica/Ca/ CA	11.0	1,060.5	41¼	-¼
30¾	26	BankAmerica/Ga/ MO	10.9	364.7	29¾	-¼
36⅜	29¾	BankSouthCp/Fl/ MO	10.9	1,060.5	36¼	-¼
78¾	59	BankersTrust/ NY	8.6	172.7	78¾	
30¾	22⅜	BankmontFin/Al/ MO	10.7	102.2	29¾	-¼
28¾	18¾	BarnettBanks/ Fl	8.8	110.1	24¾	-¼
61⅜	39¾	BayBanks/Ma/ MO	10.7	1,060.5	61¼	-¼
50¾	34¾	BarnettBanksInc/Fl	18.3	178.9	47¾	-¼
29¾	20¾	BeneficialCorp/ NY	12.3	1,060.5	29¾	-¼
44¾	49¾	BostnetUdc/Ins/MO	11.6	151.8	59¾	-¼
22	13¾	BrenhamBancshs/ Tx	10.1	1,060.5	20¾	-¼
31¾	24¾	BrentonBanks/In	10.1	131.9	26	-¼
27¾	20¾	CBT Corporation/ GA	12.3	138.1	34¾	-¼
42¾	33¾	CCB Financial/ NC	12.2	143.3	38	
31¾	24¾	CNB Bancshs/ Fl	10.5	1,060.5	31¾	-¼
28¾	22¾	CNB Bancshs/ Fl	10.5	1,060.5	28¾	-¼
31¾	24¾	CNB Fin/Corp/ CA	8.5	1,060.5	31¾	-¼
34¾	26¾	CalFed/Inc/Ca/ CA	10.8	1,060.5	34¾	-¼
39¾	31¾	CathayBancorp/ CA	10.7	141.5	44¾	-¼
28¾	19¾	CenFed/Inc/Ca/ CA	11.2	177.4	28¾	-¼
34¾	22¾	CentralFed/Fl/ CA	11.9	178.6	29¾	-¼
34¾	18¾	CentralBancp/ MO	14.3	148.9	29¾	-¼
24¾	18¾	CentralBancshs/ NC	11.1	153.9	20¾	-¼
29¾	21	CharterBancshs/ NC	11.1	104.2	24¾	-¼
44	30¾	ChemicalBanking/ NY	8.7	130.4	41½	-¼
47¾	35⅜	ChemicalFin/Corp/ NY	10.4	178.8	47¾	-¼
22	13¾	ChittendenCorp/ VT	11.8	109.9	20¾	-¼
26¾	19¾	CitizensBcp/Mi/ MO	9.8	58.7	26¾	-¼
26	19¾	CitizensBancorp/ MD	14.4	131.2	25¾	-¼
26¾	19¾	CitizensFirstCorp/ IN	10.3	177.8	24¾	-¼
7¾	2¾	CitizensFin/Al/ NJ	11.9	198.3	7	
26¾	19¾	CitizensFin/Mi/ MO	10.9	177.8	24¾	-¼
24¾	19¾	CityNat/Ca/ CA	10.9	1,060.5	24¾	-¼
23¾	17¾	ColonialBancGp/Al	9.4	135.1	21¾	-¼
30¾	20¾	CommBancshs/ MO	8.5	142.0	30¾	-¼
26¾	14¾	CommBancshs/ NY	19.0	199.5	26¾	-¼
26¾	19¾	CommBancshs/ TX	10.9	177.8	24¾	-¼
33¾	25¾	CommerceBcshs/ MO	11.3	137.2	29¾	-¼
25¾	19¾	CommerceBcshs/ NJ	14.2	154.2	25¾	-¼
15	11¼	CommunityFin/ MO	10.2	144.6	13¾	-¼
28¾	19¾	CompassBcshs/ AL	NM	183.0	20¾	
28	15⅜	Continental/ IL	4.8	90.2	24¾	-¼
47¾	47¾	CoreStatesFin/Pa	10.9	177.8	54¾	-¼
40¾	25¾	CreekerFin/Corp/ MI	14.0	181.8	43¾	-¼
40¾	21	CulbroFin/ TX	10.0	177.8	34¾	-¼
27¾	20⅜	DauphinDeposit/Pa	12.3	166.3	25¾	-¼
25¾	20¾	DeposBancorp/ WA	8.5	142.0	30¾	-¼
17¾	12¾	F & M Nat'Corp/ VA	11.9	166.3	15¾	-¼
29¾	19¾	FBS Bankcorp/ MI	10.9	177.8	24¾	-¼
18¾	9¾	FBS Corp/ IN	10.9	113.8	14¾	-¼
29	24	FarmersCapital/ KY	15.2	130.5	28	-¼
46¾	40¾	FifthThirdBcp/ OH	12.2	1,060.5	46¾	-¼
40	28¾	FinancialTrust/ Wv	14.2	202.5	40	-¼
31¾	24¾	FirstAlabamaBk/ Al	11.0	189.8	31¾	-¼
38¾	27¾	FirstAlabamaBk/ Al	11.0	189.8	31¾	-¼

52 Wk		Name	PE	Mkt	Chg.	Chg.
Hi	Lo			to bk		
33¾	20¾	FirstAmericaBk/ TN	7.9	195.2	25¾	-¼
39¾	29¾	FirstAmericCorp/Pa	11.9	163.7	32¾	-¼
39¾	29¾	FirstBancorp/ Oh	11.4	154.3	32¾	-¼
33¾	23¾	FirstBankSystem/Mn	27.9	179.7	31	¾
29¾	20¾	FirstChicago/IL	10.7	128.6	25¾	-¼
62¾	35¾	FirstCitizens/Nc	8.3	127.3	41¾	
30¾	24¾	FirstCommerce/La	10.1	130.5	29¾	-¼
40	28¾	FirstCommerce/La	9.8	184.5	37	
40¾	27¾	FirstCommerce/Mi	10.1	130.5	29¾	-¼
34½	27¾	FirstCommerce/Mi	11.0	163.9	33	¼
29¾	22¾	FirstCommerce/Pa	12.2	137.9	25¾	-¼
25¾	19¾	FirstEasternBk	NM	184.4	24¾	
31¾	24¾	FirstEmpire/ NY	7.9	1,060.5	31¾	-¼
31¾	24¾	FirstFed/Mi/ MO	11.6	1,060.5	31¾	-¼
31¾	24¾	FirstFed/Mo/ MO	15.9	1,060.5	31¾	-¼
31¾	24¾	FirstFinancial/In	11.6	148.6	31¾	-¼
31¾	24¾	FirstHawaiian/ HI	10.2	152.8	27¾	-¼
31¾	24¾	FirstInterstate/ CA	10.9	177.8	24¾	-¼
27¾	19¾	FirstMichBcp/Mi	12.9	178.5	27¾	
31¾	24¾	FirstMidAm/Il	10.9	177.8	24¾	-¼
22¾	15¾	FirstNatBancp/ GA	13.1	159.8	20¾	
22¾	15¾	FirstNatBancp/ GA	13.9	159.8	20¾	
28¾	18¾	FirstNtlCorp/Mo	14.5	185.4	26¾	
31¾	24¾	FirstNtlCorp/Nv	10.9	185.1	24¾	-¼
37	26⅜	FirstNtlPa/ NJ	11.4	196.0	33¾	¾
31¾	24¾	FirstNtlPa/ NJ	10.9	177.8	24¾	-¼
31¾	24¾	FirstNtlPa/ NJ	10.9	177.8	24¾	-¼
37¾	26¾	FirstNtlPa/ NJ	13.8	155.5	33	
31¾	24¾	FirstNtlPa/ NJ	10.9	177.8	24¾	-¼
31¾	24¾	FirstNtlPa/ NJ	10.9	177.8	24¾	-¼
31¾	24¾	FirstNtlPa/ NJ	10.9	177.8	24¾	-¼
30¾	26	FirstNorthern/Ca/ CA	11.5	143.3	26¾	-¼
31¾	24¾	FirstNorthern/Wi	11.8	164.5	28¾	-¼
28¾	18¾	FirstOhioBncp/ OH	11.3	152.9	29¾	-¼
31¾	24¾	FirstPennFin/Pa	10.4	156.1	29¾	-¼
28¾	21¾	FirstRepublic/ TX	11.5	143.3	26¾	-¼
31¾	24¾	FirstSecurity/Ut	10.9	177.8	24¾	-¼
28¾	18¾	FirstTennessee/Tn	14.0	175.4	23¾	
31¾	24¾	FirstUnionCp/ NC	10.9	177.8	24¾	-¼
28¾	18¾	FirstVa Bnks/ VA	10.0	137.2	23¾	
31¾	24¾	FirstWisconsin/ WI	10.9	177.8	24¾	-¼
24	18¾	Fulton/Fin/Corp/Pa	14.0	175.4	23¾	
31¾	24¾	GBC Bancorp/ CA	10.9	177.8	24¾	-¼
25¾	15¾	GenmarkEnterMn/ MO	10.0	137.2	23¾	
34¾	24¾	HancockHldgCo/Ms	8.5	153.3	30¾	
39¾	34¾	HarleysvilleNt/ Pa	11.3	181.1	37¾	¾
31¾	24¾	HarrisBancp/ Il	10.9	177.8	24¾	-¼
38½	32¾	HeritageFin/Ga/ IL	13.0	180.8	35¾	¼
24¾	19¾	HibernBancp/ Fl	8.9	178.2	24¾	-¼
24¾	11½	HuntonBancp/ VA	13.0	221.1	23¾	-¼
31¾	24¾	IBS Financial/ Fl	10.9	177.8	24¾	-¼
31¾	24¾	IndependenceBc/ MO	10.9	177.8	24¾	-¼
29¾	21⅜	IndependenceBc/Pa	39.7	157.7	29¾	
31¾	24¾	IndianaFed/In/ MO	10.9	177.8	24¾	-¼
18	12¾	InterstateBnk/ IL	11.1	144.6	16¾	-¼
31¾	24¾	JacksonvilleBc/ Fl	10.9	177.8	24¾	-¼
54¼	28	InvestFnCorp/ Fl	8.4	203.1	43¾	
25¾	19¾	J.P. Morgan/ NY	13.7	139.5	25¾	-¼
23¾	13¾	JeffersonBnshs/ VA	12.7	198.1	21¾	-¼
31¾	24¾	KeyCorp/ NY	10.9	177.8	24¾	-¼
34¾	24¾	KeystoneFin/ PA	12.3	164.4	29¾	
24¾	19¾	LaSalleSt/ IL	9.9	178.2	24¾	-¼
35¾	22¾	LiberBancorp/Ok	9.1	154.9	35	
31¾	24¾	LibertyNatBnc/ KY	14.2	181.8	27¾	-¼
32¾	18¾	MBNACorp/ DE	10.0	453.1	31¾	-¼
31¾	24¾	MNC Financial/ MD	10.9	177.8	24¾	-¼
31¾	24¾	MacAndrews&Fo/ MO	10.9	177.8	24¾	-¼
31¾	17¾	MacNeal/Mem/Bk/ MO	13.6	214.5	28¾	-¼
31¾	24¾	MarshallBnshs/ WI	10.9	177.8	24¾	-¼
66¾	40	MellonBankCorp/Pa	10.0	143.8	57¼	-¼
31¾	24¾	MercantileBcp/ IL	10.9	177.8	24¾	-¼
37	27	MercantileBnsh/ MD	11.5	146.3	30	-¼
31¾	24¾	MercantileBnsh/ MO	10.9	177.8	24¾	-¼
35¾	24¾	MercantileBancorp/ PA	11.7	156.2	32¾	-¼

52 Wk		Name	PE	Mkt	Chg.	Chg.
Hi	Lo			to bk		
29¾	18¾	UnitedCarolina/ NC	10.5	139.4	23¾	
89	72	UnitedCounties/ NJ	8.1	123.8	85	
40¾	30¼	UnitedMissouri/MO	8.7	122.9	38¾	-¼
23¾	17¾	UnitedNatBnc/Pa	12.0	146.6	23¾	-1¼
31¾	24¾	UnitedNtlCorp/ NJ	10.9	177.8	24¾	-¼
31¾	24¾	UnitedNtlCorp/ NJ	10.9	177.8	24¾	-¼
37¾	25¾	VictoriaBnshs/ TX	8.9	137.2	25¾	
40¾	26	WachoviaCorp/ GA	13.8	215.3	38¾	
120	61¾	WellsFargo/ CA	22.0	188.8	114¾	-¼
31¾	24¾	WestAmerBcp/ CA	15.8	182.2	30¾	
35¾	38¾	WestOneBancp/Id	12.9	169.8	35	
31¾	24¾	WestamericaBc/ CA	10.5	138.8	29	-¼
16¾	10¾	WesternBanc/ OR	13.2	202.7	15	
31¾	24¾	WilmingtonTrst/ DE	10.9	177.8	24¾	-¼
31	25	WilmingtonTrst/DE	12.9	266.8	28¾	-¼
27¾	20¾	WorthBancp/ Al	10.9	177.8	24¾	-¼
49	27	ZionsBancorp/ UT	10.3	197.2	41¾	-¼

TOP 25 THRIFTS

52 Wk		Name	PE	Mkt	Chg.	Chg.
Hi	Lo			to bk		
28¾	18¾	ASB&M/Financial/ NY	11.3	94.6	18¾	-¼
23¾	13¾	Almanac/ca/ CA	NM	100.1	19¾	-¼
23¾	13¾	CalFed/Bancsh/Ca/ CA	11.6	125.8	23¾	
34¾	22¾	CharterOne/Fn/ OH	8.2	156.0	34¾	-¼
14¾	6¾	CollectiveBc/ NJ	14.5	67.1	13¾	
33¾	11¾	CollectiveBncp/ NJ	8.1	189.0	22	
23¾	11¾	CommercialFed/ NE	11.6	125.8	23¾	
35¾	15¾	CraigInFn/Corp/L	12.1	157.3	35¾	
23¾	11¾	DowneyFinl/Ca/ CA	6.7	185.1	23¾	
15¾	7¾	FirstFinCp/In/ MI	8.7	152.6	13¾	-¼
23¾	13¾	FirstFinancial/Ca/ CA	11.6	125.8	23¾	
15¾	8¾	GlenFed/Inc/ NY	9.3	141.8	13¾	
23¾	13¾	GreatWesternFn/Ca	11.6	125.8	23¾	
19¾	11¾	HomeFed/Inc/Md/ MD	9.9	93.9	19¾	-¼
18¾	11¾	MetroFin/Ca/Wi	9.2	101.1	15¾	
23¾	6¾	MBB Bancorp/Ca/ CA	NM	90.0	7¾	
33	22¾	NSBancorp/ IL	8.9	117.0	33	
23¾	13¾	NorthSideFin/Md/ MD	9.9	172.6	23¾	
21¾	15¾	SovereignFn/ PA	11.1	162.0	13¾	
23¾	13¾	SterlingBncp/Ny/ NY	11.6	125.8	23¾	
39¼	17¾	StandardFed/In/ MI	8.6	132.0	27¾	
23¾	13¾	WashingtonFd/ WA	11.6	125.8	23¾	
15¾	8¾	WashingtonFd/Wa	11.0	207.5	27	

See Below The table includes the latest trade data in alphabetical order for banks and thrifts traded on the New York Stock Exchange, the American Stock Exchange, and the Nasdaq National Market. Nasdaq data for the 25 largest publicly traded thrifts as measured by the market value of all stock outstanding is included in the table. The 225 largest market value cutoff for banks was $73.09 mil. and for thrifts $244.20 mil. **52 Wk Hi** and **52 Wk Lo** are the highest and lowest closing prices for the stock. **PE** the price-earnings ratio. It is the current closing price of the stock divided by the last four quarters of earnings. It is more applicable for bank and thrift holding companies. The ratio is averaged for companies with less than four quarters of data. **Mkt to bk** the ratio of the current day's closing price to the stock's book value, expressed as a percentage. **Book value** is adjusted for intangible assets, preferred stock, and goodwill. **Chg.** is the change in the closing price from the previous day. **Chg.** in the Stock Index and Thrift Indices: A weighted average of the top 225 banks in market value and the top 25 thrifts in market value, respectively. **Highlights** show largest percent gainers/losers in price and two-volume stocks. **Most shares traded** and **Volume as %** are based on an average of average shares traded over the past year.

Bill Rochelle, Bankruptcy Commentator, (914) 834-8877. 1995, produced the tables. Financial News Network, Vienna, Va., provides DAL with the daily prices.

Key Loan Activity

(Dollar amounts in millions)

August 2 - 6

Missing Cap./Govt Corp. purposes		Debt repayment	
Carter Hawley Hale Stores	$800.0	Hospital Corp. of America	$1,642.0
Tomas Corp.	350.0	Embassy Suites	650.0
D.R. Horton	29.6	First USA Financial	260.0
Calmar, Inc.	15.0	California Hotel Casino	235.0
CP backup		Dycom Industries, Inc.	125.0
International Lease Finance Corp.	$850.0	Gilbert/Robinson Inc.	122.9
General American Transportation Corp.	200.0	Carter Hawley Hale Stores	100.4
Punna Mills	188.0	Dycom Industries, Inc.	31.0
Carter Hawley Hale Stores	86.3	Cert Furniture Rental Corp.	66.3
Recapitalization		**Liquidation program**	
Allstate Corp.	$1,900.0	Galen Health Care	$1,300.0
United Stationers Inc.	65.0	**Debtor-in-possession**	
Trade finance		Jamesway Corp.	$75.0
L.A. Gear	$50.0		

Description: This table tracks key corporate loan activity and financial filings made weekly with the SEC.
Data Source: Loan Pricing Corp., New York (212) 488-9450.

Key Rates•

(August 10, 1993)

	8/10	8/9	8/3	8/10/92
Federal Funds domestic range:	2¹⁵/₁₆ - 3	3-3¹/₁₆	3¹/₁₆-3⅜	3¼-3⅜
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit•				
3 Month Posted	2.73	2.73	2.78	2.90
6 Month Posted	2.97	2.97	2.90	2.95
1 Year Posted	3.15	3.25	3.30	3.30
Eurodollar deposits•				
3 Month	3⅛	3⅛	3⁷/₁₆	3⁵/₁₆
6 Month	3⅛	3⅛	3⅜	3⅜
1 Year	3¹/₁₆	3⅛	3¹¹/₁₆	3⅝
Dealer Commercial Paper•				
1 Month	3.12	3.15	3.14	3.35
3 Month	3.18	3.21	3.21	3.37
6 Month	3.30	3.31	3.33	3.42

(•)— Late afternoon quotes, New York market. **(†)**— Highest offering rates (annual % yield) at selected NYC money center banks. **(‡)**— Late London bid. **(‖)**— AA rating or the equivalent.

STOCKS

Shares of European Banks Climb As Rates Continue 3-Month Slide

By JAMES R. KRAUS

Bank stocks throughout Europe are surging.

The catalyst: Falling interest rates and growing optimism that an economic recovery is near.

Over the past three months, bank shares have climbed 37% in Switzerland, 23% in France, 19% in Ireland, 15% in Britain, and 13% in Austria and Germany.

The major exception was Italy, where prices fell by about 4%, mainly because of mounting problem loans to big corporate borrowers like Ferruzzi Finanziaria.

In comparison, Standard & Poor's price index for U.S. regional banks rose only 4% over the same period, while money center banks rose 14%.

'May Be a Recovery Coming'

"Things are changing in Europe, and there may be a recovery coming," said Robert Alberston, a banking analyst with Goldman, Sachs & Co. in New York.

"Many see a U.S.-style scenario being transplanted."

Analysts think the rally still has a way to run, despite a drop in bank stocks Tuesday that was attributed to profit-taking and concern that continued high provisions for loan losses are in store.

They noted that many banks are still trading at close to their 52-week highs. Deutsche Bank, for example, lost nearly 9 marks ($5) Tuesday to end at 773 marks ($455), but that was still more than 10% higher than its price in mid-June.

Martin Wirth, analyst with Credit Suisse First Boston in Frankfurt, said many German shares are still undervalued and predicted falling rates will further boost the profits of Deutsche Bank and other German banks.



Analysts in France noted that Tuesday's decline came after sharp recent improvements and predicted more gains for banks.

Spanish and Portuguese bank analysts were also bullish.

They noted investors view banks as a safe bet in those two countries and pointed out that share prices for banks in Spain and Portugal remained unaffected by the drop in prices elsewhere in Europe on Tuesday.

Recent currency exchange-rate fluctuations have also helped Spanish, Portuguese, and other European banks boost earnings, they said.

'The Main Beneficiaries'

"Banks have been the main beneficiaries of falling interest rates and speculative trading in currencies," said one analyst.

"We see a lot of income coming from these areas."

In contrast to the sharp movements in prices in Europe, bank stock prices were down slightly in the United States Tuesday following Monday's across-the-board rise in response to a renewed decline in interest rates.

Gainers included J.P. Morgan & Co., up 25 cents to $71.875; Society Corp, up 50 cents to $32.875; First Bank Systems, up 37.5 cents to $31; First Chicago Corp., up 50 cents $46.625, and Firstar Corp., up 50 cents to $33.375.

Among the losers were First Interstate Corp., down 37.5 cents to $62.625; First Fidelity, down 12.5 cents to $48.50, and Old Kent Financial, down 62.5 cents to $34.375.

'Nothing's Moved a Lot'

"Stocks are mainly down, but nothing's moved a lot."

said Mark Alpert, an analyst at Alex Brown & Sons Inc.

Both other analysts said that continuing drops in interest rates are also an indication that loan demand remains weak and may actually be deterring investors from banks.

"Investors are much more interested in seeing uptick in loan growth than an uptick from Chapter 12's in a declining interest rate saga," said Mr. Alberson. □

CAPITAL

Citicorp, Chase Float Notes For Total of $550 Million

By DAVID SIEGEL

Citicorp and Chase Manhattan Corp. issued a total of $550 million in subordinated debt Tuesday, taking advantage of low rates and strong investor interest.

Citicorp floated $350 million of 12-year notes priced to yield 6.79%, or 98 basis points over what U.S. Treasury notes were being sold at in advance of their sale later in the week.

The bonds are likely to sell well at their issue price, said one bond analyst.

Citicorp bonds have rallied this year because of the bank's improved earnings and credit quality, as well as investors' expectations that more improvement is in store.

10-Year Debt Rallying

Since yearend 1992, Citicorp's 10-year subordinated debt has rallied. On Tuesday it was trading at 85 basis points above Treasuries, down from 180 basis points in December. "Certainly the bank's spreads are as tight as they've ever been since 1990," said John Works, bond analyst with J.P. Morgan Securities.

But investors still view Citicorp as weaker than its New York City rivals. The yield on Citicorp's new 12-year subordinated bonds is a few basis points higher than the yield on a similar outstanding Chase issue. And it would take about 10 basis points more than a comparable Chemical Banking Corp. issue, according to a market source.

Refinancing Seen as Goal

Based on recent comments to investors by a Citicorp executive vice president, Tuesday's offering was aimed at reducing borrowing costs. The executive, Thomas Jones, said he expected all subordinated debt raised this year to be used to refinance outstanding issues, rather than to build capital.

Goldman, Sachs & Co. led the issue, rated Baa2 by Moody's Investors Service and BBB plus by Standard & Poor's Corp.

Chase issued $200 million of 15-year subordinated notes.

Both banks took advantage of low rates and strong investor interest.

They were priced to yield 6.80%, or 103 basis points over the when-issued 10-year Treasury. Market participants said the issue was aggressively priced, and unlikely to sell out at that rate.

NBD Issue Expected

Since being upgraded by Moody's on July 2, Chase has raised $750 million of subordinated debt in the U.S. and Euromarkets, according to Securities Data Co. Its 10-year debt has rallied, spurred by improving credit quality and earnings. The yield-spread over Treasuries has narrowed 50 basis points since December.

Separately, market sources said NBD Bancorp is expected to issue $200 million of subordinated debt on Wednesday through a bank subsidiary. □

THE MARKETS

Long Bond Falls to a New Low of 6.44%

The bond and stock markets stuck to narrow trading ranges Tuesday, with the 30-year bond falling to a new low of 6.44% and stocks falling back slightly.

The Treasury sold $16.67 billion of three-year notes at a yield of 4.49%, up 3 basis points from late Monday. While the 30-year bond yield fell 2 basis points, the yields at all other maturities rose only a basis point or two.

Trading is in tight ranges in anticipation of auctions for the 10-year note and 30-year bond, as well as reports this week on consumer and produce price inflation.

The stock market retreated after the Dow hit a new high.

Profit Taking

Stocks finished mostly lower as investors took profits after a record advance on Monday.

The Dow Jones industrial average, which gained 15.65 to a new high on Monday, fell 3.35 to 3,572.73.

Broader indexes also retreated, but advancing issues narrowly led decliners on the Big Board.

Prices remained in a narrow band all session. But trading volume jumped to about 255.5 million shares on the New York Stock Exchange from 231.7 million on Monday.

— David Siegel

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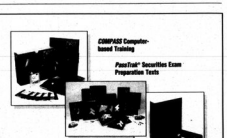

AMERICAN BANKER
VOL. CLVIII NO. 154 Thursday, August 15th Year

Lawmakers Face Oct. 1 Deadline For S&L Bailout

By ROBERT M. GARSSON

Congress left town last week without providing new money to deal with failed savings and loans, setting the stage for a high-stakes war of nerves when the legislative body returns in September.

By law, the Resolution Trust Corp. must stop taking in new conservatorships on Oct. 1. After that date, failed thrifts will be handled by the Savings Association Insurance Fund, which is essentially broke today.

As a result, there will be considerable pressure on lawmakers to act by the end of September on a funding for the S&L bailout, a politically unpopular issue on which the House has avoided action for 18 months.

Conversely, however, next month could be the last chance to enact a bailout bill.

"September really is the window of opportunity," said Edward L. Yingling, executive director of government relations for the American Bankers Association. "If they can't get it together then, they'll begin to lose momentum."

A number of other big issues will loom later in the year, Mr. Yingling noted. They include the controversial Riegle-Neal plan can Free Trade Agreement and Hillary Rodham Clinton's health care reform proposal. Those issues will command most attention on Capitol Hill.

First Things First

Supporters of the legislation believe they could have mustered the votes before the August break. But the House leadership was unwilling to risk a vote on the contentious issue until after Congress completed action on the high-priority deficit reduction package.

Thrift regulators are also likely to have their eyes on the stock in September. In the absence of legislation, the RTC cannot accept new cases after Oct. 1, and few believe the thrift industry could bear up under the strain of having to pay for the resolution of institutions insolvent now or likely to go belly up in the next few years.

Good Reasons for Haste

Every weak institution placed with the RTC before Oct. 1 lessens the pressure on the thrift fund, as well as the thrifts that fuel the insurance agency with their premium dollars.

Consequently, thrift regula-

See DEADLINE page 22

INSIDE NEWS

WASHINGTON

THE FEDERAL RESERVE proposed changing its regulations on discount window advances, to limit extensions of credit. *Page 2*

REGIONAL BANKING

MICHAEL E. O'NEILL, Continental Bank Corp.'s new chief financial officer, has worked behind the scenes at the Chicago bank on projects that have been key to its continuing rehabilitation. *Page 4*

COMMUNITY BANKING

NORTH DAKOTA's lawmakers passed two key bills that will help bring real estate laws into the 20th century. *Page 6*

THE ARKANSAS Bankers' Bank lets its clients do the lending, while it collects fees for services. *Page 6*

COMPLIANCE

A HOST OF SERVICES have sprung up to help reprogram computers and train employees in the intricacies of the Truth-in-Savings Act. *Page 8*

THE TREASURY and the Fed are readying regulations to help financial institutions standardize and retain their records of wire transfers. *Page 9*

MORTGAGES

NORTHEAST BANKS continued to show high delinquency rates on home loans in the first quarter. *Page 10*

INVESTMENT PRODUCTS

WELLS FARGO is the banking industry's undisputed champ when it comes to managing mutual funds for retail customers. *Page 14*

TECHNOLOGY

CHEMICAL BANKING Corp. has moved less than half of its trust and global custody customers to a unified accounting and reporting system in the 19 months since its merger with Manufacturers Hanover. *Page 3*

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Star Wars

MASTERCARD AND VISA are betting big bucks by sponsoring sporting events. MasterCard has tapped Pele, above, as its spokesmagic for the World Cup, while Visa is building on Bruce Jenner and others for the Olympic Games.

See story on page 16

Kemper Downgrades Six Midwestern Banks

By GORDON MATTHEWS

Kemper Securities has downgraded six midwestern bank stocks, saying banks will have more difficulty outperforming other stocks over the next 18 months than during their big rally of the past two years.

"We remain bullish on bank and thrift stocks, especially in the longer term," said analyst Thomas J. Maier. "Just a little less bullish now than we've been."

Banks' net interest margins, a big element of profitability, will probably weaken from current levels, he said. But they will remain healthy, he added, since many price-cutting competitors, notably in the thrift industry, have been eliminated.

Merger Plays Expected

Bank stocks will remain of keen interest to investors, however, because consolidation will continue throughout the industry and especially in the Midwest, he noted.

Downgraded to "hold" from "long-term buy" status were NBD Bancorp, Detroit; Northern Trust Corp., Chicago; Marshall & Ilsley Corp., Milwaukee; First Midwest Bancorp, Naperville, Ill.; and Associated Banc-Corp, Green Bay, Wis.

Huntington Bancshares Inc., Columbus, Ohio, was downgraded to "long-term buy" from "strong buy."

Prices Seen as Fair

Mr. Maier also upgraded one company, raising First of America Bank Corp., Kalamazoo, Mich., to "strong buy" from

See **STOCKS** *back page*

Bad News, Good News
Rating changes from Kemper

	Price/book ratio
DOWNGRADED	
NBD Bancorp	171.3%
Northern Trust	241.1
Marshall & Ilsley	194.2
Associated Banc-Corp	181.5
First Midwest Bancorp	176.4
Huntington Bancshares	219.5
UPGRADED	
First of America	164.4%

Bank of S.F. Shakes Up Management, Posts Loss

By JED HOROWITZ

Bank of San Francisco repudiated its latest strategy for survival Wednesday by announcing a new management team and another capital infusion from its principal investor to help it meet regulatory requirements.

The announcements came as the bank's parent reported a second-quarter loss of $4 million, or 48 cents a share. Bank of San Francisco, which was founded in 1979 to serve wealthy individuals, has lost $38 million over the past eight quarters.

$6 Million Infusion

The company, which has $315 million of assets, said it submitted a capital plan to state and federal banking regulators that includes an infusion of $6 million by Sept. 30 from Putra Masagung, an Indonesian investor who is its principal stockholder.

He previously injected $26 million to bring the company up to regulatory standards.

The bank, which has crumpled under the weight of California's real estate market, tried to recreate itself as a small-business bank two years ago, centering its activities in Sacramento.

On Wednesday, Bank of San Francisco said it will sell the regional office's $48 million of assets and deposits to American River Bank, a community bank.

The sale will result in a loss of "a few hundred thousand dollars" but will help ease Bank of San Francisco's regulatory capital ratios, said Rodney D. Freed, its president and chief operating officer.

CEO Ousted

The Sacramento strategy was hatched by Thayer Prentice, a seasoned community banker who was brought in as chief executive of the bank in 1991. He will be replaced by Kent Price, who – subject to regulatory approval – will be chairman and chief executive officer of the holding company and the bank.

A former chief financial officer of Bank of New England, Mr. Price ran Bank of America's international private banking division until he was demoted in March.

Mr. Freed, the president and chief operating officer, said the company will refocus on private banking and business banking in San Francisco and the Pacific Rim.

The company's stock fell 18.75 cents a share to $1.06 on the American Stock Exchange Wednesday afternoon. □

NEWS *briefs*

American Savings of Fla. Freed from Curbs

MIAMI — American Savings of Florida said the Office of Thrift Supervision had released it from a capital plan in effect since April 1991 and from a capital directive in effect since January 1992.

The company also said the OTS had formally removed its designation as an institution "requiring more than normal supervision."

American Savings said it believed that the OTS took these actions because of the progress demonstrated by the company in meeting compliance with regulatory capital requirements, achieving core earnings, reducing nonperforming assets, and improving levels of loss reserves.

The company said the capital directive had limited its activities to those specified in its capital plan and generally prohibited asset growth.

American Savings said it has met all current capital standards since March 31, 1992, and all fully phased-in requirements since Sept. 30, 1992.

Discount Corp. Holders Back Sale to Zions

NEW YORK — Discount Corporation of New York shareholders approved a plan in which the company would be acquired by a unit of Zions Bancorp.

The approved plan calls for each Discount Corp. holder to receive $8 a share, for a total of $65 million. Zions will also assume certain obligations.

About three-quarters of the nearly 8.2 million shareholders approved the agreement. During the meeting, some longtime shareholders and former employees expressed anger and frustration at management.

Central Bank Unveils Phone Bill-Paying

BIRMINGHAM, Ala. — Central Bank of the South, a unit of Central Bancshares of the South Inc., has introduced Pay-Mate, a new telephone bill-paying plan, to its customers in Alabama and Florida.

The company said the new PayMate service costs $3 a month, and personal checking account customers may apply at any Central Bank office in the two states.

Central Bank said a customer can list those accounts to be paid on a regular basis, such as department stores, utilities, and major credit card companies. Customers call in payments using the toll-free number, indicating the account number and the amount of the payment. The customer may also indicate automatic payments for recurring bills with fixed amounts, including mortgage and other loan payments.

First Banks Inc. to Buy American Home S&L

ST. LOUIS — First Banks Inc. said it had entered into a letter of intent to acquire all of the outstanding stock of American Home Savings and Loan Association of St. Louis.

In a news release, the companies said the shares would be acquired by First Banks for $1.50 each in cash.

The companies said a previous letter of intent under which American Home was to be acquired by First Capital Corp. for $2 a share had been withdrawn.

The companies said that under the current agreement, American Home Savings and Loan would merge with First Bank — A Savings Bank, a unit of First Banks Inc.

The transaction is subject to a definitive agreement and various approvals and conditions.

1st Tennessee to Test Home Banking Service

MEMPHIS — First Tennessee Bank and BellSouth Telecommunications said they will begin testing a new screen-based telephone that will offer home banking and shopping services.

The briefs were compiled from staff and wire reports.

Fed Proposes Curbing Access To Advances by Troubled Banks

By CLAUDIA CUMMINS

WASHINGTON — The Federal Reserve on Wednesday proposed changing its regulations on discount window advances to limit extensions of credit to troubled banks.

The rules would carry out section 142 of the Federal Deposit Insurance Corporation Improvement Act, which makes the Fed liable for certain losses to the Bank Insurance Fund. This occurs when a bank leaves off failure through discount window borrowings, fails anyway, and then ends up costing more to resolve.

Congress passed the law to discourage the Fed from propping up troubled banks for long periods. This assistance, lawmakers said, increases taxpayer costs if the bank eventually fails, because it increases operating losses and scares away uninsured, unsecured depositors and creditors from the bank.

Grudging Approval

The Fed board unanimously approved the rules, albeit begrudgingly. The governors added this new law to the list of those they dislike because they require the central bank to "hard-wire" its policies, in the words of Fed Vice Chairman David W. Mullins.

"To the extent we do this, we eliminate the ability to exercise judgment on individual cases,"



David W. Mullins
Hates more flexibility

added Fed Governor John P. LaWare. "I just don't like what the statute forces us to do."

According to section 142, when the Fed lends to an undercapitalized lender that is not deemed "viable" after it has borrowed for 60 out of 120 days, or when it lends to a critically undercapitalized lender five days after it gets this rating, the Fed becomes liable for losses to the FDIC caused by the advances. In addition, the Fed must report this liability to Congress.

Amendments to Reg A

The board proposed four amendments to Regulation A, which guides loans to depository institutions. The proposal would:

• Require district banks to consult with the board about credit that could result in Fed liability to the FDIC.

• Adopt "prompt corrective action" capital categories to determine which banks are undercapitalized and critically undercapitalized for this rule.

• As the law allows, exempt from the liability rule most undercapitalized institutions that have submitted capital restoration plans, as long as the primary federal regulator has accepted the plan and the lender is complying with it.

• Assess all district banks on a pro rata basis for the liabilities, rather than only the bank that causes it.

Also in its meeting Wednesday, the Fed approved a new interagency policy statement carrying out legislation that requires lenders to give agencies advance notice when closing branches. The rule was proposed earlier by each of the agencies.

The final statement follows the initial proposal, with a few major exceptions. In response to complaints from the industry, the agencies have excluded automated teller machines, as well as branches being relocated or consolidated through an acquisition, from the requirement.

Finally, the Fed approved a rule imposing daylight overdraft penalties on bankers' banks that do not hold reserves, Edge Act corporations, and limited-purpose trust companies. □

COMPANY *index*

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Chemical Struggles to Merge Trust Systems

By JEANNE IIDA

In the 19 months since its merger with Manufacturers Hanover Trust Co., Chemical Banking Corp. has moved less than half of its trust and global custody customers to a unified accounting and reporting system.

The conversion is critical for Chemical's competitiveness in a market beset by price wars and consolidation.

The bank expected to have all 500 overseas accounts on the system, dubbed Chemtrust, by the end of 1992. Most of those accounts were originally Hanover customers.

But by June of this year, all the overseas customers and nearly half the domestic ones remained on the old systems.

Merging the two banks' global custody businesses proved so complex that the timetable had to be rethought late last year, Chemical officials said.

Aiming for Early '94

The revised schedule for installing the necessary software focuses on getting domestic customers onto the new system first. All customers are to be moved by early 1994.

In the first six months of this year, Chemical moved half of its more than 5,000 master trust accounts to the new reporting software, from Premier Systems Inc., Wayne, Pa.

"We're very pleased with our progress," said Jeremiah O'Leary, general manager, global securities services, at Chemical.

Before the merger, Chemical and Hanover were midsize players in securities processing and custody. The merged bank hopes to make use of its size to achieve economies of scale that will make it more competitive with the biggest custody banks.

Chemical is estimated to have $150 million to $200 million in revenues from master trust and global custody services, and profits of between 10% and 20%. Growth has been relatively flat, according to a well-placed source.

Chemical began testing the software in its Cardiff, Wales, data center late last year with about 50 overseas Chemical accounts. It planned to move the rest of its overseas customers by the end of 1992.

Instead, after some testing, Chemical moved the test accounts back to the existing Chemical system and decided to focus on moving master trust customers.

Mr. O'Leary said the change in plans was due to the complexity of merging the overseas operations and offices of the former Hanover with Chemical.

It was determined that some software enhancements required to accommodate former Hanover customers could be better implemented, according to a source close to the project who requested anonymity.

Chemical still expects to have domestic customers on the system by the end of 1993. But overseas customers won't be moved to the system until late 1993 to early 1994.

Many bankers believe it is important for global and domestic trust systems to be compatible, so customers can see all of a pension fund's assets on a single screen. U.S. customers are increasing their investments overseas, and reducing the distinction between domestic and international services.

Now Chemical is in the first phases of designing a consolidated securities tracking system to underlie the system.

Chemical is currently using two securities movement and control systems — one from the old Hanover to handle domestic activity, and one from Chemical to handle overseas accounts.

The systems manage securities processing, tracking such transactions as dividend collections and settlement practices in different countries and time zones.

"It is in our plans to build one integrated [tracking] system to handle all types of currencies and all types of instruments," Mr. O'Leary said. □



Jeremiah O'Leary
Cites complexity of task

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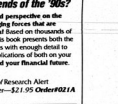

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AUG 12 1993

Banc One in Deal to Buy Utah's Capital Bancorp

By STEVE KLINKERMAN

Banc One Corp. agreed on Wednesday to buy a healthy community bank in Salt Lake City, thus increasing its share of the Utah market by nearly 15%.

The Ohio-based bank company, the nation's eighth largest, said it expected to complete the purchase of Capital Bancorp by the first quarter of 1994. The Utah bank, which has $117 million of assets and seven branches, will raise Banc One's position to fourth place from fifth place in terms of total bank assets in the western state.

Capital Bancorp is privately owned, and terms were not disclosed.

Banc One entered the Utah market through its 1992 purchase of Valley National Corp. The Phoenix, Arizona-based company owned a bank with $843 million of assets in the Beehive State.

According to Sheshunoff Information Services, Banc One's Utah operations earned $1.6 million in this year's first quarter, the most recent period for which public data is available. The showing equaled a soft 1.76% return on assets.

The Utah unit lost $2.2 million in 1992. By contrast, Capital Bancorp delivered a hefty return on assets of 1.8% in the first half of 1993.

Kent Jones, the company's chief financial officer, said loans to small businesses and fee revenues from mortgage refinancings were key factors in its strong performance.

The one-bank holding company, founded in 1977, boasted a net interest margin of 6.28% in 1993's first half, Mr. Jones said.

The acquisition will vault Banc One to fourth place from fifth place in Utah in terms of total bank assets. The dominant players in Utah are First Security Corp., with $7.9 billion of assets; Zions Bancorp., with $3.9 billion of assets; and Key Bancshares of Utah, a $1.15 billion-asset subsidiary of Keycorp, Albany, N.Y.

The largest pending buyout in Banc One remains Firstier Financial Inc., an Omaha-based bank company with $3 billion of assets. It also has smaller deals pending in Oklahoma, Illinois, and Texas. □

AT A GLANCE
Capital Bancorp

Headquarters	Salt Lake City
Assets	$117 million
Deposits	$107 million
Loans	$57 million
YTD 1993 ROA	1.80%
Branches	7
Branches	90

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Continental's Finance Chief Brings a Cosmopolitan Flair

By STEVE KLINKERMAN

For years, Michael E. O'Neill has worked behind the scenes at Chicago's Continental Bank Corp. on projects that have been key to its continuing rehabilitation. Now, he is taking a front-line position.

Mr. O'Neill, 46, will become chief financial officer of the $22 billion-asset company in September, picking up the reins from Hollis Rademacher, who is retiring.

Despite a conventional banker's pedigree that includes an MBA from the University of Virginia, stints overseas for Continental and First Interstate Bancorp, and a period as a consultant, Mr. O'Neill is cut from a different mold than most CFOs.

A professed skeptic when it comes to strict corporate hierarchies, the executive describes himself as "unstructured – someone who is comfortable dealing with a somewhat uncertain environment, trying to craft solutions that may not be perfect but that are improvements."

That should stand him in good stead at a company whose chief financial goal remains the improvement of credit quality.

Continental has endured $1.7 billion of chargeoffs since the beginning of 1988. Though it has rebounded from a third-quarter 1991 loss of $185 million with seven consecutive quarters of solid profits, lingering performance issues have caused rating agencies to withhold full endorsements.

A 'Need to Improve'

When Duff & Phelps Credit Rating Co. recently raised ratings on Continental's long-term certificates of deposit to BB-plus, for instance, it simultaneously granted an A-plus rating to Bank of New York Co., a rival for the business customers that Continental cultivates.

"We need to improve our credit ratings to compete in our maintaining the bank's earnings momentum while building loss reserves to levels that satisfy the market.

"It is hard to build capital while taking higher-than-normal loss provisions," he said.

Corporate Lending Strategy

The key to it all, he said, is disciplined expansion. He believes the bank can build revenue by booking more corporate loans – if it uses its loan syndication department to limit exposure on any one credit.

"What we increasingly like to do is underwrite relatively large amounts of credit, but retain relatively small amounts of that underwriting," he said. "We really have learned our lesson on overconcentration."

The executive has a long history at the bank. He joined Continental in 1974, fresh from graduate school, stayed for 10 years, and then joined First Interstate Capital Markets for one year.

He spent most of that time wandering through London, Hong Kong, Brussels, and Antwerp, first as a business development man, then building his skills in capital markets and workouts. He rejoined Continental at its Chicago headquarters in 1989, following a stint as a consultant.

Throughout his journeys, Mr. O'Neill cultivated his cosmopolitan interests. A graduate of Princeton University, where he majored in the study of European civilization, the executive continues to travel for leisure and admits to a weakness for art and antiques.

He recently finished reading "The Civilization of the Renaissance in Italy," by Jacob Burckhardt. □



Michael E. O'Neill
Skeptical of hierarchies

People Hollis Nolan

Mr. O'Neill led the divestiture of First Options.

Mr. O'Neill said the greatest single issue confronting the company today is its $500 million portfolio of California home loans, 74% of which are nonperforming. Continental will need up to a year to resolve remaining credit-quality issues, he said.

Like any good CFO, Mr. O'Neill also keeps a steady eye on what pleases the rating agencies and investors. He had he must manage the delicate task of

F&C Bancshares Director Dies in Crash

PORT CHARLOTTE, Fla. — Wilber Cole, a director of F&C Bancshares Inc. was killed in an airplane crash July 31.

The company said that Cole, together with his wife, his son, and his son's girlfriend, were killed in a crash in the Bahamas.

Cole's death decreases the board to five directors. A spokeswoman said the bank has no current plans to find a replacement.

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REGIONAL BANKING

Out of a Job? Jump into Action Immediately While Your Severance Cushion Is Still Plump

By ANTHONY W.G. LORD
Managing director
A.T. Kearney Inc., New York

I remember June 21, 1985, as if it were yesterday. That was the day I received a call at my hotel outside Frankfurt telling me that the board of Marine Midland Banks had passed a resolution closing down the international division.

While it wasn't stated during that conversation, it didn't take a genius to know that in all probability the four of us on the senior team would be asked to leave. A few days later, I was asked to close down all operations in Europe, the Middle East, and Africa.

Six months later, I left the institution.

I was 43, had spent 27 years with several banks in New York and overseas, and for the previous five years had been responsible for Marine's business in Europe, the Middle East, and Africa-South Asia. It never occurred to me that I would be laid off.

It was a real shock to the system, but like nearly everyone who has been through this predicament, I survived.

As it turned out, we were one of the first of many large groups of people who were asked to leave the financial services industry over the past eight years. Tens of thousands of bankers have lost their jobs as a result of downsizing or mergers.

Taking Stock

Perhaps the best way to discuss career alternatives is to explain my immediate thoughts after being told I no longer had a job.

I took a look at myself, my background, and where I believed the industry was going over the next decade, and came to the reluctant conclusion that I was a dinosaur.

Switching career paths isn't for everyone.

My claim to fame was as an international-oriented general manager with credit, new business development, and product management skills. In New York, there was limited demand for people with my background at my level of seniority.

While there were positions available heading foreign bank branches in New York, I determined that within five years U.S.-based people would probably be replaced by officers from the banks' home country. Once I reached that conclusion, I was both relieved and scared.

The 'Golden Rules'

I decided within a few weeks to form a specialized consulting firm in partnership with one of my former colleagues. We analyzed what it takes to be successful in the consulting business and concluded that five golden rules apply:

- Have specialized skills (in our case, global cash management and international product development).
- Have a reputation.
- Have credibility with senior management people.
- Possess good sales and marketing skills.
- Be financially secure enough to survive at least a year during which cash flow might be limited.

In retrospect, we made the right decision. But it isn't easy. Even if someone is confident, timing becomes critical.

Cautionary Note

Most people have been leaving banks with fairly generous severance packages, which at the beginning gives them a reasonable amount of flexibility. The longer a person takes to review alternatives, the weaker he or she is financially.

Switching career paths isn't for everyone, but people with good contacts, an ability to sell, and the financial strength to survive an extended start-up period may well succeed.

Bankers with the right skills may look at the "buy" side of the business.

Those who want to remain in the financial services industry are facing a slowly improving environment. But the number of available positions for "dinosaurs" remains limited, particularly in New York and other financial centers.

Look on the 'Buy' Side

Bankers with the appropriate skills may wish to consider switching to the "buy" side of the business, to corporate positions involving financial management. While this is not easy to do in today's environment, a meaningful number of corporate treasury people do have commercial or investment banking backgrounds.

I also believe people should look at the possibility of changing career paths completely by considering buying a small business. In each community, there are brokers listed in local newspapers. These people arrange the purchase and sale of cash businesses, and a call to their offices will enable a person to sit down and talk about the types of businesses for sale.

Capital will be required, but the majority of the purchase price is usually financed by the seller over as long as 10 years at a competitive interest rate.

Temporary Situations

Finally, there are many part-time jobs out there. This temporary work extends one's severance and that, in turn, increases flexibility in the job search.

When I knew I was about to be laid off, I seriously considered driving a limousine in my spare time. In discussing this option with a couple of the drivers, I discovered that I could earn as much as $2,000 a month without hurting my job search.

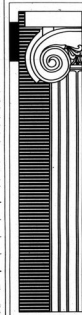
In summary, while the job market in the financial services industry cannot be described as robust, there are jobs available. A well-structured resume combined with an effective networking program will in time produce results.

Alternatives to old careers always exist, and while they may not be for everyone, they should certainly be explored. □



Anthony Lord

Comment



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July 1993

Multibank Financial Corp.

has been acquired by

Bank of Boston Corporation

The undersigned, in its capacity as financial advisor to Multibank Financial Corp., assisted in the negotiations leading to the consummation of this transaction.

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Arkansas Bankers' Bank Lets Clients Do Lending While It Relies on Fees

By PHIL ZAHODIAKIN

Banking with Banks

THE ARKANSAS BANKERS' BANK never saw a lending opportunity it didn't hand off.

As a result, the nation's youngest bankers' bank doesn't have a single loan on its books.

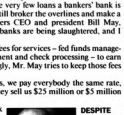
But the usury laws in Arkansas make it hard to find bankable assets, so Bankers refers its overline opportunities to the banks it was chartered to serve.

An overline – the part of a note that exceeds a lending limit – is one of the very few loans a bankers' bank is allowed to carry. "I could still broker the overlines and make a quarter point," says Bankers CEO and president Bill May, "but why should I? Small banks are being slaughtered, and I want to help them."

Thus, Bankers relies on fees for services – fed funds management, safekeeping, investment and check processing – to earn money. And, not surprisingly, Mr. May tries to keep those fees at a bare minimum.

"When we buy fed funds, we pay everybody the same rate, 10 basis points, whether they sell us $25 million or $5 million – and that's unheard of."

He says the small-bank "slaughter" in Arkansas resulted from legislation allowing intrastate branching.



DESPITE HIS palatial office, Arkansas Bankers' Bank CEO Bill May keeps his operations lean.

Arkansas has 257 small banks, and about 20% of them now have outside ownership. "The name on the office might be the same, but people don't know it's owned by somebody in Memphis or Little Rock until they can't get their banking business done."



In view of the slaughter, Mr. May, who had been vice president of investments at One Bank, Little Rock, before losing his job as a result of a takeover, persuaded a few small banks that the time was ripe for a bankers' bank.

Armed with $10,000 in traveling expenses lent by four bankers, Mr. May hit the road to raise capital for the bank. He got 56 small banks to invest the $2 million required, and has increased their equity to $2.4 million since opening on May 23, 1990.

The operation set up by Mr. May is extremely lean, though the trait is belied by the bank's palatial headquarters. But the bank is renting its two floors at the nationally registered Ward Hayes House for just $1,500 a month, there are only 13 employees to pay, and "we don't pay the directors any board or committee fees," Mr. May points out.

Bankers' after-tax earnings totaled $115,000 in 1992, and were up to $95,000 as of June 30. That translates into an 8.26% return on equity, and a 0.59% return on its $35 million in assets.

Data supplied by the Bankers Bank' of Wisconsin shows that the nation's 16 bankers' banks posted an average 12.42% ROE and 0.89% ROA. Mr. May says the numbers for his bank would line up with the national averages if he had not passed along $5 million in overline lending last year.

Keeping a few of the the loans might have enabled Bankers to earn up to 8%, instead of the 4% his investment portfolio earns from government securities.

The limit is set by the Arkansas usury law, which caps the maximum lending rate at prime plus 5%. It is a limit that is hurting all Arkansas banks, because they turn away borrowers seeking money for pursuits riskier than home buying.

Data supplied by Ferguson & Co., show that the state's 262 banks have a loan-to-deposit ratio of 55.05%, far below the 76.00% average for all banks insured by the FDIC.

Despite the usury laws and the small-bank slaughter, Mr. May says starting and running the bank "is more fun than I've had doing anything else in my life."

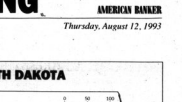
Focus on: NORTH DAKOTA

Profit Leaders

North Dakota's 10 most profitable community banks*

	Return on assets	Assets (millions)
Sargent County Bank, Forman	3.21%	$52
Security State Bank, Wilkinson	2.80	15
United Bank of Bismarck	2.55	120
Farmers and Merchants Bank, Valley City	2.31	50
Stock Growers Bank, Napoleon	2.28	36
Scandia American Bank, Ashley	2.14	44
Bank of Glen Ullin	2.14	20
First State Bank, Le Mmoyne	2.04	30
State Bank of Marion	2.03	14
First State Bank of Sharon	2.01	21

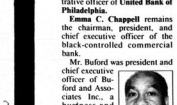
*Banks that have assets of less than $3 billion and that are not owned by holding companies with more than $3 billion of assets. First quarter '93 data



North Dakota's 142 Small Banks

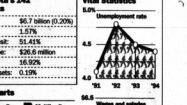
Total assets:	$6.7 billion (0.20%)
Average ROA:	1.07%
Avg. loan/deposit:	51.41%
Total net income:	$26.6 million
Average ROE:	16.92%
ORED/Total assets:	0.19%

Vital Statistics





Housing Starts



Sources: DRI/McGraw Hill, Ferguson & Co., American Banker

North Dakota Laws Give Lenders More Options on Loans in Default

By BILL ATKINSON

North Dakota bankers are all smiles.

The reason: After years of losing fights to bring real estate laws into the 20th century, they saw the state Legislature pass two key bills that take effect this month.

"The legislation session was very favorable to lenders," said Gary Preszler, the state's banking commissioner, who regulates 115 state-chartered banks with $4.3 billion in assets.

'Some Pretty Big Hits'

One bill allows banks to foreclose on a commercial property and seek a deficiency judgment for funds that are owed on the loan. Before, a borrower who ran, say, an apartment complex could collect as much rent on the property as possible before the bank foreclosed.

Once the bank took action it had no way of collecting the difference on the loan even though the borrower may have had enough assets to pay part or all of it off.

"A number of banks took some pretty big hits out here in the mid-1980s when we were going through recession," said James D. Schlosser, executive vice president of the North Dakota Bankers Association. "There were people who had the means to repay commercial loans who walked away."

The other new law will apply when a borrower who the lender suspects has the ability to repay the loan is in default. It gives the lender a choice of foreclosing on a junior mortgage or seeking a judgment.

Working Together

Until now, if the borrower defaulted on the junior mortgage, the lender had to either pay off the first mortgage in full or make payments on the first mortgage so it wouldn't go into default.

"It's a big deal," said Kenneth D. Reno, president of United Bank of Bismarck. "Those are two steps in the right direction."

Mr. Schlosser attributes the legislative victories to the fact that his group and the Independent Community Banks of North Dakota are finally working together.

"I think we were very effective," he said. "We look at what is happening in Washington and we are just getting murdered."

North Dakota's legislature doesn't meet until January 1995, but Mr. Preszler is already drafting new bills.

One concerns banks whose facilities have been affected by the recent floods. The bill would permit bank hit by floods, tornadoes, or fires to temporarily relocate.

"We've wondered how the procedure would work," Mr. Preszler said. "You don't want to disrupt services to the people." □

In Brief

San Francisco-based Pacific Bank reported a net loss of $4.3 million in the second quarter.

The bank also announced that it is hiring investment bankers Keefe, Bruyette & Woods to assist it in raising $25 million in capital by the end of the year.

"We are confident that we will meet our capital requirements," said chairman Ned Dean.

Mr. Dean also separately announced he would relinquish the title of chief executive to Leonard W. Busse, a former Continental Bank Corp. executive brought in as chief operating officer earlier this year.

* * *

First United Bancorp of Boca Raton, Fla., reported earnings of $1.4 million for the first six months of the year, compared with $311,000 for the same period a year ealier.

The results for the period include income of $640,000 from an accounting change.

First United had $128 million of assets and seven branches.

* * *

The Federal Reserve Board has approved Dickinson Bancorp's application to acquire First National Bank of Bowman, N.D.

Dickinson, which is based in Dickinson, N.D., will pay $3.4 million for First National's stock. The acquisition is expected to be completed in September. After the acquisition, Dickinson will become the state's ninth-largest commercial banking company, with $121.3 million in deposits. □

COMMUNITY BANKING

EXECUTIVE *changes*

United of Philadelphia Names Buford As Its Chief Administrative Officer

Sharnia "Tab" Buford has been appointed chief administrative officer of **United Bank of Philadelphia.**

Emma C. Chappell remains the chairman, president, and chief executive officer of the black-controlled commercial bank.

Mr. Buford was president and chief executive officer of Buford and Associates Inc., a business and financial management consulting firm in New York.

S. "Tab" Buford

He remains chairman of the board of **City National Banc shares,** Newark, N.J., and of its **City National Bank of New Jersey.**

From 1977 to 1987 he was president and chief executive of Freedom National Bank of New York. Freedom National failed in 1990.

Mr. Buford had been the president and chief executive officer of Douglass State Bank, a minority-owned institution in Kansas City, Kan., from from 1972 to 1977. He joined Douglass State in 1967.

— **Franklin Smith**

MIDWEST

MID AMERICAN National Bank and Trust Co., Bowling Green, Ohio, has named **Amy Gonyer** as assistant vice president/human resources and **Thomas S. Sigel** as assistant vice president/international.

Ms. Gonyer's new responsibilities include overseeing the operation of the human resources department and employee payroll and benefits.

Mr. Sigel's responsibilities at the bank include international business development.

COMMUNITY First Bank, Lansing, Mich., has named **Holly L. Schreiber** as vice president and chief financial officer.

Ms. Schreiber was formerly with KPMG Peat Marwick as a manager in the financial services practice, where she specialized in financial industry regulations and current accounting principles applicable to the thrift, banking, and insurance industries.

PARK NATIONAL BANK, Newark, Ohio, has promoted **Richard E. Baker 2d** to assistant vice president.

Mr. Baker will continue as manager of the bank's North 21st Street office.

AMERIBANK, Bloomington, Minn., has named **Teresa Zicharth** as senior vice president of retail banking and marketing.

Ms. Zicharth was marketing director for the bank's parent, **American Community Bank Group Inc.**

Carol Youngdale has been named assistant vice president of personal banking and retail credit manager at Ameribank. She had been a personal banking officer.

HAWTHORN BANK, Mundelein, Ill., has appointed **Erich Lanner** as vice president and controller.

MIDDLE ATLANTIC

BANK OF DELAWARE, Wilmington, has announced promotions for **Jacqueline L. Benton, Karen A. Graham, Kenneth Y. Jones, Susan L. Pratt,** and **Betty A. Thornton-Dunn.**

Ms. Benton was named sales manager of the Greentree Village office in Dover. Ms. Graham was promoted to senior estate settlement officer, and Mr. Jones was named a retail operations officer.

Ms. Pratt was promoted to senior personal financial services officer, and Ms. Thornton-Dunn to deposit support services officer.

UNITED NATIONAL Bank, Plainfield, N.J., has appointed **Joanne F. Herb** as vice president and corporate strategic planning manager.



Joanne F. Herb

Ms. Herb was a vice president in internal consulting with National Westminster Bank USA, with responsibilities centered on business analysis, information systems project management, property management, and retail operations.

SOUTHEAST

BARNETT BANK of South Florida, Miami, has promoted **Andrew H. Chesnick** to vice president in commercial real estate.

ISLAND NATIONAL Bank and Trust Co., Palm Beach, Fla., has appointed **Karen A. Balmath** as loan officer.

Mrs. Balmuth is responsible for developing the bank's commercial loan portfolio.

She was formerly a credit analyst with Admiralty Bank in Palm Beach. Before that she was affiliated with NationsBank Corp. in Atlanta.

SOUTHWEST

BROADWAY NATIONAL Bank, San Antonio, has promoted **Rick Krenz** to assistant vice president and loan accounting officer.

WEST

CHINO VALLEY BANK, Ontario, Calif., has appointed **Elsa I. Zavala** as vice president and director of the bank's data processing center.



Elsa I. Zavala

Ms. Zavala had been an assistant vice president and central services manager with General Bank, Los Angeles. □



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Exec's Efforts Put Compliance Up Front

By PETER SCHOENKE
Special to the American Banker

People in the News

MARGARET McKENZIE IS ONE of those people whom bankers formerly loved to hate – a compliance officer.

Bank employees, she said, used to look at their colleagues from the compliance section and grouse, "Oh, look at these people. They are creating all this paperwork for us and we have to follow all these procedures because Margaret McKenzie wants us to."

"But now, at least at my bank, they are starting to realize it is in their best interest," said the 42-year-old senior vice president for Old Point National Bank in Hampton, Va.

Having prevailed on her home turf, she is using her role as head of the American Bankers Association's compliance committee to proselytize the rest of the industry.

"I try to get the message across to the CEOs, particularly of community banks, to say this is no longer a back-room function," she said. "Compliance really happens on the front line. It does not happen in the back room."

At the ABA conference on compliance in June, Steve Cross, the Office of the Comptroller of the Currency's deputy comptroller for compliance management, said the biggest problem regulators have with banks is that management is not taking compliance seriously and working it into its everyday operations.

"I thought it was interesting for him to make that comment because he is right on," she said.


Margaret McKenzie

Ms. McKenzie has headed the ABA compliance committee since October 1991. Her term ends in September.

Under her guidance, ABA compliance seminars changed from a lecture format to a series of shorter, interactive discussions.

Ms. McKenzie joined Old Point – a 13-branch bank in northern Virginia with 270 million of assets – in 1969 as a teller. She later moved into lending.

That experience gave her the background necessary to step into compliance in 1981, because she had been wrestling with regulations almost every day.

Compliance departments have changed radically since then because of an avalanche of new laws. Gone are the days of a lone person working in a tiny back room.

A Function 'All over the Bank'

"You can't just appoint a person and put them in the back room; shut the door, and say, 'Deal with compliance.' It is now all over the bank, and everybody must have that as part of their job description," she said.

She added, "You have to manage this process like you do any other function in the bank."

Old Point, on Ms. McKenzie's recommendation, set up a committee system to implement new rules and procedures. She retains advisers from the trust department and from the computer division.

The tradeoff is that more people are spending time trying to comprehend the regulations.

"It seems to work quite well instead of having her take all the responsibility," said Old Point president John Sebrell. "The difficulty is providing people with the information to keep them abreast of everything."

Mr. Schoenke writes for the Medill News Service.

Frazzled Bankers Hiring Help With Truth-in-Savings Maze

By PETER SCHOENKE
Special to the American Banker

WASHINGTON — The sheer size of the Truth-in-Savings Act makes it hard for a small compliance division – let alone one individual at a small bank – to put it into action.

But a host of services have sprung up to help reprogram computers and train employees.

"The bankers right now are reeling, but they are getting there," said Matt Chapman, chairman and chief executive for CFI Proservices, a consulting firm in Portland, Ore., that sells a variety of services to help with Truth-in-Savings.

"The implementation of this law is the most difficult I have ever seen."

Hard to Keep Up

Three bank consultants – Bankers Systems Inc., Bankers Training and Consulting Co., and CFI Proservices – are helping where banks' resources on Regulation DD have fallen short.

"As fast as this stuff changes, its almost impossible to keep people up on it," said David Mills, a vice president of compliance for Synovus Financial Corp., a Columbus, Ga.-based holding company that operates 31 banks.

Many smaller banks find that their staffs are unable to handle the complexities of the law.

"We found it very economical to use some of the services on the market."

Faced with the task of training employees at a wide variety of banks, with assets ranging from $50 million to $1 billion, Synovus turned to Bankers Training and Consulting Co., a St. Louis division of Westcott Communications, for help.

Multimedia Training

Synovus used a combination of a video and a PC-run testing program to train its employees. "It is flexible enough for a small bank but also can work for a large bank or holding company," Mr. Mills said.

Bankers Training offers a Regulation DD package as part of its Compliance Instructor Library, a series of computer programs and training manuals to which a bank can subscribe.

Regulation DD includes a teaching program on the computer and a comprehension test. The company also sells two videos to explain Truth-in-Savings, one that explains the law in great detail for management and one that gives an overview for other employees.


Matt Chapman
"Bankers are reeling"

But the strength of the program for Mr. Mills was the testing. The test gives immediate feedback to compliance officers to let them know if employees are comprehending the regulations.

The tests show you which areas seem to be missed the most and then you can target the training," Mr. Mills said. "It cuts the cost of compliance because you can narrow the problem."

The cost to Synovus for the PC system is $1,000 per year for three years.

The training videos, which cover topics in addition to the Truth-in-Savings law, cost $395 for short tapes and $495 for longer ones.

'Flexible Disclosure'

Reliability was the major factor in Mount Greenwood Bank's decision to purchase its employee training and software program.

Mount Greenwood, a $120 million single-branch bank in Chicago, bought 17,000 copies of standard disclosure forms from Bankers Systems in St. Cloud, Minn. The cost was 17 cents each.

"They create very flexible disclosure statements," said Karen Huffman, assistant vice president in charge of operations for Mount Greenwood. "They also have an in-house legal department, so they are very good at answering questions."

Seminars Also Used

Mount Greenwood did most of its training within the company, but sent six employees to seminars put on across the country by Bankers Systems.

Bankers Systems has conducted five seminars in the past year, with more than 11,000 people in attendance. The company also offers two videos for management and front-line personnel.

Riverside Bank in Minneapolis, a four-branch bank with assets of $100 million, chose CFI Proservices to help reprint its disclosure materials.

Kate Barr, senior vice president of the bank, said it chose CFI because the consultant's software was easy to integrate with the bank's.

Riverside also liked CFI's approach to compliance.

"Our theory of compliance requires that the rules be in the software," Mr. Chapman said. "You can't rely on people who are selling the products to customers to know all the information. They have too much else to think about."

CFI sends a team to an institution to help train employees. On site training is the best method because the complicated rules require feedback for employees, Mr. Chapman said.

"If you look at compliance as apart from the banks main operation – it isn't going to work," he said.

Small Banks and Big Ones

All three consulting companies sell most of their products to smaller banks, which often do not have the resources to tackle the entire task themselves.

While planning for Truth-in-Savings "we realized how difficult it would have been if this had been a smaller bank," said Andy Will, compliance officer for Norwest Corp. in Minneapolis. "It would have been a monumental task."

But Mr. Chapman said that the size of the law has led record numbers of large banks to look for outside help.

Large banks also have turned to outside help to save money on research, Mr. Chapman said, and then they modify the program with their own internal staff.

"I think we are getting many larger banks because of the number of people they have to train," said Nora Rinehart of Bankers Training and Consulting. "A lot of the larger banks are buying 12 to 15 copies of our tapes."

'A Great Opportunity'

"Part of our general focus is to service large holding companies and expand our customer base," said Kurt Stentz, a spokesman for Bankers Systems. Truth-in-Savings "was a great opportunity to implement that."

Norwest has spent "in excess of $300,000" to put its Truth-in-Savings compliance program into place, Mr. Will said.

Riverside Bank spent about $7,000 on its program, according to Mr. Barr.

Neither figure includes the pay of employees being retrained. Mr. Will said this could equal as much as twice the other costs of the Truth-in-Savings program.

Consulting firms are helping where bank resources have fallen short.

Mr. Schoenke writes for the Medill News Service.

Nationwide Hearings Set on CRA Overhaul

WASHINGTON — Regulators announced Friday that they had chosen six cities as sites for public hearings on revamping the Community Reinvestment Act.

The first will be in San Antonio on Aug. 25. The other hearings, scheduled for September, are in Los Angeles on the 8th; Albuquerque on the 9th; New York City on the 10th; Henderson, N.C., on the 15th; and Chicago on the 22nd.

Industry and consumer groups representatives presented their positions at a Washington hearing Tuesday.

President Clinton called in July for changes in enforcement of the reinvestment act and gave the regulators until Jan. 1 to come up with a solution.

— Barbara A. Rehm

Fed, Treasury Seek to Standardize Wire-Transfer Record Keeping

By ROBYN MEREDITH

WASHINGTON — The Treasury and the Federal Reserve are readying regulations to make financial institutions standardize and retain their records of wire transfers.

Currently, the only regulation or reporting requirement that governs electronic payment of funds is that if a transmitter keeps a record of a transaction, it must keep the information for five years.

Earlier Proposal

In 1990, the regulations the Treasury proposed to govern wire transfers garnered 333 unfavorable comment letters and were never implemented, said Peter G. Djinis, director of the department's Office of Financial Enforcement.

"I think we have accommodated the vast majority of those concerns," Mr. Djinis said. "What we have suggested is to adopt, in essence, standardization of information."

The Federal Reserve is expected to sign off on the regulation this month.

At that point the agencies will have two options: issue a final rule, or issue a revision of the 1990 proposal and solicit comments again.

"The wire transfer system has


Peter G. Djinis
Target is money laundering

been exploited by money launderers and other individuals who are engaging in transactions," Mr. Djinis said. There needs to be "some way of at least tracing [money] once it is already in the system."

A Wide Net

The proposal would require financial institutions that perform such transfers – whether banks, security broker-dealers, consumer currency exchanges, thrifts, or casinos – to collect and keep information on wire transfers for five years.

The information would not have to be reported to the government unless the financial institution filed a criminal referral or otherwise reported the transaction as suspicious.

But the data would have to be standardized. The transmitting institution would have to record the identity of the person sending the money, the financial institution acting as a conduit, and the recipient.

The sender and recipient would have to be identified by account number, if possible, as well as by address.

Trade Group Worried

John Byrne, the senior counsel for the American Bankers Association, said the group has no idea what changes the wire transfer regulations will require.

As a result, the ABA is concerned about whether banks could comply with new regulations by next Jan. 1, when they are required by law to take effect.

The ABA suggests pushing back the effective date.

"We are still aiming for January," said Mr. Djinis. "Obviously, a critical factor is the ability of the industry to comply with the regulations."

"I am confident that if there are going to be surprises over the text of the wire transfer regulations that are going to be announced," Mr. Djinis said, they will be "happy surprises." □

Andersen Will Pay RTC $65 Million in Settlement

By ROBYN MEREDITH

WASHINGTON — Arthur Andersen & Co. has agreed to pay $65 million to the Resolution Trust Corp. to settle a suit over the Big Six accounting firm's audits of four failed thrifts.

In a decision announced last week, the firm agreed to settle – without admitting or denying guilt – with the RTC for work at the failed Benj. Franklin Savings Association and University Savings Association in Houston, at Resource Savings Association in Denison, Tex., and at Home Fed Bank in San Diego.

Andersen also agreed to settle – without admitting or denying guilt – a similar case brought by the Office of Thrift Supervision.

That settlement involved no monetary penalty, but required Andersen to agree to abide by stringent interpretations of the disclosure requirements in existing laws on savings and loan accounting practices.

Kenneth J. Guido, deputy chief counsel for special projects at the OTS, said the settlement should signal other accounting firms to practice more complete disclosure when they work for thrifts.

"Any other firm that reads this should be on notice to what our views are about these requirements," Mr. Guido said.

The OTS suit covered Andersen's accounting work for Benj. Franklin as well as Lincoln Savings and Loan Association in Irvine, Calif.; American Continental Corp. in Phoenix; and Westport Co. in Connecticut, an S&L holding company.

Alabama Law Journal Looks at Money Laundering

If you're looking for a little beach reading on money laundering to round out your summer, pick up the latest issue of the *Alabama Law Review*.

Volume 44, No. 3, of the Law review offers nine papers, spanning 212 pages, discussing various aspects of money laundering.

Copies are $12, plus $2 postage. For information, call Deanne Brogden at 205-348-5300. □

REGULATORY ROUNDUP: A summary of rules of major interest to bankers

Proposal	Agency	Status
Loosen the approval process for banks that want to invest more money in their community development bank units or individual projects. Banks with less than $100 million in assets could invest as much as 5% of capital in community development without OCC approval. The capital limit for larger banks would be 2%. Published July 16	OCC	Comments are due Aug. 16.
Simplify public-notice requirements under the Bank Merger Act. Published June 15	FDIC	Comments are due Aug. 16.
Convert the regulations on special-mention assets to more flexible guidelines.	OTS	Comments are due Aug. 19.
Expand the definition of "financial institution" in section 402 of the Federal Deposit Insurance Corporation Improvement Act to validate netting contracts among depository institutions, securities brokers and dealers, and futures commission merchants. Published May 13	Fed	Comments are due Aug. 20.
Reexamine the Farm Credit System's regulations, specifically rules that duplicate other government requirements. Published June 23	Farm Credit Administration	Comments are due Sept. 21.
Revise international supervisory treatment of netting arrangements, market risk, and interest rate risk as proposed by the Bank for International Settlements.	Fed	Comments are due Dec. 31.
Change the way banks calculate annual percentage yields for some certificates of deposit under the Truth-in-Savings Act.	Fed	Approved by the board on July 14 but not yet published in the Federal Register. No comment deadline has been set.
Add an interest rate risk component to the risk-based capital standards. First draft published Aug. 10, 1992	Fed, FDIC, OCC, OTS	A new proposal was approved in March by the Fed. The FDIC faced court suit on June 9. The OCC is in agreement, but the plan has not been published, so no comment deadline has been set. The OTS plan is complete but awaits the Treasury's approval.
Establish sweeping operational and managerial standards for banks.	Fed, FDIC, OCC, OTS	The Fed and the FDIC have publicly proposed these regulations, but none of the agencies have published plans or set a comment date. The rules take effect Dec. 1.
Revise home mortgage reporting by national banks to include reasons that applications were rejected and to require monthly, rather than annual, reports. Published May 10	OCC	Comments were due July 9.
Make permanent the Fed's small-bank exemption from insider-lending rules. Banks with deposits of less than $100 million would be able to have insider loans of up to 200% of unimpaired capital, instead of the usual 100%.	Fed	Comments were due July 15.
Change appraisal regulations to exempt all loans under $250,000 and all business loans under $1 million that do not count on real estate as primary repayment means. Published June 4	Fed, FDIC, OCC, OTS	Comments were due July 19 at all but the OCC.
Specify where the earnings held by a farm credit bank and allocated to a direct lender may be counted as permanent capital. Published June 23	Farm Credit Administration	Comments were due July 22.
Allow corporate credit unions more options in purchasing fidelity bond coverage. Published May 27	NCUA	Comments were due July 30.
Amend regulations on activities of state-licensed insured branches of foreign banks. Published March 2	FDIC	Comments were due June 4.
Amend capital-adequacy guidelines to let certain deferred-tax assets be included in the Tier 1 capital calculation for risk-based capital. Published May 5	Fed, FDIC, OCC, OTS	Comments were due June 4.

Low-Cost Closings Spur Consumers to Refinance

By JAMES H. SAFT

Secondary Market

THE GROWING AVAILABILITY of mortgages with low-closing costs, or none at all, has raised the level of refinancing, perhaps permanently.

Premium-priced mortgages – in which all or a portion of the closing costs are absorbed by a higher interest rate – facilitate refinancings, according to Karl Mendenhall, senior vice president of secondary marketing at First Union Mortgage Corp., Charlotte, N.C.

Mr. Mendenhall said he believes that these types of refinancings may become a fixed part of the mortgage banking landscape.

"With the advent of low-cost or no-cost mortgages, we've seen refinancings of loans only 50 to 75 basis points above current rates," said Mr. Mendenhall. An old rule of thumb was that rates must fall 200 basis points, or 2%, before consumers would refinance.

"Consumers are more aware of how the game is played," said Robert Spears, vice president of Nationsbanc Mortgage of Dallas. He said he believes that a more sophisticated consumer and the opportunity to refinance with no money out of pocket combine for a powerful stimulant to refinancings.

Premium-priced mortgages are themselves more likely to be refinanced, according to Mr. Spears, a fact which has driven up the cost of these mortgages to the consumer.

Mr. Spears reports that the margin tacked on to the coupon rate for a no-cost mortgage has risen from about 50 basis points two years ago to 75 basis points today.

Growing sophistication among buyers is playing a role.

Though many mortgage companies feel pressed to offer no-cost mortgages to compete, some are cutting back. First Union Mortgage won't do pure no-cost mortgages, though it does market low-cost versions.

Of course, mortgage lenders are only able to provide premium-priced mortgages with the cooperation of Fannie Mae, Freddie Mac, and secondary investors. Thus far, according to traders and secondary specialists, that support is strong.

Because secondary investors have observed that mortgage-backed securities formed from premium-priced mortgages prepay more quickly than market-rate securities, they trade at a discount relative to their interest rate.

For instance, 30-year, 7% mortgage-backed securities which should trade at 103 to 103.5 tend to bring about 102.5, according to secondary executives.

Fannie Mae and Freddie Mac, for their part, treat no-cost loans in essentially the same way as other higher paper, and have even made some efforts to aid in their securitization.

The so-...ndary market behemoths have made it a practice to purchase excess servicing from holders of premium-priced mortgages.

The practice, known as round-ups, allows holders to sell as much as 25 basis points in excess servicing fees.

Despite the fact that there is a booming primary and secondary business in premium-priced mortgages, many in the industry feel that they represent a change for the worse.

Mortgage bankers say they believe that a permanently increased rate of refinancings will increase the cost of doing business.

Non-Current Residential Mortgage Loans

First quarter of 1993 compared with fourth quarter of 1992 (dollar amounts in thousands)

		Non-Current Residential Mortgages As Total 1-4 Fam. Loans		
		First Quarter 1992	Fourth Quarter 1992	Res. Mortgage loans
1	Bankers Trust Co., New York	12.84%	12.61%	$109,000
2	Tops Thrift & Loan Assn., Los Angeles	11.92	10.37	111,051
3	Atlantic Bank of New York	9.83	9.76	164,445
4	National Westminster Bank, N.J., Jersey City	7.54	7.45	417,439
5	Citibank, N.A., New York	7.09	6.90	7,430,000
6	First American Bank of Maryland, Silver Spring	6.31	6.39	134,793
7	Harris Bank Hinsdale, N.A., Ill.	6.11	6.23	107,535
8	Bank of America Nevada, Las Vegas	6.08	4.01	125,662
9	Investors Thrift, Orange, Ca.	5.93	5.31	136,120
10	Home Loan & Investment Assn., Providence, R.I.	5.79	6.14	217,865
11	National State Bank of Elizabeth, N.J.	5.62	6.01	717,406
12	Santander National Bank, Bayamon, P.R.	5.42	2.62	202,923
13	Bay Loan and Investment Bank, East Greenwich, R.I.	5.35	5.65	137,813
14	Union Trust Co., Stamford, Conn.	5.21	5.26	395,296
15	Washington Trust Company of West Westerly, R.I.	4.73	3.87	159,685
16	Bartlett Middlesex, Burlington, Mass.	4.58	5.25	1,074,676
17	Equibank, Pittsburgh, Pa.	4.53	4.52	591,474
18	Citibank (New York State), Pittsford	4.50	4.58	421,860
19	First American Bank of Virginia, McLean	4.47	4.13	434,911
20	Lafayette American B&TC, Bridgeport, Conn.	4.18	5.24	109,220
21	North Fork Bank, Mattituck, N.Y.	4.14	3.67	287,266
22	Colonial National Bank USA, Claymont, Del.	3.96	2.64	110,259
23	Meridian Bank, Reading, Pa.	3.87	2.68	1,288,315
24	First National Bank, Providence, R.I.	3.77	0.31	501,081
25	Texas Commerce Bank, N.A., Dallas, Tex.	3.67	2.54	167,877
	Totals for all FDIC-insured Commercial Banks	1.42	1.43	290,000,000

Data source: Data were extracted by *American Banker* from the federal regulatory *Report of Condition* using data provided by W.L. Ponczkowski, Irving, Tex. Residential Mortgage Loans are 1-4 family residential mortgage loans secured by first junior liens. Nonaccrual Residential Mortgage Loans are loans 90 or more days past due plus those loans placed on a nonaccrual basis. Nonaccrual as a % of Residential Mortgage Loans is nonaccrual loans divided by total residential mortgage loans outstanding, expressed as a percentage.

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Northeast Banks Are Prominent On High Delinquency Rate List

By EDWARD KULKOSKY

Many banks in the Northeast continued to show high delinquency rates on home loans in the first quarter.

Almost two-thirds of the 25 commercial banks with the highest incidence of payments at least 90 days past due were in New York, New Jersey, Pennsylvania, and New England, reflecting continuing economic problems in the region.

Bankers Trust Leads List

Surprisingly, only two California banks, both small, were in the top 25. Problem loans have have continued to be high in the state because of its battered economy. A BankAmerica Corp. unit, Las Vegas-based Bank of America Nevada, did show high delinquencies, but on a small portfolio.

Leading the first-quarter list was Bankers Trust New York Corp., with delinquencies of 12.84% on a portfolio totaling $109 million. Given the small size of the holding, however, the problem loans pose little risk to the giant commercial bank.

The region is expected to lead in foreclosures over the next five years.

More significant was the 7.09% delinquency rate reported by Citibank, New York, on a portfolio of $7.4 billion. Citibank (New York State), a unit in Pittsford, N.Y., also reported high delinquencies.

The Citicorp units are still suffering from aggressive marketing of adjustable-rate mortgages.

Tough Road Seen

Delinquencies have been declining nationally in recent quarters, and forecasts generally call for continued improvements.

A recent study by Fitch Investors Service Inc. predicted that the Northeast, while improving, would experience the highest foreclosures in the nation over the next five years.

Foreclosures in California were expected to return to about the national average, Fitch said.

The figures in the table above are compiled from regulatory filings and may differ from numbers provided by the banks in quarterly financial statements. □

Clinton to Tap Freddie Mac Aide For the Presidency of Ginnie Mae

WASHINGTON — Dwight P. Robinson, a mid-level Freddie Mac official with a background in affordable housing issues, will be nominated as the next president of the Government National Mortgage Association.

The White House announced late last week that it would nominate Mr. Robinson to the position. President Clinton will formally notify the Senate after the Federal Bureau of Investigation completes a check of Mr. Robinson's background.

Mr. Robinson currently designs and implements Freddie Mac's low-income and moderate-income lending programs. He has been with the company since 1990.

Before that, he was deputy executive director and chief mortgage underwriter of the Michigan State Housing Development Authority.

— Snigdha Prakash

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How Battle Lines Shape Up in Fight over FHA Ceiling

By SNIGDHA PRAKASH

WASHINGTON — The debate over expected changes in the Federal Housing Administration single-family loan insurance program is shaping up as more of a clash of business interests than of social philosophies.

Lenders want the FHA to insure larger loans because they believe it would increase volume. Insurers fear that would divert some of the business to the FHA loans, and they resent government competition.

The two are vying for opportunities in the middle-class market, particularly first-time homebuyers – often a couple who together make far above the median income but have not yet saved enough money to make a large down payment.

Higher Limit on Coasts?

The FHA's lower down payment and more flexible qualifying conditions make it easier for these borrowers to buy homes.

One change under consideration is raising the loan limit in high-cost housing areas, such as cities on the two coasts.

The agency now insures loans up to $151,725 in those areas, or 75% of the maximum loans insured by the Federal National Mortgage Association or Federal Home Loan Mortgage Corp. That may be raised to 85% of the current secondary market limit,



Hugh R. Harris
Sees little growth from changes

or about $172,550, according to industry sources.

"Certainly the higher the mortgage amount, the more market you can go after," said Rick L. McGuire, senior vice-president of Inland Mortgage Corp. in Indianapolis.

When the FHA increased loan limits in high-cost areas from $125,000 to $150,000 a year ago, it "opened the doors up" to more business in those areas, Mr. McGuire said.

He's sure that if loan limits go up, the FHA will pull in new borrowers, whom "private mortgage insurers cannot accommodate because they manage their risks differently than FHA."

Bill Simpson, president of Republic Mortgage Insurance, Winston-Salem, N.C., isn't sure.

He believes that if the FHA insures larger loans, the government insurance will inevitably steal some business from him.

The Good with the Bad

"They'll get people we would have liked to insure [and] those we would not have liked to insure," he said.

Hugh R. Harris, president of BancBoston Mortgage Co., Jacksonville, Fla., tends to agree that a higher FHA loan limit would hurt private insurers.

"I don't know if [FHA changes are] going to generate that much more business, because I think the housing market is pretty well served," he said. □

Fannie Says It's 'Hard-Pressed' To Meet Targets

By SNIGDHA PRAKASH

WASHINGTON — The Federal National Mortgage Association says it will be "hard-pressed" to meet the low-income lending targets set for it by the Department of Housing and Urban Development.

In a December letter to HUD, as well as in public speeches, Fannie Mae had stressed its commitment to goals that were even a bit higher than those set by HUD, and had said it was confident in its ability to meet the targets.

Fannie's latest comments, in a letter sent Monday to HUD, appear to signal that the company will take a confrontational stance to match HUD's tough line on the lending institutions monitoring the performance of Fannie and the Federal Home Loan Mortgage Corp.

Laying the Groundwork

Fannie's groundwork for future battles over higher targets that HUD has signaled it will set in 1995.

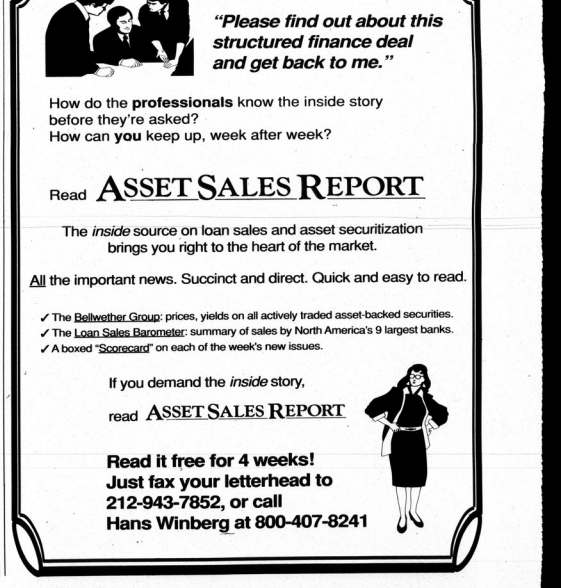
Congress directed Fannie Mae and Freddie Mac last year to ensure that 30% of the housing units financed by loans they purchase be for low-income and moderate-income people, and that 30% be in central cities.

HUD has directed Fannie Mae and Freddie Mac to meet those goals in 1994. For 1993, the low-income and moderate-income goal for Fannie was 30%, and the central city-goal was 28%.

Each of those goals was two percentage points lower for Freddie.

In its letter, Fannie continued to protest the disparity between companies in these goals and in an affordable-housing goal that is also lower for Freddie.

The letter also urged HUD to relax some of the detailed data and reporting requirements for the company and its lenders.





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Top 25 Banks and Thrifts that Manage Retail Mutual Fund Assets

sted in order of total proprietary retail fund assets on June 30, compared with March 31, and June 30, 1992 (dollar amounts in millions)

		TOTAL FUND ASSETS			FUND ASSETS AS OF 6/30/93 BY TYPE			NUMBER OF PORTFOLIOS AS OF 6/30/93 BY TYPE				
Rank	Name of Bank, City, State	6/30/93	3/31/93	6/30/92	Money Market	Bond Income	Stock	Equity	Total No. of Portfolios	Money Market	Bond Income	Fixed Income	Stock	Equity
1	Wells Fargo & Co., San Francisco	7,015	6,562	3,860	1,902	2,943	959	1,211	23	5	6	4	8
2	NBD Bancorp Inc., Detroit	4,864	4,624	2,567	3,020	718	54	1,072	13	5	2	2	4
3	J.P. Morgan & Co., Inc., New York	4,238	4,360	4,173	3,180	91	460	508	7	2	1	1	3
4	BankAmerica Corp., San Francisco	4,142	4,223	3,944	3,201	232	223	486	15	8	2	1	4
5	Norwest Corp., Minneapolis	3,941	3,707	2,811	3,391	314	125	112	11	5	3	2	1
6	Fleet Financial Group, Inc., Providence, R.I.	3,630	3,154	2,426	2,022	622	192	794	17	4	3	4	6
7	U.S. Trust Corp., New York	3,387	3,238	3,299	2,426	156	539	266	25	3	3	4	14
8	Chemical Banking Corp., New York	3,326	3,460	1,041	3,156	99	0	71	11	6	2	0	3
9	Great Western Financial Corp., Beverly Hills	2,751	2,503	1,653	154	1,448	899	251	11	3	3	2	3
10	Citicorp, New York	2,680	2,342	2,716	2,048	67	103	467	12	7	1	1	3
11	Society Corp., Cleveland	2,647	2,586	2,292	2,055	304	42	346	14	5	3	1	5
12	PNC Bank Corp., Pittsburgh	2,369	2,179	1,865	365	521	278	1,204	23	7	4	5	9
13	Chase Manhattan Corp., New York	2,308	2,084	1,716	1,081	202	158	867	17	5	4	2	6
14	Midlantic Corp., Edison, N.J.	1,887	1,840	1,496	853	522	95	417	14	5	3	2	4
15	Wilmington Trust Corp., Del.	1,740	1,546	1,670	1,633	37	0	70	7	3	1	0	3
16	First Fidelity Bancorp., Lawrenceville, N.J.	1,694	1,221	1,131	1,655	0	34	5	7	5	0	1	1
17	Firstar Corp., Milwaukee	1,493	1,442	1,064	413	413	18	650	13	3	3	2	5
18	Bankers Trust New York Corp.	1,453	1,326	1,043	1,362	17	20	54	12	5	2	1	4
19	Schroders Plc., London, U.K.†	1,398	1,187	1,100	0	0	0	1,398	3	0	0	0	3
20	NationsBank Corp., Charlotte, N.C.	1,380	1,123	N.A.	662	377	247	95	46	6	14	16	12
21	AmSouth Bancorp., Birmingham, Ala.	1,366	1,266	1,153	889	117	0	360	8	3	2	0	3
22	First Interstate Bancorp., Los Angeles	1,305	1,286	1,104	534	278	92	401	19	4	5	5	5
23	Mellon Bank Corp., Pittsburgh (a)	1,307	1,343	1,703	654	97	51	504	23	9	4	4	6
24	First Union Corp., Charlotte, N.C.	1,278	943	665	650	175	174	277	13	3	2	4	4
25	Premier Bancorp, Baton Rouge, La.	1,242	1,215	1,003	264	479	177	322	7	2	2	1	3
	Totals for all 94 banks and thrifts	88,291	83,026	62,697	49,161	14,421	7,865	16,845	732	227	164	112	229

Data Source: The data were provided by Lipper Analytical Services Inc., New York, from its mutual funds data base. A proprietary fund is a fund over which the bank exercises management discretion or that was formed or founded by the bank. A retail fund is a fund marketed chiefly to individuals. (*) – In the case of funds with multiple classes of shares, each share class is counted as one portfolio. (a) — Data for prior periods have been restated for the acquisition of The Boston Company, in fall 1993. (†) — Mutual funds are managed by a U.S.-based investment advisory unit of the bank.

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Wells Tops Field in Retail Mutual Funds

By DEBRA COPE

When it comes to managing mutual funds for retail customers, Wells Fargo & Co. is the banking industry's undisputed champ.

The San Francisco-based bank had $7 billion of retail fund assets under management as of June 30 – 44% more than its nearest competitor, according to a ranking prepared for the *American Banker* by Lipper Analytical Services.

In second place was NBD Bancorp, Detroit, with $4.9 billion in retail fund assets. J.P. Morgan & Co. ranked third, with $4.2 billion.

$88 Billion of Assets

In all, 94 banks managed $88.3 billion in retail fund assets as midyear, up 41% from a year earlier, according to the Lipper ranking.

On Wednesday, the *American Banker* published a ranking based on banks' combined retail and institutional fund assets. The accompanying chart spotlights the top 25 banks in retail funds, and provides totals for all 94 banks with retail funds.

Lipper tracks 103 banks that have proprietary mutual funds, but nine offer the investments only to institutional customers, such as pension plans, corporations, and trusts.

Consumer Funds Grow

Most bank funds for individual investors are of recent vintage. In the past, banks in the fund business concentrated on institutional clients.

Banks have been rolling out new retail funds because, in the face of low interest rates, consumers are demanding alternatives to deposits.

Consumers view banks as a convenient place to invest, and often feel an affinity for their financial institutions, said Geoff Bobroff, a senior vice president of Lipper.

Banks also have a practical edge, he said. "A bank customer is probably less inclined to wander into a traditional brokerage firm."

'Light in Equities'

Banks' retail fund assets were heavily tilted toward money-market funds, which hold $49.2 billion, or 56% of the total. In contrast, 30% of the mutual fund industry's total $1.8 trillion of assets is in money-market funds.

Equity funds were the second largest category, with $16.8 billion of assets. While equity funds equal 19% of bank retail fund assets, they are shy of the industry average of 32%.

"Banks are light in equities," said David B. Dyche, director of financial industries at Arthur D. Little Inc., New York. "But I think that's probably the nature of the bank client."

Robust Growth the Rule

Taxable fixed-income funds held $14.4 billion, or 16% of retail assets, and tax-exempt fixed income funds held $7.9 billion, or 9% of retail assets.

Only one bank – BankAmerica Corp. – ranks in the top 10 in both institutional and retail assets. (Rankings of banks by institutional assets will appear Friday.)

Twenty-four of the top 25 banks in the retail fund business boosted their assets during the 12 months that ended June 30. The sole exception was Mellon Bank Corp., ranked No. 23, which saw its retail assets decline from $1.7 billion to $1.3 billion.

Among the leaders, Wells Fargo's retail fund assets climbed by 82% in the 12 months, from $3.9 billion at midyear 1992, and NBD's retail assets rose 61%, from $3 billion.

But while robust growth was the rule, it wasn't universal. J.P. Morgan, for instance, boosted its retail assets only 1.6% during the 12 months. □

Grant Thornton Acquires FSS

Grant Thornton, a Chicago accounting firm, has acquired Financial Special Services, a company that provides automated estate-accounting services to banks and law firms.

FSS, with 30 employees in Jersey City, uses a proprietary computer program to prepare estate and trust accountings. Its clients include Bank of New York, Chase Manhattan, Citicorp, and Chemical Bank.

Offices Throughout U.S.

FSS will become a division of Grant Thornton, which has 50 offices in the United States.

The company's services will fit in nicely with Grant Thornton's tax consulting, litigation support, and loan review services, said Domenick J. Esposito, a managing partner for Grant Thornton.

All senior managers of FSS will remain with the firm, according to Grant Thornton.

— Michael O'D. Moore

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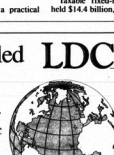

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Miami's Capital Bank Targets Accounts at Its Rivals

By MICHAEL O'D. MOORE

Capital Bank, a newcomer to mutual fund sales, has hit on an unusually aggressive strategy for attracting business: Raid the competition.

The Miami bank, with $1.2 billion of assets, is crafting a strategy whereby customers can transfer administration of existing mutual fund investments to the bank.

To accomplish this, the bank plans to offer a wide range of brand-name funds so that banking customers can consolidate their financial relationship under Capital's roof.

> **The bank plans to offer a wide range of brand-name funds.**

'A Lot of Sense'

"To me that makes a lot of sense," said Thomas J. Flood, executive vice president of retail. "I really believe the idea now is more ripe."

With the unusual strategy, Capital bank will be facing off against large competitors like Barnett Banks, NationsBank, First Union Corp., and Sun-Trust Banks Inc. – all well-entrenched in mutual fund sales.

By persuading its customers to transfer administration of mutual funds, Capital Bank hopes to snatch ongoing fees, known as "trailers," away from firms that sold the funds in the first place. Then, more importantly, the bank could grow its investment product relationship with the customer.

> **Capital has an eye on ongoing fees, called "trailers."**

Private-Label Strategy

"Not having our own house products, I think we've lost that part of the customer's financial life," Mr. Flood said.

The bank, which plans to jump into the business later this year, had been looking at offering just a few Federated Investors funds under the Capital Bank label. But by also offering a universe of outside mutual funds, the bank enables the customer to avoid cashing out of a fund in order to go with Capital.

Mr. Flood said he was won over to the conversion strategy after hearing a Fidelity Investments executive speak at a conference last month.

The Fidelity executive, senior vice president Steven M. Graziano, told bankers at a Council on Financial Competition conference that they have "a very good chance of bringing customers back from brokerages."

Mr. Graziano said Fidelity's research found that convenience drives customers into bank branches. Developing needs-based programs for investment goals like college education or retirement could win those customers back, he said.

A Dissenting Opinion

Marketing One Inc., a Seattle-based company that markets investment products through banks, does not put much stock in Capital's idea of transferring existing outside investments.

Customers might face barriers to cashing out their accounts with a broker/dealer, and may not see an advantage in shifting accounts to a bank, said Reid Reichert, senior vice president and national sales director at Marketing One.

A bank may ultimately lure customers' outside investment relationships to the bank with its programs, but the primary goal for a fledgling program should be reaching into the existing deposit base, Mr. Reichert said.

World Focus on Existing Assets

Most bank customers have no outside investments, so converting existing assets in the bank to a new program should be the focus, he said.

individual's investments.

Capital plans to use those sorts of programs to lure the customer's investment product money back, Mr. Flood explained. Those programs are still on the drawing board, he said.

The company is leisurely developing a blueprint to market to retail, institutional, and private-banking clients.

No 'Major Evaporation'

"The fact that we have not entered the market yet is not a major cause for concern," he said. "There has not been a major evaporation of our customer deposit base."

Mr. Flood said coming in late will make it easier to anticipate the regulatory hoops the bank will need to jump through. By later this year, he expects, new regulatory recommendations will be complete.

Though many banks of similar size have chosen to offer proprietary funds, Mr. Flood said Capital isn't interested.

Too many banks have taken that route despite warnings that they might not have the size to be successful, he said.

"I think it's a very delicate activity for a bank of our size to convince the marketplace that [what it offers] is far superior to wider-known names," he said.

Capital's trust department is small, making seeding of the funds a problem, he added. □

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ON VISA'S TEAM: Dan O'Brien, left, and Dave Johnson

Card Giants' Gamble on Sports Shaping Up as World Class Event

By MICKEY MERCER

Diving headlong into the big business of sports, the major bank card groups have their hands on two of the world's hottest tickets.

Now the MasterCard and Visa associations are racing – against time and each other – to prove the worth of their sponsorship investments in the two biggest global sporting events.

While they are spending tens or hundreds of millions of member banks' dollars to be associated with the events, the returns on the investments may be far less tangible to individual banks.

An Expensive Proposition

Yet the stakes are rising both inside and outside the bank card community, as shown in the escalating costs of everything from Olympic television contracts down to local promotional rights like those being sold by the Atlanta Olympic committee for 1996.

Visa International is the veteran at this game. When the summer Olympics come to Atlanta, Visa will be completing its third four-year cycle as one of the event's elite handful of global sponsors.

Sports industry sources estimate that Visa paid $40 million just for the rights – perhaps 15% more than it paid in 1992 – and may spend another $100 million on related advertising and promotions.

But Visa is really running two marathons – one to Atlanta, and one to Lillehammer, Norway, next February, when the winter Olympics begins a new "off year" schedule between summer games.

Soccer Play

And so, 1994 will prove both an Olympic trial for Visa, and the first full test of MasterCard

Visa paid an estimated $40 million to sponsor the Olympics.

International's sponsorship of the quadrennial World Cup soccer tournament, to be played in nine U.S. cities next June and July.

With Visa getting the inside track a decade ago for the Olympics' bank card and travelers check sponsorship, MasterCard gradually built up an involvement with international and regional soccer federations.

It paid an estimated $15 million for rights to what is considered the biggest of all single sporting events, and may spend another $75 million on advertising and promotions.

Direct Benefit Seen

Visa officials are certain their Olympics deals have paid off. The San Mateo, Calif.-based association offers the 1992 sponsorship boosted card usage by 9.5%. Both Visa and MasterCard want to do something similar in 1994-96.

For MasterCard, the soccer sponsorship requires a major selling job. It is a first for MasterCard, and the World Cup's first visit to the United States, a country that is only beginning to warm to the world's No. 1 sport.

The excitement is building. In a recent road show, MasterCard marketers gave a sneak preview of their plans to 500 Washington-area merchants, who were moved to enthusiastic applause by an action-packed video.

"You all are in for the treat of your lives," David Jensen, the

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Continued from page 16

Washington director for World Cup 1994, told the crowd. "There's nothing like World Cup soccer."

Incidentally, he projected, World Cup soccer fans are expected to spend $244 million in the capital region.

Playing the Host

MasterCard wants to be known as the host payment system.

"They are welcoming the world to America," said Jim Andrews, editorial director of *IEG Sponsorship Report*, a biweekly newsletter in Chicago covering sports, arts, and event marketing. "They're very aggressive in terms of getting out their message."

"There are very few vehicles for this type of exposure – the Olympics and World Cup are two of the top," Mr. Andrews said. "You really can't get much bigger in terms of creating global awareness."

Bankers and sports industry consultants say the sponsorship investments are solid. Experts disagree on which association has the better deal.

MasterCard Given Edge

In general, MasterCard is seen as having the edge internationally because of soccer's vast popularity outside the U.S. Visa capitalizes more on Americans' love affair with the Olympics.

"From a practical standpoint, there's a much higher awareness for the Olympics than for the World Cup," said Cynthia Graham, president and chairman of Barnett Banks Inc.'s Barnett Card Services Corp. in Jacksonville, Fla.

Ms. Graham said the World Cup has become "a much bigger deal" by coming to the United States. "I think it's a good competitive response to Visa's Olympics," she said.

"In terms of recognition, both are big events, but World Cup is bigger," said Rob Prazmark, president of Twenty-First Century Sports Inc., a consulting firm specializing in global events that works with both MasterCard and Visa.

MasterCard will sponsor World Cup soccer next June and July.

Strategically, Visa and MasterCard are poised to capture new cardholders overseas as the domestic credit card market becomes saturated.

U.S. growth is "hard to come by without cannibalizing someone else's share," said card industry consultant Gerry Lopez, chairman and chief executive officer of R.K. Hammer Investment Bankers, Newport Beach, Calif. "Internationally, the growth rates are double digits."

Television exposure is a key part of the strategy. A cumulative audience of 26 billion people watched World Cup matches from Italy on television in 1990, compared with the 15 billion viewers of the Barcelona summer Olympics in 1992. (The winter games' audience is considerably smaller.)

Perhaps more important to the associations, their bank members, and merchants, are the millions of visitors who will come to the United States with credit cards, debit cards, and travelers checks at the ready.

Spending Money

Atlanta Olympic officials are expecting two million foreign visitors, and those who buy the 7.5 million event tickets will spend more than $1 billion.

World Cup officials estimate one million visitors will come to the United States next summer for the soccer championship. Some 3.6 million ticket holders are expected to spend $4 billion.

With its logo appearing on two billboards along each soccer field's boundaries, MasterCard will have a leg up on Visa in television exposure, said Mr. Prazmark, the events consultant. Researchers predict 32 billion viewers will see the MasterCard signs for an average of seven minutes per 90-minute match.

Such billboards are not allowed at the Olympics' competitive venues.

Kick from Pele

The marketing combat also comes down to individuals.

MasterCard has hired Pele, the legendary Brazilian soccer star, as World Cup spokesman. He will be in MasterCard television, radio, and print advertisements next summer.

Pele, whose fame in dozens of countries is comparable to Babe Ruth's in the U.S. alone, is also making personal appearances – so far in 14 countries and 25 U.S. cities. He will be in the Washington-Baltimore area next month for a MasterCard promotion at a mall.

"MasterCard's coup of getting Pele was very smart," said Mr. Hammer, the investment banker and consultant.

MasterCard is also sponsoring the U.S. National Soccer Team.

Visa U.S.A., which has taken an individual event sponsorship of the "USA/Visa Decathlon Team," signed three of that sport's most famous competitors – Bruce Jenner, Dave Johnson, and Dan O'Brien – to serve as spokesmen. They will be featured in print and television advertising, repeating the 1992 theme, "Visa is everywhere you want to be."

For the winner Olympics in Lillehammer, Visa is using ice skater Brian Boitano and skier Julie Parisien as spokespeople for its "Pull for the Team" fund-raising campaign. Visa will use the stars in television advertising beginning Oct. 1.

Visa says its sponsorship of the Olympics in 1992 boosted card usage by 9.5%.

"For the summer games, we're really going to let loose," said John Bennett, senior vice president of Visa. "We'll just be more evident, more involved. It's the biggest thing in a decade in the U.S."

Strategies Differ

Visa and MasterCard are taking slightly different promotional approaches. Some have characterized Visa's as thematic and MasterCard's as generic.

As it did with the previous two Olympics, Visa is taking advantage of the well-known Olympic logo of five rings, topped for domestic purposes by "USA."

"When you put the five rings on a Visa card or advertising theme," Mr. Prazmark said, "the results are phenomenal."

The "USA' over the rings is as definitive as anything in business. It is extremely positive," said Mike Moran, a United States Olympic Committee spokesman. "That is why so many [sponsors] keep coming back." Among them are Coca-Cola and Kodak.

One of Visa's goals is to increase the percentage of consumers who know about the Olympic sponsorship. The goal for 1996 is 75% consumer awareness. "If we achieve that," Mr. Bennett said, "it will probably be the highest awareness of any sponsorship achieved."

To build business, association members are urged to participate in fund-raising campaigns, hold contests for free trips to the Olympics, and use Visa's Olympic logo on merchandise.

Visa has a program for the winter games called "Olympics of the Imagination." In October, 11- to 13-year-olds from the United States, Canada, and Norway can submit drawings or paintings to depict how they envision the Olympic games 100 years from now. Twenty-five winners will get expenses-paid trips to Lillehammer.

Promotions under the Olympic umbrella paid off for Visa and its card-accepting merchants in 1992. A survey by SRI International in London showed that 35% of cardholders will buy Olympic-related products. "They feel they are personally contributing to the Olympics," Mr. Prazmark said.

The card giants are looking overseas for growth opportunities.

Visa officials say they are committed to winning a greater share of the travel and entertainment market, going head-to-head against American Express Travel Related Services Co. They see the Olympics' exclusivity as an ideal vehicle.

Getting Serious

MasterCard, meanwhile, has stepped up its worldwide activities, raise its stature as an international payment system, stimulate card usage, and provide business opportunities to member banks.

MasterCard is holding seminars, such as the one in Washington last month, and promotional events in the other host cities: Los Angeles, San Francisco, Detroit, Chicago, Boston, Dallas, New York/New Jersey, and Orlando.

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Piggyback Strategy

Opinion

Comment

By William M. Isaac

High Cost of Taking Risks Keeps Banks from Lending

Federal Reserve Chairman Alan Greenspan testified recently before Congress that the credit crunch stubbornly remains with us. He's right.

And unless we take a good hard look at the real reasons behind the problem, I'm afraid it might be here to stay.

The damage to the economy and our social order could be enormous. Entrepreneurs and small businesses, so important to economic growth and upward mobility in our society, need access to credit at reasonable prices.

Periodic credit crunches are familiar in history. The economy gets overheated, the Fed tightens the supply of money, and the more marginal borrowers are squeezed out. The economy cools, the Fed loosens the money supply, and funds are once again available to those who were frozen out.

Structural Weakness

The problem today is that an easier monetary policy is not bringing about the desired result of increased bank lending. Something else, something structural, seems to be at work.

From the 1950s to the early 1980s, deposit interest rates were held artificially low. Savers subsidized borrowers.

When the federal government lost control of its budget, beginning in the 1960s, market interest rates began to rise dramatically, particularly in the late 1970s. Savers voted with their feet to end the subsidy. They left the banking system in droves, forcing the elimination of deposit interest rate ceilings in the early 1980s.

Borrowers Take Hit

Freed from the controls, banks were able to pay depositors enough to attract money. But the higher cost of deposits had to be passed along to borrowers.

As the relative cost of bank loans increased, more and more top-quality borrowers bypassed the banking system by obtaining funds in the securities markets. Banks replaced these customers with higher-risk credits, lowering the quality of their loan portfolios.

Coming on the heels of the ready reeling industry. Deposit insurance premiums were raised sky high. Massively expensive and burdensome new regulatory requirements were imposed, and the penalties for unsuccessful risk taking were increased.

Say what you may about them, bankers tend to be very rational economic beings. Tell them you are raising the cost of risk taking, and their appetite for taking risk will diminish. They will stop taking risks and will charge more for the risks they do take.

Loans Pose the Most Risk

I have no doubt this is in large part what has happened to business lending. The simple fact is that most of the risk in the banking business stems from making loans.

If we do not change course soon and ease the penalties and burdens we have placed on the banking industry, I believe the credit crunch will be with us for some time to come.

The marketplace might eventually develop a substitute for bank lending to entrepreneurs and small businesses, but not before considerable damage is done to our nation.

The root of the problem is political. Having imposed on the taxpayers to the tune of some $200 billion to bail out the S&L mess, the politicians are in no mood to risk ponying up more money to bail out the Bank Insurance Fund.

Unless we address the issue of the scope and nature of the deposit insurance guarantee, we are not likely to see any significant regulatory relief for companies in the banking business. That will mean banks will continue to focus their efforts outside the lending business.

UNLESS WE ADDRESS *the issue of the scope and nature of the deposit insurance guarantee, we are not likely to see any significant regulatory relief for companies in the banking business.*

S&L debacle, the serious problems in the banking industry resulted in a regulatory and legislative firestorm. Regulators changed the rules, marking troubled loans to liquidation values and demanding greatly increased reserves to cover the potential losses.

Capital Rules Enacted

Hundreds of banks were closed, and officers and directors of failed institutions were subjected to severe sanctions and personal liability. Capital requirements were raised substantially, and risk-based capital rules were implemented that raised the ante even further for business loans.

Congress piled it on an all-

After years of growing disenchantment with the way our federal government operates, particularly at the bureaucratic level, it is my conclusion that there is only one way to end all of the nonsense: The industry should declare a holiday.

Bankers would do themselves, their customers, American business, and the country as a whole a much needed service by halting unwanted and unnecessary government intrusion into the private sector. Just close the banks until reason and judgment return. Repeal of the Truth-in-Savings Act and other congressional abominations is a must.

Lack of Nerve

Unfortunately, most bankers over the years have shown little backbone and gumption. They have been content not to rock the boat and supposedly protect their job security.

Bank lobbyists have also failed in their efforts to eliminate or reduce regulation.

Bankers have one last chance to remain a private enterprise. To accomplish the objectives of a "holiday," a majority of banks must join with the ABA, Independent Bankers Association of America, and state banking associations to set a competitive agenda that adheres to the goal of getting the government out of the banking business. ☐

Mr. Isaac, a former chairman of the Federal Deposit Insurance Corp., is managing director of the Secura Group, a consulting firm in Washington.

Comment

By Marvin C. Schumm

Bank 'Holiday' May Be the Only Way To Put a Stop to Government Meddling

There will probably never be a better time than now for the banking industry to declare a "bank holiday."

In its attempt to engineer social change, the federal government is commandeering the banking system. If bankers continue to let it happen, they will have only themselves to blame.

Suggestions are already being made to inject social engineering into other financial intermediaries. (See "Treasury Mulls How to Make Nonbanks Aid Communities" in the June 29 *American Banker*).

Federal Reserve Governor Susan Phillips recently stated at the Stonier Graduate School of Banking in Newark, Del., that no bank can escape the growing perception that private companies should be involved in meeting social problems.

She also indicated that if banks do not anticipate and understand changes concerning social and cultural diversity, Congress will step in and tell them how to do business.

Regulatory Juggernaut

One must certainly ask, "When did Congress learn how to do business?" and "When did it become banking's business to direct social and cultural changes?"

Bankers have to have their heads in the sand not to realize that the already overwhelming regulatory burden will not stop growing. Contrary to all of President Clinton's promises about deregulation, relief is not in sight.

At the American Bankers Association's national regulatory compliance conference, Fed Governor Lawrence Lindsey said, "A service industry, like banking, which does not serve its customers or which operates in a vacuum of reason and judgment will soon find that the vacuum filled by legislative fiat."

Mr. Lindsey also indicated that the Clinton administration would introduce this year or next legislation broadening the Community Reinvestment Act.

Shut the Doors

I ask, who should determine whether the bank serves the customer – the customer of the federal government?

JUST CLOSE *the banks until reason and judgment return. Repeal of congressional abominations is a must.*

Or should the federal government determine whether the bank serves the customer? Or should the bank serve the customer?

Bankers must answer these questions. Their answers will determine the future of the banking industry.

Bankers must also ask themselves if they want to be in the banking business. If they do, they must understand that the business is changing. Bankers must be willing to change with it.

Bankers must also understand that they are in the business of taking risks. Risk is the basis for profit. Bankers must be willing to take risks

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TO: Louis Rocherie
Otto Hohl
Elfriede Sauerwald
Evelyn Ann Kennedy, personal representative of the estate of Jerome Kennedy, a/k/a Eugene Jerome Kennedy, personal representative of the estate of Jerome Kennedy, West Side Emergency Medical Services, P.C. National Health Laboratories John J. Connolly, Esq. The Attorney General of the State of New York and to the Distributees of Fred Hohl whose names and post-office addresses are unknown and cannot after due diligence inquiry, be ascertained by the petitioner herein;

being the persons interested as creditors, legatees, devisees, beneficiaries, distributees, or otherwise of the estate of Fred Hohl, deceased, who at the time of his death was a resident of 645 West 160th Street, New York, New York.

Upon the petition of ETHEL J. GRIFFIN, Public Administrator of the County of New York, with offices at 31 Chambers Street, Room 311, New York, New York 10007.

You and each of you are hereby cited to show cause before the Surrogate's Court of New York County, held at the Courthouse in the County of New York, on the 14th day of September 1993, at one-thirty o'clock in the forenoon of that day, why Letters of Administration should not be issued to the Public Administrator of the County of New York, as Administrator(trix), with the will annexed, of said will and you and each claiming to be a distributee of the decedent herein, may publish proof of your kinship and why the decedent's estate of West Side Emergency Medical Services, P.C. & National Health Laboratories should not be rejected & why Letters should not issue to Petitioner and citing on Lee Bernbey, personal representative of the estate of Jerome Kennedy in the amount of $1,000,000.00 should not be revoked and why the balance remaining of his estate should not be deposited with the Commissioner of Finance of the City of New York for the benefit of Decedent's unknown distributees.

Witness, Hon. Eve Preminger, Surrogate of said County and the Seal of the Surrogate's Court of said County, the 10th day of June, 1993.

(L.S.) HON. EVE PREMINGER
Surrogate
ROBERT M. BEAVES
Chief Clerk

ROBERT M. HAFT
Attorney for Petitioner
233 Broadway, Suite 3110
New York, New York 10279
(212) 406-4600

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AUCTION NOTICES

Garageman's Lien Sale 1. Stoll DCA LIC # 048319 and/or 2. Sperber DCA LIC # 769437 Sells 8/21/93 @ 10AM 136-31 SPRINGFIELD BLVD 1991 CHEVROLET CAVALIER 1G1JC5467M7140157 Rec. Invs. Corp. VIN: 1991 TOYOTA COROLLA #RA4217683 Re. Belen, Pamela; 9:15AM 35-15 MAIN ST QNS 1987 MITSUBISHI Starion #JA3CC54N3H2Z07887 Re: Maddox, Stacey; 9:45AM 126-02 ROOSE-VELT AVE QNS 1988 ISUZU P/U #JAACL11L3J7221869 Re: Schaefer, Evelyn Ann Kennedy; personal representative of the estate of Jerome Kennedy; 10:30AM 1-02 BEACH 129 ST QNS 1988 CHEVROLET Blazer #1GNCT18B6J8107499 Re: Rodriguez, Ricardo; 10:45AM 108-06 ASTORIA BLVD QNS 1990 CHEVROLET Corsica #1G1LT54T3LY-SW4GG338890 Re: Foster, Douglas; 1991 MERCURY Sable #1MEPM53U9MA662-7747 Re: Ford Motor Credit Co; 11:15AM 75-09 NORTHERN BLVD QNS 1990 MAZDA MPB #GJHS1U339201HG Re: Sasso, Joseph; 11:45AM 51-06 70TH ST QNS 1989 PLYMOUTH GRND VOYAGER #1P4-FH4437KX302762 Re: Staves, Inga; Sale 12-15PM 56-20 GRAND AVE QNS 1989 TOYOTA CAMRY #JT2DV02K3K1043 858 Re: Wolpert,Rosemary; 1:00PM 37-11 58TH ST QNS 1988 TOYOTA Celica #JT2RA64C2H6187539 Re: MA, Ricky, Kyishek; 1:30PM 43-07 ASTORIA BLVD QNS 1980 CHEVROLET Corvette #1G1AY0781AL114110421 Re: SD Computer Sys Inc; 2:00PM 53-11 69TH ST QNS 1991 JEEP/23 #1JCM8578GT085711 Re: Alcantara, Jose; 2:30PM 37-11 58TH ST QNS 1989 NISSAN Maxima #JN1HJ01FRK-T346388 Re: Ramona, Dwayne; 3:30PM 85-03 GRASMERE AVENUE SI 1991 FORD Escort #1FMCU03M2MUB53-1 Re: Ford Motor Credit Co; 4:00PM 39 RECTOR ST SI 1989 FORD Bronco #1FMEU15H2KLA-Adams,Cain; 4:00PM 39 RECTOR ST SI 1989 FORD Bronco #1FMEU15H2KLA-71541 Re: Vitale, Richard; 4:30PM 222 MANSION AVE SI 1990 CHEVROLET Lum/Van/Plgs #CR55263BC6686 Re: Cagna, Vincent; 5:00PM 5801 AMBOY RD SI 1988 MAZDA 626 #JMGID3222215456473 Re: Lucas, Antonio;Sale 8/23/93 @ 9AM 8/Jules;SELLS 9/2/93@10AM 2779 FUL-TON ST BKLYN 1985 CHEVROLET 20 #1GCGC26K1FJ170960 Re: Ramsey, Lisa; 9:45AM 209 EVERGREEN AVE BKLYN 1983 GMC Motor Home #1GDJP33N4D-1778 Re: Rodriguez, Victor; 10:15AM 1894 STERLING PL BKLYN 1979 1980 VOLVO 264 #VC2640A1091463. Re: Bolton, Herbert; 10:45AM 1737 PACIFIC AVE BKLYN 1989 FORD Escort #1FAPP95J4KW-W215886 Re: Ford Motor Credit Co; 11:15AM 330 ATLANTIC AVE BKLYN 1991 CHEVROLET Lumina #2G1-WJC35E1MG113230 Re: Catawba Ins Co; 11:45AM 400 MYRTLE AVE BKLYN 1981 CHEVROLET Cprice Class #2G1AN69E1B-1139 Re: Cataldo, Joseph; 12:30PM 1 Mil Ins Co, 1984 DATSUN 200SX #JN1PJ32S4EU-W000 Re: Insurance Co of Penn; 12:15PM 270 4TH AVE BKLYN 1987 PONTIAC Grand Prix #1G2WJ5179HP-9257049 Re: Chow, Yu; 12:45PM 150 2ND AVE BKLYN 1984 CHEVROLET Cmarion #1GAHJ11M4EB-W151007 Re: Yitshak,Dahan; 1986 NISSAN 200SX #JN1PJ32S4GU-W000 Re: Insurance Co of Penn; 1:15PM 345 CARROLL ST BKLYN 1988 TOYOTA Camry #JT2SV21E3J3-4752 Re: Mitchell, James or Regina; 1988 GMC 4X4 #1GTDT13Z3J8-500774 Re: Royal Insurance; SELLS 9/3/93@10AM 1345 DUMONT AVE BKLYN 1988 MERCURY Cougar #1MEBP7JT8KG-Gl570 Re: Bermudez-Anthony; 1:30PM 774 ALABAMA AVE BKLYN 1983 MERCURY Lynx #1MEBP9000DW-W-Thomas, Edner; 9:45AM 428 DEWITT AVE BKLYN 1987 CHEVROLET Cprice #1G1BU51E7KA123636 Re: Liberty Mutual Ins Co; 10:15AM 215 EAST 57TH STREET BKLYN 1986 ISUZU 3/4 Turbo #JAMJP74HG9J905230 Re: Zuchs Welding Roler Corp; 2:30PM 1 Mil Ins Co, 1985 AVE BKLYN 1988 FORD Taurus #1FAB-P50U8JA103656 Re: Hertz; 3:00PM 774 CHEVROLET Celebrity #1G4AW53X4E-G112466 Re: Allstate Ins Co; 3:30PM 1 Mil Ins Co, EAST NEW YORK AVE BKLYN 1983 TOYOTA Corolla #JT2AE09W3D0-0432 Re: Fogel,Alexander; 1979 TOYOTA Celica #RA43139202 Re: Insurance Co of Penn; 11:45AM 10 ERASMUS ST BKLYN 1981 CHEVROLET Cprice #1G1AN69E1BX-Re: Girard, Lucius; 12:00PM 2415 ALBEMARLE RD BKLYN 1985 SUBARU GL #JF1ACA2B2FB224441 Re: Allen, Rosemary; 12:15PM 2801 TILDEN AVE BKLYN 1981 OLDSMOBILE Cds Sperse #1G3AR47T3BG426092 Re: Mensinger, Peter; 12:45PM 3300 KINGS PLZ BKLYN 1986 BAYLINER 19' IN/OUT FBGLS #BLA5163A1186 Re: Segal, Shauney; 1978 BAYLINER 24' IN/OUT FBGLS #BLA5433A1178 Re: Shivers, Louise; 1:15PM 3939 EMMONS AVE BKLYN 1986 TROJAN 36' Sfdel Plsph #FRHD8006C586 Re: Davidson, Anthony; 1:45PM 2325 MCDONALD AV BKLYN 1988 HYUNDAI Excel #KMHL-F33G3JU178806 Re: Wesley Kathleen.

Garageman's Lien Sale B. Sperber DCA LIC # 794803 and/or S. Sperber DCA LIC # 769437 Sells 8/30/93 9:00AM BLVD SO PIER 40 CHARTON NYC 1963 PLYMOUTH Fury III #RP41L3G170-Re: Hourie, Alison; 1985 BUICK Century #1G4AG55N7F6-7402048 Re: Capello, Tony; 9:30AM 112 WEST 25TH ST NYC 1985 CHEVROLET Cprice #1G1BL51R2FR-P3124063 Re: Yetto, Nimbie, 10:00AM 310 EAST 90TH ST NYC 1983 MAZDA RX-7 DA 626LX #JM1GC1221F1705890 Re: Rodriguez, Jesus; Unknown 1988 GMC 4WD 11TH AVE NYC 1988 GMC 7000 #1DDDE06B0HJ3320 Re: A&A Cross Country Movers Inc., 1984 Honda #1H-J2DB4003EB08453 Re: Mathieu, Arnaldo; 1987 Jeep Cherokee #1JCML7749HT0-62357 Re: Howard Co., 1983 JOHN BOAT #1FAJP4634SD311567 Re: Bongiorno,Gregory; 10:45AM 713-19 WEST 125TH ST NYC 1980 OLDSMOBILE Toronado #1G3AZ37Y3BD328329 Re: Khan, Mohammed; Sale 8/31/93 @ 9AM 1700 BROADWAY NYC 1987 VOLKS-WAGON Scirocco #WVWWC0938EK-134503 Re: Smith, Debra; 11:45AM 1-15 PARK AVE NYC 1976 CHEVROLET Cprice LET 20 #CGT256412930 Re: Hauks, Christopher; 12:00PM 1 Mil Ins Co, 1987 WEST 127TH ST NYC 1987 LINCOLN Continental #1LNBM96F7HY621594 Re: Marshall, Jerry; 1:30PM 532-534 WEST 125TH ST NYC 1988 VOLKS-WAGON Jetta #WVWMA0166GW1237-Re: Grate,Robert; 2:30PM 301-303 WEST 135TH ST NYC 1990 MAZDA 626 #JM1GC1221L0-Mandy Agnes; 3:30PM 250 BROADWAY NYC 1988 FORD Econoline Van #1FBJE31M-JHA03000 Re: Lopez,Carlos; 11:15AM 2102 OLDSMOBILE Delta 88 #1G3AN-69E2FM-Re: Terrell, Terry; 11:45AM 2-45PM 610-616 WEST 153RD ST NYC 1984 JEEP CJ7 #1JCU7FKETW0709199 Re: Grate,Robert; 3:15PM 2121 AM-STERDAM AVE NYC 1987 OLDSMOBILE Eurol #KMHLF22JHHU12131-Re: Rosario, Angel; 3:45PM 1 PARK AVE NYC 1988 DODGE Ram #1B3BR-26Y7JS-Re: Rawlings, Philip; 4:30PM 221 EAST 57TH ST NYC 1988 CHEVROLET Cprice #5A1AY13M3CE-56827 Re: Boston Mutual Life Ins Co; 5:00PM 1 BROADWAY NYC 1988 BRUCKNER BLVD BX 1980 MAZDA RX7 #SA22C650883 Re: Lovo,Rene; 10:00AM 1 Mil Ins Co, 1988 FORD Taurus #1FAPP-6000 #WW91W0178169 Re: Ford Motor Credit Co; 10:30AM 1 Mil Ins Co, 1988 BLOOMFIELD 24' RA 1984 HONDA VF10-0 #1HFSC120-4A000173 Re: Jones, Robert, E; 10:30AM 1607 STILLWELL AVE BX 1988 CHEVROLET Corvette #1G1YY2384J-5127247 Re: Romero, Henry; 11:00AM 2260 WEST FARMS RD BX 1984 CHEVROLET CAVALIER #1G1AD35M2ER128-Re: Rodriguez, Jose; 11:30AM 2101TH ST BX 1985 CHEVROLET Astro #1GCDM19Z2FB-Re: Ford Motor Credit Co; 12:00PM 30-31 BAILEY AVE BX 1988 HONDA Accord #1HGCB7649JA-J0082401 Re: Ferreira, Rafaelina; 12:30PM 2901 BRUCKNER BLVD BX 1987 FORD T-Bird #1FAZ-P52563G01 Re: Roberts, Lawrence; 12:45PM 1070 AM-STERDAM AVE NYC 1988 Scots #7791B4422 Re: Tarshi, Paul;1987 FORD Taurus #1FAPP34U5HG115624 Re: Kocsis, Kevin; 1:15PM 4122 BROADWAY NYC 1988 NISSAN 300ZX #JN1RZ24E3JX-W64228 Re: Shillet, Marsha; 1:45PM 1 Mil Ins Co, 1988 BAYLINER 19' IN/OUT BILE Del/88 #EGAJ69YEM799190 Re: Ramos, Jose; 2:30PM 1 Mil Ins Co, 1988 RICHMAS 19.7 IN/ 1978 BUICK Skylark #1G4AG55N4H-1431458 Re: Mathieu, Arnaldo; 2:45PM 1811 JEROME AVE BKLYN 1988 CHEVROLET Cprice #1G1BL51R2JR-W538827 Re: Burgos, Roger; 3:00PM 1 Mil Ins Co, 1988 NISSAN 300ZX #JN1RZ24E1JX-W64228 Re: Shillet, Marsha; 3:30PM 1828 WEB-STER AVE BX 1991 ACURA Integra #JH4DA3350MS004638 Re: Sheffield, David; 1988 MERCEDES BENZ 190E #WDBDA29D0JF505086 Re: Mercedes Benz Credit Corp; 4:00PM 1104 WEB-STER AVE BX 1984 BUICK REGAL #1G4AM47A4EH-W-Re: Nunez, Francisco; 4:30PM 296 GRAND CON-COURSE BX 1988 JEEP Cherokee #1JCWB81XGT160803 Re: The Travelers Ins Co.

Garageman's Lien Sale B. Sperber DCA LIC # 794803 and/or S. Sperber DCA LIC # 769437 Sells 8/25/93 @ 9:30AM 37-11 58TH ST QNS 1991 MAZDA 323 #JM1BG3215-M1488759 Re: Jones, Fernan; 1988 CHEVROLET Cprice #1G1BL51R2JR-W-Armaz,Bolivar; 10:00AM 57-17 QUEENS BLVD QNS 1988 CHEVROLET Cavalier #1G1JC1114J7235091 Re: Cotto, Jaime; 10:15AM 52-01 Queens Blvd QNS 1988 Chevrolet Camaro #1G1FB37S3J-W-Re: Rivers, Lloyd; 10:45AM 53-13 VAN DAM ST QNS 1988 GMC Astro #1GDDM19Z-XJB-Supply Inc; 1972 OLDSMOBILE 442 2 Door #3J47S2M-Re: Frances, 11:15AM 112 GREEN AVE BKLYN 1985 PLYMOUTH Voyager #2P4BH5437FR-Re: Lee-#1C3B44-KGG1100237 Re: Ducat, Elizabeth; 12:30PM 1-15 FIRST AVE NYC 1981 CHEVROLET Camaro #1G1AS87-G8RN-Re: Garcia-Duval, 1987 TOYOTA Tercel #1T2EL3JG5H0140109 Re: Cooper, Daniel; 1:00PM 624 WEST 129TH ST NYC 1986 CHEVROLET Blaz-er #1GNCT18M6G8-Re: Rodriguez, Ricardo; 1:45PM 389 DEAN ST BKLYN 1985 CHEVROLET Astro #1GCDM19Z4FB-Re: Anthony, 1985 FORD Escort #1FABP-10U3FW-Re: Ford Motor Credit Co; 2:30PM 1 Mil Ins Co, 1985 CHEVROLET Cprice #1G1BL51R2FR-P3124063 Re: Allstate Ins Co; 3:00PM 1 Mil Ins Co, 1988 NISSAN Stanza #JN1HJ12P0JU-W-Re: Duplessie,Jean; 1:15PM 90 FIFTH AVE NYC 1988 ATLANTIC AVE BKLYN 1979 OLDSMOBILE Cutlass #2G3AR47AX7C-Re: Cruz,Angel; 10:30AM 2328 TILDEN AVE BKLYN 1988 CHEVROLET Cprice #1G1BL51R2JR-W-Re: Lopez,Carlos; 11:15AM 2112 KNAPP ST BKLYN 1988 OLDSMOBILE Cds Trans #1G3AJ81J63D-Re: Lopez, Ramon; 12:15PM 1 Mil Ins Co, 1988 BAYLINER 19' IN/OUT FBGLS #BLA5433A1178 Re: Shivers, Louise; 1:15PM 3939 EMMONS AVE BKLYN 1986 TROJAN 36' Sfdel Plsph #FRHD8006C586 Re: Davidson, Anthony; 1:45PM 2325 MCDONALD AV BKLYN 1988 HYUNDAI Excel #KMHL-F33G3JU178806 Re: Wesley Kathleen.

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Garageman's Lien Sale C. Stoll DCA LIC # 769437 Sells 8/25/93 @ 9:30AM 112 GREEN AVE BKLYN 1985 PLYMOUTH Voyager #2P4BH5437FR-Re: Lee-#1C3B44-KGG1100237 Re: Ducat, Elizabeth; 12:30PM 1-15 FIRST AVE NYC 1981 CHEVROLET Camaro #1G1AS87-G8RN-Re: Garcia-Duval, 1987 TOYOTA Tercel #1T2EL3JG5H0140109 Re: Cooper, Daniel; 1:00PM 624 WEST 129TH ST NYC 1986 CHEVROLET Blaz-er #1GNCT18M6G8-Re: Rodriguez, Ricardo; 1:45PM 389 DEAN ST BKLYN 1985 CHEVROLET Astro #1GCDM19Z4FB-Re: Anthony, 1985 FORD Escort #1FABP-10U3FW-Re: Ford Motor Credit Co; 2:30PM 1 Mil Ins Co, 1985 CHEVROLET Cprice #1G1BL51R2FR-P3124063 Re: Allstate Ins Co; 3:00PM 1 Mil Ins Co, 1988 NISSAN Stanza #JN1HJ12P0JU-W-Re: Duplessie,Jean; 2:15PM 296 4TH AVE BKLYN 1988 CHEVROLET Cprice #1G1BL51W7JR578369 Re: Kruger, Jr, Peter; 2:45PM 39 RECTOR ST SI 1989 HYUN

Deadline Looming For the S&L Bailout

Continued from page 1

tors "will have every incentive to put everything over to SAIF" before Oct. 1, said Stephen Katsanos, the RTC's spokesman.

Once an institution is placed in the RTC, it becomes somebody else's problem, at least as far as the thrift industry is concerned. Congress can fund the RTC and let it work its caseload out gracefully, or not fund the agency and let failed institutions remain in conservatorship indefinitely.

NEWS ANALYSIS



Edward L. Yingling
New "window of opportunity"

"Congress has not been particularly concerned about institutions remaining in conservatorship," Mr. Katsanos noted.

A spokesman for the Office of Thrift Supervision acknowledged that agency officials are paying attention to the clock running at the RTC, but said the agency still intends to deal with thrifts on a case-by-case basis.

At present, there are 183 thrifts on the agency's problem list, said spokesman Bill Fulwider. "But a good many are profitable and reasonably well capitalized. There are a lot of factors to be taken into consideration."

Prime Targets

Most likely to be closed eventually are a smaller group of 75 thrifts, with assets of about $58 billion, Mr. Fulwider said.

Ideally, thrifts would like to see legislation that provides more funding for the RTC and the savings association fund, while extending the life of the bailout agency for another year.

The House Banking Committee has passed legislation that deals with the RTC on those two points. On the thrift fund, however, the bill makes $16 billion available, but sets conditions for release of the money that may be impossible to meet.

Even in that form, the savings association fund has proved to be a sticking point. Republicans are at best mildly opposed to RTC funding, but they are vehemently opposed to the idea of giving money to the thrift fund.

Allied Irish Banks Sees Recovery In Loan Demand at Home, in U.S.

Reuters

DUBLIN — Allied Irish Banks PLC said it was confident of a recovery in loan demand in Ireland, the United States, and Britain next year.

"We expect some pickup in all three major markets early next year," Allied finance director Kevin Kelly said after the company reported a 42% rise in pretax profits in the first half, but a slowdown in lending.

"In the United States, there's been a very small pickup in loans of about 0.2% or 0.3% since the yearend," Mr. Kelly said. He said he could not detail progress in other markets.

'Good Mix of Locations'

"The three economies we operate in are still fragile," he said. "Banks lag economic pickup so we think it will be next year before we feel the benefit."

But he added, "We're still confident we have a strategically good mix of locations balancing the ebbs and flows."

The companies U.K. outlook is stable "until loan demand picks up," a spokesman for the company said at the end of the year," Mr. Kelly said.

'Still Well-Positioned'

Capital market trade was the highlight, but Mr. Kelly said 51 laid made only $7 million to the million of exceptional European Rate Mechanism-related gains.

"We're still well-positioned ... we'd see a continuation of fairly satisfactory performance," he said. The strong performance of Allied's U.S. subsidiary First Maryland Bancorp contrasted with a $11.9 million loss at Allied Irish Banks New York, Mr. Kelly said.

But he added: "We feel we are about to turn the corner. We'd be disappointed if we didn't ... at least break even." Asked whether that would be possible by the year end, he said the company had some optimism, but it was too early to say.

Record Rate Increases Hurt

In Ireland, unprecedented rises in unemployment rates in the last quarter of 1992 were a huge blow to investor confidence, Mr. Kelly said.

"It's taken time for confidence to return, but we're seeing some slight indications."

The company boosted its half-year dividend 7.9% to $5.74 per share. Asked about prospects for a further dividend rise for the full year, Mr. Kelly would say only, "It is the board's policy to pay well in excess of Irish interest."

Have an Important Legal Notice? Call Penny Papakostas at 212/943-5716

LEGAL ADVERTISING

AUCTION NOTICES

NOTICE OF PUBLIC AUCTION SALE OF COOPERATIVE APARTMENT COLLATERAL

PLEASE TAKE NOTICE: By virtue of default(s) under certain security agreement(s) (The "Leases") and the appurtenant shares (The "Shares") of the Twelve Seventy Fifth Ave. Cooperative, Inc., as lessor (The "Lessor") covering apartments listed below (All Located at 1270 Fifth Avenue, New York, New York) which defaults resulted in the termination of the Leases and the subsequent cancellation of the shares, the undersigned accountant will sell on a bulk or individual bases at public auction beginning at 11:00 AM on Tuesday, August 24, 1993 at the office of Smith, Buss & Jacobs, 1370 Avenue of the Americas, 9th Floor, New York, New York 10019.

The following apartments:

1. James Satterwhite; Apartment 11L; 4 1/2 room (vacant); monthly maintenance $1,828.00; and amount of Lien $7,331.74.

2. Wilbert J. Simmons and Andrew Ryan; Apartment 2S; 4 room cooperative; monthly maintenance $617.19; and amount of Lien $9,107.17.

This sale is held to enforce the rights of the Lessor pursuant to a first lien on the collateral herein described based upon the non-payment of maintenance and other administrative and legal fees. All amounts shown above, owed by Lessee to lessor are as of July 31, 1993. Lessor restrves the right to postpone,close and refuse bids to extent that the amount bid for each apartment does not cover the amount of the per apartment lien owing on the apartment as a result of the aggregate amount of the liens between default. A ten (10%) percent bank or certified check required at sale(s). For each apartment purchased, plus auctioneer's fee. Balance of amount bid within forty-five (45) days. Terms and conditions call between 3-5 P.M. Jack O'Sullivan Professional Accountant, DCA LICE #1275815-057870 Phone Number (718) 232-5167 Fax Number (718) 951-0340. (ICON #2616).

NOTICE OF FORECLOSURE AND SALE-BY VIRTUE OF A Default In A Certain Security Agreement Made By SIKANDER CHAUDHRY, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That A G.E.M. AUCTION CORP., Auctioneer, Will Sell At Public Auction The Following Collateral: 1988 Lincoln ID #1LNBM81F3JY737581. Together With Cloverdale Two Way Radio Rights In Car #93, At Public Auction Sale Will Be Held On Tuesday, August 17, 1993 At 11:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit In Cash or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly, DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

C. Laudio & Assocs. Inc. DCA#0696563 auct'n's sell Aug. 27, 1993 at 9 AM at 170-28 Jamaica Ave., Qns. 1990 Ford Van #1FTHS34H3LHA12776 Acct. Material Damage Adj. Corp. 10 AM at 119-24 Jamaica Ave., Qns. 1983 Honda M/C #JH1PC21123M103308 Acct. R. Garcia 10:30 AM at 184-33 Jamaica Ave., Qns. 1986 Linc. 4 dr. #1LNBP97F3GY635286 7th C.C. Perry, 72-02 Qns. Blvd. Sun. 11 Ave., Qns. 1982 Datsun 2 dr. #JN1HZ06-2KE000029 Acct. F. Gilad: 1987 Sterling 4 dr. #SAXXS84B3H1142137 Acct. K.L. Parker. 1990 Honda 4 dr. #HGCR7863-9LA020296 Acct. L.I. White. 1987 Plym. conft 4 dr. #1P8BH48B4HB403840 Acct. J. McGowan. 1985 Mazda 4 dr. #JM1GC-2181F750995 Acct. N.S. Friedland. 1988 Toyota 2 dr. #JT2AE86S6F0159832 Acct. M.J. Gerard. 2:30 PM at 37-11 39 Ave. Qns. 1993 Honda M/C #3H1HF03C-1PD000304 Acct. J.B. Barr. 1987 Chevy 4 dr. #1Y1SK514XHZ094277 Acct. B. Reynolds. Published Aug. 12th & Aug. 19th, 1993.

ADJOURNED FORECLOSURE SALE

CO-OP APT COLLATERAL

BY VIRTUE OF A Default Under a Proprietary Lease and other documents, executed by and between 199 MADISON OWNERS CORP. (Lessor), a N.Y.S. Co-op Corp. and 199 MADISON AVENUE ASSOCIATES (former Lessee) and its Proprietary Leases having been terminated, whereby the leasehold estate reverted back to the Lessor. The undersigned Auctioneer will expose for sale at Public Auction, with reserve, 13,608 shares of stock of 199 MADISON OWNERS CORP. and all right title and interest in and to a Proprietary Leases allocated to apartment units listed below is building 199 Madison Ave., New York, NY, on August 6, 1993, at 12:00 p.m. in the law offices of Smith, Buss & Jacobs, 9th Floor, 1370 Avenue of the Americas, New York, NY, 10019. Apartment Units 2A, 2D, 3G, 2H, 3H, 5J, 7D, 7F, 8J, 9D, 10B, 11F, 12E, & 12J. 10% in bank certified funds at knock down price. Auct'r Terms. Bid Bk in 30 days. Jack O'Sullivan, Professional Auctioneer (Lic.# 0725881-Phone (718) 232-5167 Fax (718) 951-0340. THE SALE INDICATED ABOVE HAS BEEN ADJOURNED TO AUGUST 20th, 1993, at 12:00 p.m. AT LOCATION SHOWN ABOVE! (ICON#2560C)

NOTICE OF FORECLOSURE AND SALE-BY VIRTUE OF A Default In A Certain Security Agreement Made By CHRISTINA HUNG, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That G.E.M. AUCTION CORP., Auctioneer, Will Sell At Public Auction The Following Collateral: 1987 Lincoln ID #1LNBM81F2HY948041. Together With Cloverdale Two Way Radio Rights In Car #188. Said Public Auction Sale Will Be Held On Tuesday, August 17, 1993 At 11:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit In Cash or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly, DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

NOTICE OF FORECLOSURE AND SALE-BY VIRTUE OF A Default In A Certain Security Agreement Made By LYONEL LOUISMA, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That G.E.M. AUCTION CORP., Auctioneer, Will Sell At Public Auction The Following Collateral: 1988 Lincoln ID #1LNBM81F5JY592041. Together With Cloverdale Two Way Radio Rights In Car #1. Said Public Auction Sale Will Be Held On Tuesday, August 17, 1993 At 11:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit In Cash or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly, DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

C. Fraser Inc #847081 sells for cash 8/26/93 at 10AM at 250-21 Northern Blvd. Qns. 88 Jeep Cherokee #1JCMT7837JT111784 Acct. L. Canazy, 88 Honda Mcy #JH2RC0203K-2KG000920 Acct. R. Medrise, 86 Ford Escort #1FABP11WGFT104163 Rec. C. Corulla, 77 Cadillac #6D4755S6Y400127 Acct. N. Williams, 85 Plymouth Reliant #1P3-BC56C9FY004221 Rec. E. Fennessy, 83 Chevy Citation #1G1AX56RXC7143560 Rec. E. Fennessy. 89 Auto #WVWJB0-4AK8N029584 Rec European Communities; 11:30AM at 6 E. Broadway, Qns. 88 Mercedes 84 Plymouth Arrs #1P3BP21C-0DG153676 Rec D. Olivieri.

Schiffman Auctioneers Inc. will sell for cash on August 20, 1993, 9:30 am at 157 E. Sunrise Hwy., Freeport NY, 1978 Honda Mcy. #CB750F2204819 re: J. Mogel, C. Farley, 11:00 am at 97-16 Sutphin Ave., Jamaica NY, 1986 Ziel Chevrolet; #1GTY1-07B6G5105396 re: B. Vickers, J. Garris, Pan Am Coach Union, S. Melita. 1:00 pm at 3260 Flatbush Ave., Brooklyn, 1991 Hyundai sunstar; NY 878UF re: J. Doe; 30'X10' homemade Barge, no. reg. numbers re: L. Dejeckorne.

NOTICE OF FORECLOSURE AND SALE-BY VIRTUE OF A Default In A Certain Security Agreement Made By MATAN TCHLOVSON, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That G.E.M. AUCTION CORP., Auctioneer, Will Sell At Public Auction The Following Collateral: 1988 Lincoln ID #1LNBM81F-2JY598041. Together With Cloverdale Two Way Radio Rights In Car #33. Said Public Auction Sale Will Be Held On Tuesday, August 17, 1993 At 11:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit In Cash or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly, DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

NOTICE OF FORECLOSURE AND SALE-BY VIRTUE OF A Default In A Certain Security Agreement Made By NATAN TCHLOVSON, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That G.E.M. AUCTION CORP., Auctioneer, Will Sell At Public Auction The Following Collateral: 1988 Lincoln ID #1LNBM81F-2JY598041. Together With Cloverdale Two Way Radio Rights In Car #33. Said Public Auction Sale Will Be Held On Tuesday, August 17, 1993 At 11:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit In Cash or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly, DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

Garagaman's Lien Sale S. Speiber DCA Lic.# 7608-Sale Date 8/13/93 At 10:30 AM. GLEN COVE Glen Head 1983 BUICK Skylark #1G4AK57J0DR-Sale Location Re: McGroty, Grace; 2:00PM 212 MAIN ST Hempstead 1983 TOYOTA #JT4RN-64U1D0041814-Re: Farry,Rosalie; 3:00PM 5275 FULTON AVE Mt Vernon 1992 Dynasty #1B3XC46K3ND453902 Re: Davis,Velma.

DEFAULT In Security Agreement Made By Aretis Pimentral to Sea Crest Trading of Connecticut, Inc. 1 Main St.1/3/93 At 10:30 AM At 18-01 20th Road, Astoria, NY. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Encumbrances Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct. #732234 and F.E.S. AUCTIONS INC. As Agents.

DEFAULT In Security Agreement Made By Cheniecia Sutton to Hair Trendsetters 1 Inc. Sold On 8/13/93 At 12 Noon At 1135 Hoe Ave., Bronx, NY. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct/ Lic.# 732234 and F.E.S. AUCTIONS INC. As Agents.

MAGRILL AUCTIONEERS CO. INC. As Agents For Creditors Of Debtors, Any All Locations, Will Sell All Unredeemed Pledges From 0001 To 0999 On 8/9/93 10/15/93 To Be Held At Gem Pawnbrokers Corp. 116-15 Jamaica Ave., Queens Village NY, On August 16th, 1993 At 9 A.M.

FOUNDATION NOTICE

NOTICE

The annual report of the **PHILIPPE FOUNDATION, INC.** for the calendar year ended December 31, 1992 is available at its principal office located at 122 East 42nd Street, New York, NY 10168, (212) 687-3616 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Alan Philippe.

Highlights for Wednesday, August 11

Top 10 GAINERS %

Imperial Bancorp	9.2
UJB Financial Cp.	6.0
Citizens Banking Corporation	6.8*
Central Jersey Bancorp	5.4
NBT Bancorp	5.3
Grenada Sunburst System Corp.	4.2
Frankford Corporation	3.8
City National Corporation	3.6
Shoreline Financial Corp.	3.5
Associated Banc-Corp.	3.4

Top 10 LOSERS %

Allied Bankshares, Inc.	-10.0
Pacific Western Bancshares	-4.4
United National Bancorp	-3.7
Bank of Granite Cp.	-3.4
Trustcompany Bancorporation	-3.3
Hancock Holding Company	-3.3
Suburban Bancorp, Inc.	-3.3
Shoreline Financial Corp.	-2.5
Jefferson Bankshares, Inc.	-2.4
Banc One Corp.	-2.3

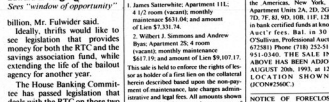
Most Shares Traded

BankAmerica Corporation	963100
Chemed Cp.	961500
UJB Financial Corp.	939000
Chase Manhattan Corporation	688700
Norwest Corporation	578900

Volume As % of Average

Harleysville National Corp.	1824.9
Central Jersey Bancorp	1058.8
Sanwa Bancorp	920.8
F&M Bancorp	668.1
Boulevard Bancorp, Inc.	659.4

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts.

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
1	5	21	1	5	21	1	5	21
0.30	0.88	1.93	0.30	0.89	1.00	0.17	0.56	2.28

Top 225 BANKS

52 Wk			Pr	Mkt	Chg.	Chg.
Hi	Lo	Name				
26¾	20	1stSourceCorp IN	11.2	153.0	24¾	--
27¾	18¾	AMCORE	11.2	153.0	24¾	--
17½	8½	AlliedIrishAm Ir	15.7	262.2	10¾	--
19¾	15¾	AmericanExpressCo	8.3	127.2	15¾	--
38½	30	AssociatedBanc WI	13.0	187.7	38	--
35¾	27¾	BB&T Financial VA	11.8	153.4	28¾	--
27½	12	BOKFinancial OK	12.2	241.8	21¾	--
33	23	BancFirst OK	11.1	138.4	27½	--
11⅜	6	BaltimoreBancp MD	14.7	123.6	11¼	--
31¾	24¾	BancTennessee TN	10.7	147.1	31¾	--
61	42½	BancOneCorp OH	14.3	228.2	53	+¼
30¾	24¾	BancorpSouth MS	11.2	142.4	27½	--
20¾	17¾	BancorpSouth Inc	11.2	142.4	17¾	--
30¾	25	BankAmericaCorp	9.0	963.1	26¾	--
14¾	9¾	BankSouthCorp GA	11.3	167.7	14¾	--
79¾	59	BankersTrustNY	8.9	120.0	61¾	--
19½	12½	BarnettBanksFl	26.0	102.2	19¾	--
30¾	24¾	BayBanksInc MA	10.9	137.2	26¾	--
61¾	39¾	BankofNY	10.9	137.2	54¾	--
30¾	24¾	BeneficialCorp NJ	10.4	120.0	41¾	--
52¾	28¾	BeaflemsMA	13.4	140.3	49½	--
54¾	49¾	BostonBancorp MA	12.0	112.2	50¾	--
22	13½	BoulevardBancIL	30.1	171.2	22	--
35¾	26¾	BrenhamBancshs	12.3	148.5	34¾	--
30¾	20¾	CBT Corporation KY	12.3	148.5	34¾	--
42¾	32¾	CBS Bancshares KY	12.3	148.5	34¾	--
23¾	19¾	CNB Bancshares IN	10.7	194.7	23¾	--
30¾	24¾	CPB Inc IN	10.7	194.7	23¾	--
31¾	24¾	CalFed Inc	10.9	598.5	31¾	--
31¾	19¾	CalFirmsholdCo CA	13.9	109.5	12¾	--
28¾	19¾	CentralBancshs AL	11.3	179.2	25¾	--
28¾	22¾	CentralBancshs MI	11.3	179.2	25¾	--
34¾	19¾	CentralJersey NJ	15.1	153.0	22¾	--
34¾	19¾	CentralJersey NJ	15.1	153.0	22¾	--
37¾	21	ChaseManhattanNY	9.3	105.6	34½	--
37¾	21	ChaseManhattanNY	9.3	105.6	34½	--
47¾	35¾	ChemicalFinCp NJ	14.2	179.8	47¾	--
47¾	35¾	ChemicalNewYork	14.2	179.8	47¾	--
33½	14½	Citizens&Sthrn GA	11.8	138.2	32¾	--
33½	14½	Citizens&Sthrn GA	11.8	138.2	32¾	--
37¾	30¾	CitizensBanking MI	14.5	159.1	37¾	--
30	17¾	CitizensBanking MI	14.5	159.1	27¾	--
30	17¾	CitizensBanking MI	14.5	159.1	27¾	--
30	17¾	CitizensBanking MI	14.5	159.1	27¾	--
30	17¾	CitizensBanking MI	14.5	214.2	27¾	--
30	17¾	CitizensBanking MI	14.5	214.2	27¾	--
30¾	3¾	CoastalCorp DE	11.1	145.3	4¾	--
30¾	3¾	CoastalCorp DE	11.1	145.3	4¾	--
30¾	3¾	CoastalCorp DE	11.1	145.3	4¾	--
30¾	3¾	CoastalCorp DE	11.1	145.3	4¾	--
30¾	3¾	CoastalCorp DE	11.1	145.3	4¾	--
30¾	3¾	CoastalCorp DE	11.1	145.3	4¾	--
40¾	21	CulleenFrost TX	9.8	170.0	37¾	--
40¾	25	DauphinDeposit PA	12.1	163.0	34¾	--
8½	5	DeltaFinancial FL	8.5	142.0	30	--
27¾	17¾	F&M NatlCp PA	10.3	154.0	27¾	--
30¾	24¾	FNB Corp NC

CAPITAL

Chemical's Offering Fueled by Rate Swap

By DAVID SIEGEL

Chemical Bank on Wednesday raised $150 million in 15-year subordinated debt, enticed by an interest-rate swap that made the offering less expensive than a 10-year issue.

The offering was priced to yield 6.73%, or 95 basis points more than the pre-issue yield of 10-year U.S. Treasury notes that were sold Wednesday.

Chemical entered a swaps agreement after Wednesday's issue in order to change its pay-

One for the Books

Largest shelf registrations by banks

Date		Size (billions)
Aug. 2 1993	NationsBank	$4.0
Aug. 2 1993	BankAmerica	3.0
May 28 1993	BankAmerica	3.0
Jan. 21 1993	Chemical Banking	3.0
June 1 1993	Citicorp	3.0
Aug. 11 1993	Chemical Banking	2.5

Filings for straight debt or debt and equity combined.
Source: Securities Data Co.

ments to a floating rate from a fixed rate, said Dina Dublon, senior vice president for corporate finance.

8 to 10 Basis Points Saved

She said the swap, combined with the rate of the debt issue, gives Chemical a floating rate of 35 basis points over the London interbank offered rate, including underwriting costs. This is about eight to 10 basis points less than what it would have paid for a 10-year issue with a swap into floating-rate payments, she said.

"The issue essentially comes in at a lower cost than 10-year money comes in at, so it's a hard temptation to resist," she said.

Favorable swaps conditions also led Chase Manhattan Corp. to issue $200 million of 15-year subordinated debt Tuesday, said a capital markets source.

Chemical's issue cannot be called. It is rated A3 by Moody's Investors Service Inc. and A by Standard and Poor's Corp. Morgan Stanley & Co. is lead manager.

Chemical Banking Corp. has been in a refinancing mode this year, said Ms. Dublon. The company has called or redeemed about $1.8 billion in subordinated debt this year, which counted for about $1.2 billion in Tier 2 regulatory capital. Regulators start to discount subordinated debt when it has five years or less to maturity.

The bank this year has raised about $1.4 billion in subordinated debt, including Wednesday's issue, Ms. Dublon said. The new issues allow the bank to extend the maturities of its outstanding debt at a better rate, she said. At June 30, Chemical's estimated total capital ratio was 11.9%, up from 11.1% one year earlier.

A $2.5 Billion Universal Shelf

Ms. Dublon said the bank's refinancing of called debt this year is essentially complete, and that the bank will only be doing "opportunistic" capital issues in the remainder of the year, when the market offers rates too good to pass up.

Also on Wednesday, Chemical filed to issue up to $2.5 billion of debt securities, preferred stock, common stock, and other securities. The "universal shelf" is one of the largest securities filings ever by a bank.

It allows the bank to cover many different types of securities under one filing but does not signal any new slew of securities offerings, said Ms. Dublon. Combined with other filings outstanding, Chemical has a total of $4.2 billion of securities under registration.

NBD Bank, a unit of NBD Bancorp, issued $200 million of 6.25% subordinated notes due Aug. 15, 2003, at 99.596 to yield 6.305%, said lead manager Merrill Lynch Capital Markets.

The notes yield 55 basis points over comparable U.S. Treasuries. Noncallable for life, the deal is expected to be rated Aa3 by Moody's and AA-minus by S&P. □

USG in $138.5 Million Debt Swap

CHICAGO — USG Corp. said it completed the exchange of $138.5 million of bank term loan and capitalized interest notes for new 10¼% senior notes due in 2002. The company said the exchange eliminates all scheduled bank amortization payments prior to Dec. 31, 1997, and provides USG with a mechanism to repay or purchase up to $165 million of its public senior debt due prior to Jan. 1, 1999.

Under terms of the exchange, USG Interiors also paid off all outstanding revolving credit facility capitalized interest notes for approximately $9 million in cash. As previously reported, the new 10¼% senior notes were offered to the bank group in exchange for up to $95 million of bank term loans and up to $47.4 million of capitalized interest notes.

USG said the exchange was completed with more than 97% acceptance by the bank syndicate.
— Dow Jones

STOCKS

Kemper Downgrades Six Midwest Banks, Saying Performance Will Be Hard to Repeat

Continued from *page 1*

"long-term buy."

The analyst said he felt NDB and Northern Trust, both well-regarded banks, are fairly priced at current levels and will likely trade in line with the market. NBD was up 25 cents to $33.25 in late trading Wednesday. Northern was up 75 cents to $42.25.

Associated, which was up $1.25 cents to $38, is also fairly valued and unlikely to outperform the market except on takeover speculation he said.

First Midwest is a "solid takeover target" but on fundamentals is more than fairly valued, he said. Its shares were down 37.5 cents to $27.125.

He said Marshall & Ilsley "stands out from the crowd in generating 48% of operating revenues from noninterest sources," principally data processing and trust products, "but may be struggling a bit to put the capital it generates from these activities to equally productive use."

Marshall & Ilsley shares were unchanged late Wednesday at $23.

Active Purchaser

Huntington is enjoying record profitability, Mr. Maier said, but is close to his 12-month price target of $29 and also is an active acquirer, "which adds an element of uncertainty." Its stock was unchanged at 25.875 late Wednesday afternoon.

First of America, which was upgraded, has been trading "at a below-average multiple of earnings because of the market perception that it is likely to disappoint shareholders in the future with a very dilutive acquisition."

NBD, Northern Trust, and Marshall & Ilsley were among those lowered to "hold."

But Mr. Maier said he did not believe this will happen "and that over time the market will recognize this and restore an average earnings multiple to the stock."

Multiple of 8.5

First of America currently trades at 8.5 times the analyst's estimated 1994 earnings, while other midwestern banks trade near 10 times expected earnings. On Wednesday, the stock was up 50 cents to $39.50.

Mr. Maier noted that after six downgrades, Kemper still rates 19 midwestern bank stocks either as strong buys or long-term buys.

"The region, is populated by an impressive collection of high-performing companies that stand to reward investors either as acquirers or as acquirees, or as both," he said.

WEDNESDAY'S MARKET

First Interstate Bancorp. was the biggest gainer among major bank stocks, up $1.875 to $64.50 as investors seemed to approve its efforts to expand the bank's Southern California market share.

The biggest loser was Banc One Corp., down $1 to $53.25 after announcing it will buy Capital City Bancorp., Salt Lake City. Deal terms were not disclosed.

Other banks were mixed. J.P. Morgan & Co. was up 87.5 cents to $72.75 and Bankers Trust New York Corp. was ahead 62.5 cents to $79.50 in late trading.

BankAmerica Corp. was up 37.5 cents to $46.875, and NationsBank was up 37.5 cents to $52.75. □

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AMERICAN BANKER
VOL. CLVIII/NO. 155 Friday, August 13, 1993 158th year

INSIDE NEWS

REGIONAL BANKING

CHARTER FEDERAL Savings Bank is back from the dead after raising $44 million in a rights offering. *Page 4*

BANK OF BOSTON is offering incentives to its traditional lenders, to spur marketing of noncredit services. *Page 4*

COMMUNITY BANKING

FIRST BANK OF ELWOOD, Kan., crossed the Missouri River two weeks ago, accomplishing interstate banking not by law or acquisition, but by disaster. *Page 6*

NORTH/NORTHEAST Portland Development Bank owes its existence to processes learned in a lawsuit. *Page 6*

CREDIT UNIONS

ROGER W. JEPSEN says his proudest achievement as the nation's chief credit union regulator is keeping his agency out of the headlines. *Page 8*

INVESTMENT PRODUCTS

INVESTORSBANK holds a solid lead over other banks in the diversity of institutional funds it offers. A table lists the top 25 banks and thrifts that manage institutional mutual fund assets. *Page 12*

CREDIT/DEBIT/ATMs

CATHERINE A. ALLEN, who ushered the Smart Card Forum through its formative stages, indicates that Citicorp has shed its historical insistence on calling its own technological tune. *Page 15*

TECHNOLOGY

BANKAMERICA is forming a unit to develop integrated payment services for consumers and health care providers. *Page 3*

FINANCE

BANKERS TRUST has hired to executives to launch a unit to manage high-yield investments for its clients, the company said. *Back page*

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Smart Card Project Attracts Heavy Hitters

By JEFFREY KUTLER

After more than half a year of preliminaries, a multi-industry smart card association is officially up and running.

The group, calling itself the Smart Card Forum, includes some big names and somewhat strange bedfellows: American Express and Citicorp, AT&T and IBM, Apple Computer and Microsoft, and about 25 others.

The membership mix is not quite complete. MAC, the joint venture of four banks that is well along in planning for a smart-card payment system, is conspicuously absent.

But the initial members certainly have given the group clout. They have agreed they can accomplish more together than separately, said Catherine Allen, a Citicorp vice president and acting chairman of the Smart Card Forum.

"In a closed computer system, you don't necessarily have to work with others," said Ms. Allen, who personally and on Citicorp's behalf was a driving force in creating the forum.

No Longer a Loan Wolf

That Citicorp played such a central role was news in itself. (See related article on page 15.) Historically a lone technological wolf, Citicorp once insisted on using systems of its own making, including a nonconforming data-encoding method for its cards.

"Times have changed," said Ms. Allen, reflecting the outlook of her boss, senior technology officer Colin Crook, and his boss, chairman John Reed.

The participants think they have the power and influence to make the technology go in the United States. It is a goal that so far has only frustrated the few enthusiasts who have exerted any effort.

France and Japan Lead

The technology, which involves placing a microcomputer chip inside a plastic card, has met the most success in France and Japan. But most of the applications are limited — cards used for telephone calls or transit rides generally are not interchangeable.

Behind the Smart Card Forum is a desire for "open systems" and to do what it takes, in the form of technical standards and eventual market tests, to prove their feasibility.

Aside from telephone and

UJB Stock Trading Heavily Amid Takeover Speculation

By GORDON MATTHEWS

NEW YORK — Takeover fever has struck UJB Financial Corp.

The New Jersey company's shares gyrated again Thursday in heavy trading amid speculation that it will be the next bank snapped up in the nation's hottest merger market.

After rising $2.50 on Wednesday, the stock ran up another $2.25 on Thursday before falling back later in the day. At 4:30 p.m., UJB was down 12.5 cents, at $31.625. Volume, at 976,200 shares, was about five times average.

Merger Talk

Analysts said the activity was tied to speculation that another banking company had taken an equity stake in UJB, presaging an acquisition agreement.

If such an investment occurred by June 30, it would have to be disclosed in a filing with the Securities and Exchange Commission by Monday, 45 days after the quarter's close.

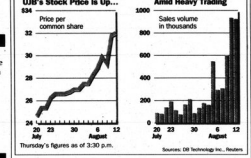
A spokesman for Princeton-based UJB, which has $13.8 billion of assets, said Thursday he could not comment on the possibility of an SEC filing, on merger rumors, or on the recent movement in the bank's stock.

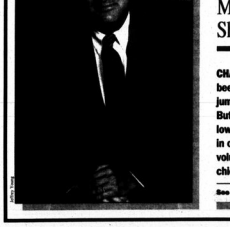
Bank of New York Mum

Speculation about a buyer has centered on Bank of New York Co., which on Wednesday closed its $560 million acquisition of another New Jersey institution, National Community

See STOCKS *back page*

Betting on a Takeover





Chase Going Downscale To Boost Mortgage Share

CHASE HAS LONG been a king of the jumbo home loan. But now it's pushing lower-balance loans in order to build volume, says mortgage chief Fred B. Koons.

See story on page 10

Nader Study Accuses 49 Lenders Of Redlining

By CLAUDIA CUMMINS

WASHINGTON — Consumer advocate Ralph Nader unveiled a study Thursday accusing 49 major mortgage lenders of redlining in 16 cities across the country.

Mr. Nader said he has sent the study to Attorney General Janet Reno and to bank and thrift regulators, asking them to investigate these lenders for illegal lending bias.

"There are federal laws on the books that are supposed to prevent racial redlining," he said. "These laws have not been enforced."

The study, based on 1990 and 1991 Home Mortgage Disclosure Act data, reported finding 62 instances of institutions avoiding mortgage loan business in minority neighborhoods. It focused on the relative number of loans an institution made in a given neighborhood, not on the application and denial rates highlighted in some other reports.

Sears Unit Fared Worst

Sears Mortgage Corp., based in Vernon Hills, Ill., was identified as the lender with the worst record, with six separate instances of redlining. Prudential Home Mortgage Co. followed.

See NADER *page 2*

AUG 13 1993

NEWS *briefs*

Glenfed Recap Hurdle Lowered by OTS

WASHINGTON — Regulators are making it easier for Glenfed Inc. to complete its $4.5 million recapitalization.

The Office of Thrift Supervision signed off Wednesday on a plan that would permit the deal to take place with the approval of only 80% of the company's bondholders, instead of the 90% specified in the previous terms.

Stephen J. Trafton, Chairman and CEO of Glendale, Calif.-based Glenfed, the parent of Glendale Federal Bank, said in a statement: "We are quite pleased with the progress to date on all aspects of our recapitalization effort, and are on track to complete the transactions according to schedule."

"We're having a difficult time finding all the bondholders out there," said Cary J. Stanford, a senior vice president at Houlihan Lokey Howard & Zukin, a Los Angeles firm that is advising the holding-company bondholders. "We are lowering the acceptance rate because half of Europe is on vacation, and most of these bonds are held in Europe."

Mr. Trafton said, "the response to the exchange offer has been favorable by nearly all of the debenture holders we have been able to identify."

Appraisal Rules Eased in Flood Regions

WASHINGTON – Banks in flood areas may now begin making loans without first getting appraisals on the real estate pledged as collateral, the five federal banking agencies announced Thursday.

"The exemption is necessary because the disruption of real estate markets in the flood areas interferes with the ability of institutions to obtain appraisals that meet the requirements of federal law and regulations," the agencies said in a statement.

The relaxed rules will remain in effect until 1996 and cover parts of nine states declared major disaster areas by President Clinton.

The states are Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, and Wisconsin.

A Virginia Bank Is 32d to Fail This Year

WASHINGTON — New Atlantic Bank, Norfolk, Va., failed Thursday, bringing the total to 32 banks with $3.1 billion this year.

Its 2,300 deposit accounts, totaling $15.3 million, were assumed by Bank of Hampton Roads, Chesapeake, Va.

The Federal Deposit Insurance Corp. is stuck with $8.3 million of the failed bank's $15.1 million in assets. The agency advanced $4.8 million to help Bank of Hampton Roads buy $7.8 million of New Atlantic's assets.

Fla. Purchase by Central of South Advances

BIRMINGHAM, Ala. — Central Bancshares of the South has signed a definitive agreement to purchase 1st Performance National Bank, Jacksonville, Fla.

Central, with $7 billion of assets, said it would pay cash for the unit of Resource Bancshares, Columbia, S.C. Other terms were not disclosed. The deal awaits shareholder and regulatory approval.

The Florida bank has $278 million of assets, $248 million in deposits, and $25 million in equity.

As reported June 10, Central signed a letter of intent in June to acquire 1st Performance's offices in Jacksonville, Jacksonville Beach, Fernandina Beach, Hasting, Hilliard, Middleburg, Orange Park, St. Augustine, and Yulee, Fla.

Also as reported, Central said it would change its name to Compass Bancshares in November, facilitating expansion and uniting affiliates in Alabama, Texas, and Florida – including 1st Performance – under the Compass Bank name.

Bank of N.Y. Acquires National Community

NEW YORK — Bank of New York Co. has completed the acquisition of National Community Banks Inc.

The buyer said each outstanding share of National Community's common stock had been converted into 0.96 share of Bank of New York common. National Community's Series B 7¾% cumulative convertible preferred stock was converted share-per-share into class A preferred.

The briefs were compiled from staff and wire reports.

Corrections

An Aug. 5 news brief misstated a provision of the settlement of a government lawsuit against directors of the failed National Bank of Washington. The $500,000 figure was agreed to by 14 former directors, not just by Luther Hodges, the bank's former chairman, and Robert Washington, a lawyer. The fine is covered by insurance.

* * *

The last line of a table accompanying an article Thursday about Banc One Corp.'s planned purchase of Utah's Capital Bancorp was mislabeled. Capital has seven branches and 90 employees.

Nader Study Finds Lending Bias At 49 of the Top Mortgage Firms

Continued from *page 1*

with three cases cited in the study.

Mortgage companies, including bank subsidiaries, were the subject in 40 of the 62 redlining instances cited, or 65% of the cases. These included Chase Home Mortgage Corp., Nationsbank I Mortgage Corp., Republic Bancorp Mortgage Inc. in Michigan, Norwest Mortgage Inc., GE Capital Mortgage Services, GMAC Mortgage Corp., and Source One Mortgage Services.

The Nader study cited commercial banks in the remaining 30 instances, including Chemical Bank, Republic Bank, Wells Fargo Bank, Citibank Federal Savings Bank and Bank of America.



Terrney Marie Calleder

Ralph Nader
Wants an investigation

Mapping Techniques Used

Researchers Jonathan Brown and Charles Bennington used computerized mapping techniques to translate HMDA data into color-coded maps for the 20 largest mortgage lenders in 16 metropolitan areas.

When lenders had a low market share in minority neighborhoods, originated mortgages throughout most of the metropolitan area, and excluded or substantially underserved minority areas, the authors judged redlining to have occurred.

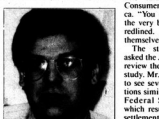
While the researchers did not accuse the lenders of purposefully discriminating against minorities, they charged that because policies and practices – like prescreening, exclusive marketing, and rigid underwriting standards – led to fewer loans in these areas, illegal discrimination occurred.

Many bankers say the study's methods do not prove lending bias.

"We think we are in full compliance with the current interpretation of the lending laws," said Larry Costello of Sears Mortgage. "Our focus has been on ensuring nondiscrimination in the application process rather than outreach in particular neighborhoods."

And regulators say that while studies like this are an important tant start, HMDA analysis without further investigation is not proof of discrimination.

"The mere fact that HMDA data show a particular institution has relatively few applications from minorities, or from particular neighborhoods, does not in and of itself tell you there is illegal discrimination," said Steve Cross, deputy comptroller



Chris Lewis
Praises new use of bias data

for compliance management at the Office of the Comptroller of the Currency. "It's enough to raise some serious red flags but its not enough in my mind to draw a conclusion."

The Comptroller's office will follow-up on the study for the banks it regulates, Mr. Cross said.

Warren Lasko, executive vice president of the Mortgage Bankers Association of America, attacked the report, saying it was full of "distorted and undocumented accusations."

"This supposed study makes in impossible leap in logic from looking at raw HMDA data to concluding that banks are willfully discriminating in their lending decisions," he said.

Added C. Howie Hodges, director of the American Bankers Association's center for community development, "We're concerned with this. We vigorously oppose discrimination of any kind in the banking industry, or even the perception of discrimination."

But the colorful, computer-generated maps produced by the researchers illustrate the power of the HMDA data in studying lending in specific neighborhoods.

New Uses for Data

"They've really revolutionized the utility of the HMDA data to pinpoint bias in the market," said Chris Lewis of the Consumer Federation of America. "You can almost recognize the very blocks that have been redlined. They do speak for themselves."

The study's authors have asked the Justice Department to review the cases detailed in the study. Mr. Brown said he hoped to see several Justice investigations similar to that of Decatur Federal Savings and Loan, which resulted in a $1 million settlement.

The authors called also called on the Department of Housing and Urban Development to establish strong enforcement standards, using its authority under the Fair Housing Act. And the department appears ready to take on this burden.

"This report underscores the importance of the necessity for a concerted federal response to redlining, a response that includes HUD, the Justice Department, and the federal banking regulators," said Roberta Achtenberg, HUD's assistant secretary for Fair Housing and Equal Opportunity. □

COMPANY *index*

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BankAmerica Eyes Health Payment System

By JEANNE IDA

BankAmerica Corp. officials said they are forming a unit to develop integrated payment services for consumers and health care providers.

The bank has proposed to several potential health care customers a service in which BankAmerica would receive patients' checks, and insurers' electronic payment information and funds, and would consolidate the data for doctors' and hospitals' record keeping.

The new unit, called BankAmerica Health Information Services, will be supervised by Colin Klipin, executive vice president and head of corporate services, including cash management.

'A Lot of Variables'

Many banks see a big potential for fee income in promoting health care payments, but programs have been slow to take off.

American Express Corp. last year was disappointed by insurers' response to a health care credit card that would be used in conjunction with electronic filing of insurance forms.

A big potential for fee income is seen in such services.

The program, called Quattro, has since been revamped and is slated for a new test this fall.

BankAmerica declined to project income from the new business unit.

"There are a lot of variables," said Robert Winn, senior vice president. Among them are what the Clinton administration will do to reform the nation's health care system and how quickly the industry will automate.

"The market needs a venture that meets the cash flow needs of medical providers," said Joel Friedman, a principal consultant with Andersen Consulting Co., in San Francisco.

The Bank of America venture "is an indication there is a significant under-banked market."

Mr. Winn said the bank aims to give providers "one-stop shopping" that combines per-handling and automated transfer of information and payments.

An 'Important Line'

Americans spend about $150 billion annually on medical care, and of that, about 20% goes to administrative and billing costs, according to health care industry estimates.

From $3 billion to $10 billion of the health care industry's administrative costs could be saved by automating claims processing, payments and reminances, enrollment, and eligibility services, said Bank of America vice chairman Marty Stein, citing estimates by a group convened by the U.S. Dept. of Health and Human Services last year.

The unit does not yet have staff or budget allocated to it, said Robert Winn, senior vice president in charge of the project. He said that those decisions would be made by the fourth quarter.

More Technology News
Pages 16 and 17

Better Customer Service

"There are a lot of people in this market, and we've been asked, 'Where is B of A in this?' "We consider this an important line of business to the bank."

Longer term, BankAmerica says it will develop services that would improve customer service in the health care arena. BankAmerica could, for example, answer inquiries about the eligibility of a patient for coverage under a certain plan, track the status of claims, and reconcile remittance advice and payments.

The service that BankAmerica is currently promoting would integrate collections and disbursement services currently offered to corporate customers into a single program for health care providers.

The bank would receive electronic payments and remittance data from an insurer, then consolidate that information with data from all other insurance companies that have a relationship with a particular doctor or hospital.

It would provide the doctor or hospital with one stream of information so they could easily update their billing and accounts receivable.

The patients' own payments would be routed to a special health care lockbox service, and be merged with the other data.

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Bank of Boston Prodding Lenders to Push Services

By YVETTE D. KANTROW

Keyword Focus

KNOWING THAT IT CAN'T live on lending alone, New England's preeminent corporate bank is aggressively pushing its traditional lenders to market noncredit services.

With a pitch and a shove, Bank of Boston is encouraging its relationship managers to hawk cash management, trade finance, stock transfer, custody, and other corporate services to their loan customers.

The pitch: A bonus of up to $15,000 a year for cross-selling the fee-producing products and services.

$2,500 for Selling Six Products

Lending officers earn $2,500 every time they sell six new products – from at least three separate categories – that bring in annual revenue of $50,000.

Kevin Mulvaney, Bank of Boston's group executive in charge of national banking, said 108 of about 500 eligible officers took home cross-selling bonuses in 1992. He expects 140 to qualify this year.

The program is already leading to results on the bank's bottom line, according to Mr. Mulvaney. Revenues from noncredit corporate services in the second quarter jumped 12% from the year-earlier period.


Kevin Mulvaney

And the proportion of Bank of Boston's total noninterest income from cash management, trade finance, and other corporate services soared to 45% from 25% 2½ years ago.

In the second quarter, the corporation booked $136 million of noninterest income.

"We are taking market share from other banks," said Mr. Mulvaney, an executive vice president.

Mr. Mulvaney attributes the increase almost exclusively to the bonus program.

Bank of Boston instituted the plan not so much because it was shying away from lending, he said, but because it wanted to ensure that it was establishing well-rounded relationships with its corporate customers.

Practice Is Gaining Popularity

It is a trend that has taken hold at other banks as well.

"As a marketing strategy, it makes a great deal of sense," said Jack M. Meckler, a senior vice president at Littlewood Shain & Co., a consulting firm in Exton, Pa. "As long as you are calling on a company, you should talk about everything a bank can do."

Meanwhile, Bank of Boston is setting plans to expand its cross-selling program next year to reflect what Mr. Mulvaney calls a "total revenue approach."

Loan officers and their division managers will set individual and department revenue goals based on sales of 25 different products. Revenue goals will be set for each product as well.

"The goal-setting process will become much more dynamic," Mr. Mulvaney said. "Relationship managers will really think through the breadth of what we do."

Thrift That Lost Goodwill Case Raises $44 Million in Rights Issue

By ROBYN MEREDITH

WASHINGTON — Charter Federal Savings Bank is back from the dead.

The $720 million-asset Virginia thrift, left insolvent this spring when it lost a battle with regulators over supervisory goodwill, raised $44 million in a rights offering completed Thursday.

"I guess we are the only bank in America that has been allowed to operate with negative net worth," said Cecil R. "Andy" McCullar, Charter Federal's president and CEO. "We are all deliriously happy," he said.

Regulators are happy too.

"We are delighted, obviously," anytime an institution that is undercapitalized manages to raise capital, said Jonathan L. Fiechter, acting director of the Office of Thrift Supervision.

Charter Federal, he said, "was able to demonstrate sufficient earnings potential that the market saw value in that institution."

'Landmark Recapitalization'

On March 29, the Supreme Court refused to hear Charter Federal's argument that it should be allowed to count supervisory goodwill as capital.


Cecil R. McCullar
"Deliriously happy"

Strengths Cited

He said Charter Federal's rights offering was successful because the company's only problem was capital. Charter "had low levels of nonperforming assets, it had high earnings, and it had a management team that was very credible," Mr. Mabry said.

Charter Federal has 26 branches in Southwestern Virginia and Northeastern Tennessee. The federally chartered, stock-owned thrift has not paid a dividend since 1988, and does not plan to until its core capital level hits 5% and its risk-based capital is 10%. Then it would qualify for the "well-capitalized" category under federal capital regulations.

Two days later, the 73-year-old thrift, based in Bristol, Va., wrote off $41.1 million of the intangible asset, which left its core capital at negative 1.76% although it continued to earn a profit.

Now that the rights offering has been completed, Charter has 4.53% core and 9.78% risk-based capital.

"It is a landmark recapitalization," said Jim C. Mabry, managing director at Wheat, First Securities Inc., the Richmond investment banking firm that advised Charter.

Mr. Hoskins, who also is vice chairman of the parent company, will succeed William J. Williams, who is retiring.

Mr. Williams will continue to serve on the boards of both Huntington Bancshares and Huntington National Bank.

Before joining Huntington in 1985, Mr. Williams was president and chief operating officer of Republic Steel Corp. before its merger with LTV Corp. After the merger, he was a senior vice president of LTV.

Mr. Hoskins was president of the Federal Reserve Bank of Cleveland before joining Huntington in 1991.

Previously, he was chief economist at Pittsburgh National Bank and was for 11 years an economist with the Federal Reserve Bank of Cleveland.

— Franklin Smith

AMERICAN BANKER/*Bank Rate Monitor*™

Consumer Money Index — *Auto, personal and credit card rates*

Market	CREDIT CARD 6/9	6/7	PERSONAL 6/9	6/7	AUTO 6/9	6/7
New York	18.19	18.19	16.80	16.80	9.70	9.70
Los Angeles	19.03	19.03	17.73	17.73	8.29	8.29
Chicago	17.93	17.93	13.98	14.10	8.70	8.70
San Francisco	19.58	19.58	17.79	17.79	8.27	8.27
Philadelphia	18.16	18.16	13.64	13.64	8.04	8.05
Detroit	16.85	16.85	15.00	15.00	7.50	7.48
Boston	17.93	17.93	15.76	15.77	8.71	8.72
Houston	17.62	17.62	15.56	15.56	7.69	7.69
Dallas	17.13	17.13	14.13	14.32	7.75	7.75
Washington D.C.	17.98	17.98	15.05	15.05	7.53	7.53
BRM Index	18.04	18.04	15.54	15.56	8.22	8.22

The Bank Rate Monitor Index is the average of rates being charged by the 100 largest banks and thrifts in the nation's 10 largest markets on the dates indicated. Other rates quoted are the lowest and highest offered at the same institutions. Auto loan rates are for a $13,000, 48-month, new-car loan with a 20 percent down payment. Personal loan rates are for a $3,000 unsecured personal loan with a 24-month term. Credit card rates are fixed rates only and do not take into account differing annual fees or grace periods.

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All inquiries: (407) 627-7330

LOWEST PERSONAL LOAN RATES	6/9/93
Main Line Fed'l Svgs Bk, Philadelphia	11.90%
Pass National Bank, Wash., D.C.	12.00
Bank One, Texas, Dallas	12.15
HIGHEST PERSONAL LOAN RATES	
Wells Fargo Bank, San Francisco	19.75%
Bank of America, San Francisco	19.75
Wells Fargo Bank, Los Angeles	19.75
LOWEST AUTO LOAN RATES	
First of America Bank, Detroit	6.75%
First of America-Security, Detroit	6.75
LaSalle Talman Bank, Chicago	7.00
HIGHEST AUTO LOAN RATES	
Citibank, Chicago	12.50%
Chemical Bank, New York	10.90
Boston Federal Svgs Bk, Boston	10.00
LOWEST CREDIT CARD RATES	
Bay Bank, Boston	14.40%
First of America Bank, Detroit	14.90
First of America-Security, Detroit	14.90
HIGHEST CREDIT CARD RATES	
Bank of America Texas, Dallas	19.80%
Boston Fire Cents Sygs, Boston	19.80
Bank of Boston, Boston	19.80


MANAGEMENT STRATEGIES

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Executive *changes*

Huntington National Bank Adds To the Duties of CEO Lee Hoskins

W. Lee Hoskins, president and chief executive of **Huntington National Bank,** Columbus, Ohio, will assume the additional post of chairman of the Huntington Bancshares unit, effective Sept. 1.


W. Lee Hoskins

Mr. Hoskins, who also is vice chairman of the parent company, will succeed **William J. Williams,** who is retiring.

Mr. Williams will continue to serve on the boards of both Huntington Bancshares and Huntington National Bank.


William J. Williams

Before joining Huntington in 1985, Mr. Williams was president and chief operating officer of Republic Steel Corp. before its merger with LTV Corp. After the merger, he was a senior vice president of LTV.

Mr. Hoskins was president of the Federal Reserve Bank of Cleveland before joining Huntington in 1991.

Previously, he was chief economist at Pittsburgh National Bank and was for 11 years an economist with the Federal Reserve Bank of Cleveland.

— Franklin Smith

MIDDLE ATLANTIC

MIDLANTIC NATIONAL Bank, Edison, N.J., a subsidiary of **Midlantic Corp.,** has appointed **James L. Sullivan** vice president and director of the bank's new public finance group.


James L. Sullivan

Working with Midlantic's government banking department, Mr. Sullivan is responsible for developing financing for municipalities, counties, and the state of New Jersey.

Midlantic's Pennsylvania subsidiary, **Continental Bank,** appointed **Gregory J. Webster** head of real estate investor and developer activities.


Gregory J. Webster

He is responsible for relationships with the bank's real estate investor/developer clients in the Delaware Valley.

Joseph H. Kott has been promoted to executive vice president and general counsel of Midlantic Corp.


Joseph H. Kott

Mr. Kott continues as a member of the Midlantic management committee with responsibility for the corporation's legal functions.

He had been senior vice president and general counsel of Midlantic.

MIDWEST

NATIONAL CITY CORP., Cleveland, said **Alan J. Davidson** has been appointed chief fiduciary officer of **National City Trust,** based in Columbus.

Mr. Davidson is currently executive vice president of National City Bank, Columbus. He brings nearly 30 years of trust experience to his new post.

SOUTHEAST

WHITNEY NATIONAL Bank, New Orleans, a subsidiary of **Whitney Holding Corp.,** has appointed **G. Blair Ferguson** executive vice president and head of the bank's trust division.


G. Blair Ferguson

Mr. Ferguson joins Whitney from the former First City Bank, now Texas Commerce Bank, Houston, where he was executive vice president and regional director of trust activities for the North Texas region.

He will oversee the trust division and develop an investment strategy.

WEST

BANK OF AMERICA, San Francisco, named **Gary J. Matus** an executive vice president and head of private banking and investment management and trust services.

Mr. Matus had been senior vice president and industry manager in charge of the global entertainment and media industries group at the bank since 1989.

He will be responsible for the management of individual investment portfolios.

Reporting to group executive vice president **Peter McPherson,** head of the Asset Management Group, Mr. Matus will remain based in Los Angeles.

AMERICA FIRST EUREKA Holdings, San Francisco, parent of **EurekaBank,** has named **Marianne Byerwalter** chief operating officer and chief financial officer.

Ms. Byerwalter also was elected chief financial officer of EurekaBank.

For the past five years, Ms. Byerwalter has been executive vice president and a director of EurekaBank. She served as its interim chief operating officer after its acquisition by America First. □


American Banker

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A Kansas Bank Finds High Ground By Crossing the River to Missouri

By TERRENCE O'HARA

First Bank of Elwood crossed the Missouri River two weeks ago, accomplishing interstate banking not by law or acquisition, but by disaster.

The small Kansas bank moved its operation across the Missouri's swollen breadth to St. Joseph, Mo., when the town of Elwood, situated on a spit of land jutting into the river at the northeast corner of the state, was deluged on July 25.

"We had to get approval from the Kansas bank commissioner and the Missouri bank commissioner and from the Federal Deposit Insurance Corp.," said First Bank president Robert Means, whose family owns most of the bank.

"But they were all very understanding. It's weird because we're a Kansas-chartered bank, and we're over here in Missouri."

Only Kansas Bank Put Out

First Bank is only one of many banks that have suffered from flooding in the Midwest.

Only two banks in Kansas, however, were physically affected by the flooding along the Missouri River, and First Bank was the only one displaced, according to the Kansas Bankers Association.

First Bank had been having dampness problems all summer because of the heavy rain, Means said.

But on July 25, water rushed into the building when the town's levee, visible from Means' office a half-mile away, gave way.

Didn't Miss a Day

"We were given a half-hour to evacuate," Means said. By the end of that day, he said, the water reached 10 feet 6 inches on the first floor.



First Bank was the state's only institution displaced by the flooding.

Means and his staff had planned for the worst. Means had already shopped for a new site on higher ground in St. Joseph. By 10:30 p.m., most of First Banks' equipment and records had been moved into an empty former savings and loan branch in St. Joseph.

By 11 a.m. on July 27, with its computers up and running, the bank opened for business in Missouri and was offering limited deposit services.

"Most of our employees had relocated to St. Joseph to escape the flooding anyway." Means said.

"We were proud that we were able to open on Monday. We didn't even miss a day. We took it as a challenge."

Eager to Get Home

First Bank could be in Missouri for a while. Although the water has receded, and First Bank's building was been drained, it will take two months, Means said, to dry the place out and finish revovations.

"It's pretty much a gut job," Means said. "We have cleanup crews going, and we may be able to move in before the actual work is done."

Means is eager to get back into Elwood, population 1,275, and start rebuilding.

"One thing is for sure," he said. "No matter what, our bank is going to be a leader in getting back into this town." □

Development Bank In Portland, Ore., Owes Life to Lawsuit

By TERRENCE O'HARA

CRA

NOT MANY BANKS HAVE BEEN capitalized with the settlement proceeds of a lawsuit.

But then, not much about the genesis of North/Northeast Portland Development Bank (In Organization) has been typical.

"I've never heard of anything like it," said James Vitarello, a Washington, D.C.-based consultant on community reinvestment financing and regulation. "The idea, as far as I can tell, is unique."

North/Northeast Portland Development Bank is seeking a chief executive to bring it from the idea stage to the formative stage. The bank's mission will be like that of South Shore Bank of Chicago, the model for community development banks; the idea is to serve ethnically and economically diverse region of north-northeast Portland.

In the next six months, the bank's organizing committee will hire a chief executive and begin beating the bushes for money to complete the bank's capitalization. The bank hopes to open by the end of next year, says Jeana Wooley, one of its organizers.

It may well be the first time that a bank has ever been formed because of a dispute involving electric bills.

In the early-1980s, the giant Portland-based utility company Pacificorp was sued in a rate case brought by several Oregon community and environmental groups. Pacificorp lost the lawsuit two years ago, when it settled the case for $4 million.


Michael Henderson

Pacificorp proposed that instead of paying back the disputed rate money through minuscule refunds to existing customers, it funnel the funds in a lump sum to the northeast Portland community, where Pacificorp's electric customers are concentrated.

Some of the $5.1 million settlement went to existing foundations. But $1.7 million, the largest chunk, went toward establishing a community development bank; the state requires $5 million in capital to start a bank.

The $1.7 million was the only part of the settlement money earmarked for a venture that didn't already exist, according to Ed McNamara, head of the Neighborhood Partnership Fund, an arm of the Oregon Community Foundation, which was responsible for implementing the development bank idea.

"We were picked because neither Pacificorp nor the plaintiffs in the lawsuit felt they were qualified or objective enough to find out if this idea was feasible," Mr. McNamara said.

Organizing Committee Formed

After a feasibility study found that a development bank would actually work in the community, the foundation shifted responsibility for the bank to an organizing committee of eight residents and businesspeople. Michael Henderson, executive vice president of the utility, led the committee.

Ms. Wooley, a member of the bank's organizing committee and a specialist in public-sector development, said the $1.7 million left in the Pacificorp settlement fund will become about 20% to 25% of North/Northeast Development Bank's equity.

She said the organizing committee will most likely make up the bank's board of directors. Pacificorp has also agreed to match $1 for every $3 raised by outside investors, bringing to the total Pacificorp commitment to $2 million.

'We Were Lucky'

That equity will be owned in a form of "community shares," the ownership structure of which has yet to be worked out, Ms. Wooley said.

She said the organizers are confident that at least $5 million can be raised from local investors, corporations, and, hopefully, banks.

"We were lucky, because we had a pot of dollars," Ms. Wooley said. "What we've got to do is present our case to those in the community that are still tentative – the banks and financial community."

Proposal to Cut Red Tape in Farm Lending Is Greeted Coolly by Agricultural Bankers

By TERRENCE O'HARA

The Farmers Home Administration wants to create a Certified Lender Program to replace the Approved Lender Program for its guaranteed farm loans.

The program would greatly reduce the paperwork for certified lenders on loans of less than $50,000. To be certified, lenders would have to have made at least five guaranteed loans in the previous two years.

By this week, two dozen lenders had commented on the proposal, almost all of them small rural banks and thrifts. Active Farmers Home Administration lenders think the rule would not apply to most of their loans, while less-active lenders think it is too restrictive.

Agriculture Mailbag

I am a good lender and represent a good bank. I have used FmHA guarantees over the last 18 years. Do not exclude the smaller banks from participating in the certified lender program by requiring a number of loans written in the past two years.

Earl Zimmerman
President
Wabasso State Bank
Wabasso, Minn.

Most of our FmHA loans average $150,000 and we feel that while it is probably a must that we transfer to CLP lenders when our present approved lender program expires, we will have almost no loans of your proposed $50,000 and below.

This would necessitate our filing the usual long form on applications. This would increase our paperwork by many fold.

C.A. Patout
Chairman and chief executive
Gulf Coast Bank
Abbeville, La.

I am wondering if the proposed rules include a typographical error? After reading "guaranteed loans of $50,000 or less," I didn't even bother to read all the rest of the proposed rules and regs. At $500,000 or less, we might consider applying for CLP status.

Roland Narr
Senior vice president
State Bank of Young America
Young America, Minn.

I have reviewed with great difficulty the Certified Lender Program interim rule. I am very disappointed with this program. Its mission to streamline the application process is wide of the mark.

What American agriculture and my customers need is a simplified process for amounts considerably in excess of $50,000.

[The CLP] is worthless to American agriculture and the banks who hope to serve their customers. It is a bureaucratic attempt that appears to comply with Congressional mandate, but in fact does not.

Horace Eaton
President
First State Bank and Trust
Hollis, Okla.

FmHA has limited CLP status to the top 16 percent of FmHA lenders who are holding 60% of the current agency portfolio. How does this encourage new lenders to use the program?

Michael Granlund
Vice president
Walhalla State Bank
Walhalla, N.D.

S&L Veteran Sounds a Warning on Interest Rate Risk

Q&A

Skip Martin, president and chief executive of Pocahontas (Ark.) Federal Savings and Loan Association, is worried that small savings and loans, wowed by low interest rates, don't have a plan to manage the mismatch between their assets and liabilities.

He doesn't expect a wave of failures, but says S&Ls could get hurt if they don't mend their ways.

For Mr. Martin, 44, S&L is in the blood. A thrift executive all of his working life, he follows his father and grandfather as head of Pocahontas Federal, which has $166 million in assets.

An outspoken director of the Savings and Community Bankers of America, Mr. Martin shared his views in an interview with American Banker *reporter Bill Atkinson.*


Skip Martin
"A real bad feeling"

Q: How big of a problem do we have with thrifts getting mismatched?

MARTIN: I hope that we all learned our lesson from interest rate risk back in the '80s, but I have a real bad feeling in my gut that we didn't.

Things have been so good lately that we may have forgotten. I think a lot of people are getting severely mismatched in this loan environment, and they may not have a plan in place to correct it.

Q: Do you expect failures?

MARTIN: No. I think there will be a mad scramble of people trying to learn things real quick. What a lot of institutions are doing is

I think a lot of people are getting severely mismatched in this environment.

extending their CDs, thinking that is going to protect them against rising interest rates.

The problem is their customer can come in and call those deposits away from them so they really haven't hedged against interest rates going up.

Q: How conservative are you?

MARTIN: Most brokers think I'm ultraconservative. My board thinks I'm a screaming liberal. I manage my gap as if interest rates are going to go up.

It is so tempting to get mismatched right now and throw everything out the window and say, "Gosh, I hate to live on this 4% spread."

Everytime you are matched you take income out of your pocket, and who wants to do that.

I'm concerned that the smaller institutions are depending too much on TB 13 (Thrift Bulletin 13) modeling. It's the Office of Thrift Supervision bulletin that tells them when liabilities and assets reprice.

Q: What's so bad about TB 13?

MARTIN: It's good; it's just not complete. Thrifts still need to hire somebody to model their institutions on a computer simulation..

Q: Do you have any other worries?

MARTIN: The portfolio lender is almost going to become a thing of the past. We are almost going to have to make a choice as to whether we are going to have a niche portfolio lenders or secondary market lenders.

Q: Why?

MARTIN: Are there enough nonconforming loans out there for me to survive? It is always difficult to completely change your approach to business. But the portfolio lender is going to find it harder and harder to keep their loan portfolio up. My point is that I think there are going to be fewer and fewer loans held by portfolio lender-type institutions. We are going to have to start making more conforming secondary market loans. I am fighting this battle out with myself.

Q: Any predictions about the future?

MARTIN: I'm afraid the Savings Association Insurance Fund premiums are going to go up and the Bank Insurance Fund [premiums] are going to go down, and that is going to lead to unfair competition.

Q: Why will SAIF premiums go up?

MARTIN: There are still some brain-dead institutions out there. So there are still probably going to be some hits to SAIF, not huge ones. □

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Jepsen Proud of His Uneventful Reign, Which Began as the Thrift Crisis Flared

By JAMES B. ARNDORFER

Roger W. Jepsen says his proudest achievement as the nation's chief credit union regulator is keeping his agency out of the headlines.

Mr. Jepsen, whose eight-year term as chairman of the National Credit Union Administration board ended Aug. 2, came aboard at the beginning of a banking and savings and loan crisis. But Mr. Jepsen managed to avoid the storm.

"We went through the same economic downturns as banks and S&Ls, but we always kept ahead of our problems," he said.

Marketable Skills

An amiable, soft-spoken man, Mr. Jepsen plans to remain in office until a successor is chosen, which may be as late as December. His future plans are still undecided.

"I'm not going to stop working," he said. "I possess a combination of age and experience that provides me with marketable assets" either to do consulting work or to join a corporate board.

He's been a hands-off manager at the NCUA.

"I see myself as a facilitator," he said. "My involvement is to support my staff in any way I can to get the mission done - reviewing decisions and granting my stamp of approval."

Term in the Senate

Perhaps one reason for Mr. Jepsen's leadership by delegation lies in the amount of credit union experience he had before President Reagan appointed him to NCUA board chairman in 1985 – none.

The last job Mr. Jepsen held was U.S. senator from Iowa, from 1979 to 1985.

Mr. Jepsen inherited an agency some say was in turmoil. His predecessor, Edgar Callahan, created a new regulatory landscape by recapitalizing the National Credit Union Share Insurance Fund and expanding field-of-membership regulations.

He also slashed the agency's budget and the number of examiners and staffers to the point where some said the NCUA was rendered ineffective.

Staff Built Up

From the start, Mr. Jepsen increased staff. In 1986 the agency's board voted to add 205 examiners over two years. The agency spent more on training, and to increase the examiners' efficiency, and technology was upgraded from "pencil and eraser to laptop computers tied to a mainframe" in 1987.

"We led the way in that," Mr. Jepsen said. "Other agencies had antiquated technology to a degree. We did it completely."

This remodeling was what the NCUA needed, said Herbert Yolles, the agency's controller. "He picked the agency up and gave it what it needed to be an effective regulator," he said.

Fewer Failures

Mr. Yolles notes the decline of deposits held by problem-case credit unions and the decrease of failures in recent years under Mr. Jepsen. The number of deposits held by problem credit unions total 2.4%, the lowest since 1977.

Charles Fihson, president of the consulting firm Callahan & Associates and NCUA director of examination and insurance under Mr. Callahan, denies the

Mr. Jepsen sharpened examiners' skills.

charge leveled by many NCUA officials that Mr. Callahan had gutted the agency.

"It's nonsense to say it [the NCUA] wasn't an efficient regulator," he said. "There's a tendency in government agencies to measure their status by the size of their staff and their budgets. It's the nature of the beast."

Despite the expenditures, the NCUA was caught off guard when Franklin Community Federal Credit Union went under in 1988. The low-income credit union listed about $2 million in assets when it failed, but manager Lawrence E. King Jr. and some associates had accepted about $40 million in unrecorded funds from depositors.

The insurance fund suffered a record $38 million hit from the failure, but the fund wasn't threatened.

In the years that followed the Franklin disaster, Mr. Jepsen stressed safety and soundness even though credit union managers grumbled.

A 1992 survey by the Credit Union National Association found that 70% of federally insured credit unions said examinations were tougher. And many credit unions felt they were being micromanaged by NCUA examiners.

"Examiners were overzealous in putting limitations on the ability of credit unions to make loans based on character," said Perry Dawson, president of Suncoast Teachers Federal Credit Union. "They wanted us to verify the employment of members, the income of members whether or not we knew that person for 15 or 20 years. They wanted us to verify everything."

Mr. Dawson added that the agency has moved to encourage loans in recent months due to appeals from the industry, and he applauds that decision.

Rep. Jim Leach, R-Iowa, a member of the House Banking Committee, said it was the Jepsen administration's tough policies that gave Congress reason not to intervene.

"He insured the independence of the system by upgrading standards so that the industry wasn't in danger of becoming a liability to taxpayers and so the industry operated with standards more comparable to thrifts and banks."

Disaster in Rhode Island

The collapse of the Rhode Island state insurance fund in 1990, also largely through fraud, caused another panic in the credit union industry. The NCUA had no obligation to guarantee the deposits of the credit unions there, but went in to help sort out the mess.

"Our role was one of a professional coordinator coming in at the request of the government to lend the professional expertise we had and offer guidance in rectifying the problems they had," Mr. Jepsen said.

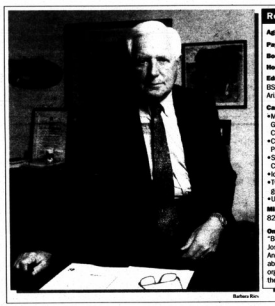
Rhode Island Gov. Bruce G. Sundlun closed 35 credit unions and the NCUA agreed to insure 22 of the remaining ones, although some wanted the agency to do more.

Federal Insurance

The agency went on to convert credit unions in other states, notably Texas, to federal insurance.

Despite these scares, the industry as a whole grew during the Jepsen years. In 1985 credit unions had about 51.7 million members with assets of $137.2 billion; at yearend 1992, 64.7 million people belonged to credit unions and assets stood at $271.4 billion.

"It used to be that credit unions were seen as the poor second cousin to banks," Mr. Jepsen said. "Suddenly credit unions are thought of as competition. That's a compliment." □

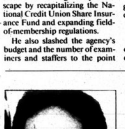


Barbara Rios

Roger W. Jepsen

Age: 64
Pay: $123,100
Born: Davenport, Ia.
Home: Fairfax, Va.
Education:
BS and MS degrees from Arizona State University
Career:
- Manager for Connecticut General Life Insurance Co.
- CEO of Agri-Dustrial Products
- Supervisor of Scott County, Iowa
- Iowa state senator
- Twice lieutenant governor of Iowa
- U.S. senator, 1979-85

Military experience:
82d Airborne, 1946-47
On the shelf:
"Boss of Bosses" by Joseph O'Brien and Andris Kurins, "A book about another kind of organized business" – the Mafia



Rep. Bill Orton
Calls hike "clearly justified"

Funding Hike Asked for Low-Interest Loan Plan

By JAMES B. ARNDORFER

Rep. Bill Orton, D-Utah, has introduced a bill that would more than quadruple funding for a program that offers low-interest loans and technical assistance to credit unions with low-income memberships.

The Credit Union Community Development Enhancement Act of 1993 would increase the fund to $25 million from the current $6 million.

The additional money will come from $382 million allocated for community development financial institutions by the Clinton administration.

'Strong Track Record'

The Community Development Revolving Loan Fund, administered by the national Credit Union Administration since 1990, offers short-term, low-interest loans. Interest from those loans goes toward technical assistance for the institutions.

"This approach is clearly justified, given the strong track record of the credit union community development lending under this program," Rep. Orton said last week when he introduced the bill.

He said it is intended to be an amendment to the community development bill when that legislation is marked up in the Banking Committee.

Trade Group Initiative

The proposal follows a letter sent out two weeks ago by David A. Miller, chairman of the National Association of Federal Credit Unions.

In it, he suggested the $19 million funding increase and the earmarking of loan interest for technical assistance.

The first suggestion matches a provision in a bill introduced by Sen. Bill Bradley, D-N.J.; the second matches provisions in proposals presented by Sen. Alfonse M. D'Amato, R-N.Y., and

See **FUND** *next page*

In Arkansas, a Tale of a Tiny Institution That Couldn't

Call it piling on, if you will.

Tiny United Christian Credit Union of Pulaski County, in Little Rock, Ark., was sinking fast.

With just $11,600 of assets, run by part-time volunteers and only a post office box as a mail drop, the credit union was already struggling to pay a $2,700 fine levied by state regulators.

Then along came the feds – the National Credit Union Administration in this case – who had regulatory authority over this state-chartered credit union by being its deposit insurer.

The federal regulator worked with the tiny credit union for two years to get its financial records in order so the credit union could file its call reports, as all federally insured financial institutions must do.

But United Christian still failed to file, in one case going eight months without doing so.

Finally the regulator gave up on United Christian and low-

The federal regulator worked with the tiny credit union for two years to get its financial records in order. But eventually officials gave up on it and lowered the boom.

ered the boom – a $15,000 fine for failing to file the semiannual disclosures.

The fine, of course, which exceeded the total assets of the institution, was too much, and ended up forcing the credit union out of business.

Friend in a High Place

Not even the intervention of President Clinton, the state's governor at the time, could save the little credit union. Calling on the ties of the local community, United Christian, which served 30 churches in the Little Rock area, subpoenaed the governor to testify on its behalf before an administrative law judge.

The President, however, was involved in a campaign at the time, and was too busy to testify. So he sent an upper-level aide instead.

The administrative law judge was so impressed, it seems, that he levied a fine of $1,000 for each day the credit union was late on its call reports – a total of $51,400. Upon reflection, the credit union administration board chose to reduce the fine by two-thirds.

End of the Line

As it turned out, the reduced fine was too much for the little credit union to bear, and state regulators were forced to shut it down.

Officials with the federal regulator insist their intention was not to force the credit union out of business. They point out that they worked with the credit union's officials for two years and even assisted them in arranging a system to allow them to file proper and timely call reports.

Don't ask me what the moral of this story is, but it probably has something to do with evolution and the future of such small financial institutions in this world of growing financial sophistication and regulatory requirements. □

Capitol Notes



By ED ROBERTS

Fund Hike Asked For Loan Program

Continued from page 8

Rep. Floyd Flake, D-N.Y.

"What we wanted to do was point out that if Congress was concerned with community development that one expedient move would be to increase funding for the revolving loan fund," said David Lehm, director of legislative affairs for the trade group.

'World Open Up Lending'

Since the NCUA began administering the fund, $7.8 million has been disbursed to 47 institutions. Per $1.8 million has been repaid on schedule, and about $280,000 in interest has been collected.

"If additional funding were provided, it would open up lending once again and additional interest would go to technical assistance for credit unions" said Ron Lewandowski, president of the NCUA Central Liquidity Fund and chairman of the revolving fund.

Last year, slightly more than $1 million was available to the fund, Mr. Lewandowski said, while requests totaled around $1.9 million.

The maximum amount of the loans is $500,000, and they carry 2% interest. □

Boatmen's Splits Stock 2-1

ST. LOUIS — Boatmen's Bancshares declared a 2-for-1 stock split and increased its quarterly dividend 10.7% on presplit shares to 62 cents from 56 cents.

Boatmen's said the split and dividend are payable Oct. 1 to shareholders of record on Aug. 31. □

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Chase's Strategy For Getting Bigger: Make Smaller Loans

By PHIL ROOSEVELT

In the world of mortgages, Chase means jumbo. Jumbo loans. Super jumbos. And all in jumbo quantity.

Thanks to its strength in high-balance mortgages, Chase Manhattan Corp. has consistently ranked among the nation's top originators and servicers of home loans.

Chase, however, is now going downscale. In an effort to boost its share of the total mortgage market, the New York giant has begun a pronounced push for loans below the jumbo level – that is, smaller than $203,150.

Last month, Chase acquired a Louisiana company that specializes in government-insured mortgages, long a staple of middle America. And other Chase units are stepping up their production of nonjumbo conventional mortgages.

"We have a very good position in the jumbo market and we're going to continue to grow it," said Fred B. Koons, who heads up Chase's mortgage businesses. "But you're also going to see steady growth at the lower end of the market."

Rising Share

This year, loans smaller than jumbos are expected to account for nearly one-third of Chase's mortgage production, up from about 15% in the past few years. The company's total originations, meanwhile, are on track to exceed $13 billion, up from $9.4 billion last year.

In addition to increasing lending volume, the move to smaller loans should make Chase less susceptible to the special peril of jumbos: high prepayment rates.

When interest rates fall, jumbo borrowers are often the first to refinance, because the cuts in their monthly payments can be very large. As a result, payoffs of existing loans have been nipping at Chase's $35 billion servicing portfolio for more than a year.

Looking to the Future

Though acknowledging this problem, Chase officials say it was not the impetus for the expansion. Rather, they say, the strategy stems from Chase's view of how the mortgage industry's long-running consolidation will play out.

When the current refinancing boom ends, Chase says, a big shakeout will follow. That, in turn, will accelerate a division of the industry into two camps: a handful of huge lenders with scale economies and a large number of small companies with strong local ties.

"The midsize players are going to get their brains beat out," said Robert Hunter, head of consumer financial services for Chase Manhattan.

Chase, he and others said, firmly intends to be one of the mega-lenders. But it doubts it can do that without moving beyond jumbos, which account for just one of every five new mortgages industrywide.

'We Can't Limit Ourselves'

"If we're going to be part of the consolidation, we can't limit ourselves to that 20% of the market," Mr. Hunter said.

The job of making the expansion happen rests squarely on Mr. Koons, who has been head of Tampa, Fla.-based Chase Home Mortgage Corp. since 1987.

His responsibilities were recently expanded to include Troy & Nichols – the Louisiana acquisition – and Personal Financial Services, a Chase unit that specializes in super jumbos, which are greater than $350,000.

His approach, he says, will be to boost customer referrals among the three units while allowing each to retain its individual focus. Troy & Nichols, which wrote $1.3 billion of loans in the first half of the year, will even keep its name.

In recent weeks, the 49-year old executive has been barnstorming the country to sell his plans to Chase's 3,100 mortgage employees. Last Thursday, for instance, he addressed salespeople in Dallas, where Chase Home Mortgage, Personal Financial Services, and Troy & Nichols each has offices.

In the Spotlight

As Mr. Koons proceeds with this balancing act, rivals will be watching closely.

"Everything I've ever heard is that Fred is a top-notch player," said Joe K. Pickett, chairman of Bank of Boston Corp.'s mortgage unit. "When he does something, I sit up and take notice."

Indeed, Chase's mortgage business enjoys a sterling reputation in the industry and on Wall Street. Last year, when more than a dozen mortgage companies went public, analysts speculated that a spinoff of Chase's mortgage operations could fetch more than $2 billion.

The business, to be sure, has lost some of its luster because of the run-up in mortgage prepayments. Chase Manhattan Corp. said revenue from all its fee businesses fell 6% in the first quarter, to $367 million, primarily because of writedowns of mortgage servicing assets.

Reputation for Service

Still, few people question Chase's prowess in mortgages. The company's customer service is considered outstanding, with some applications turned around in just one or two days, including appraisals. And Chase's credit quality has held up exceptionally well.

"Chase is viewed as producing about the highest-quality mortgage loans out there," said Ira Wagner, a director in the mortgage-backed securities department of First Boston Corp.

As of June 30, 3.5% of the mortgages serviced by Chase were past due by 30 days or more. The industry norm is about 4.3%, according to a March survey by the Mortgage

See JUMBOS next page

Home Loan Empire
Chase Manhattan Corp.'s mortgage business

Units	Chase Home Mortgage, Personal Finance Services, Troy & Nichols
Employees	3,100
Originations	$6.6 billion in first half of 1993 **National rank: 7**
Servicing	$34.7 billion on June 30 **National rank: 13**
Delinquency rate	3.5% **Industry average: 4.3%**

Sources: American Banker, Inside Mortgage Finance Publications, Inc., Bankers Association of America

Fred B. Koons

Title:
Chairman, Chase Home Mortgage Corp.

Latest accomplishments:
- Acquired Troy & Nichols Inc., Monroe, La.
- Won responsibility for all mortgage businesses of Chase Manhattan Corp.

Previous employers:
- Molton, Allen & Williams Corp., a mortgage company in Birmingham, Ala. (1975-80)
- Collateral Mortgage Inc., Birmingham (1965-75)

Education:
- MBA, University of Alabama, 1972;
- BBA, University of Alabama, 1968

Age: 49

Home: Tampa, Fla.

Family:
Married, one son in college

Extracurricular:
Sailing his 45-foot custom-designed sloop



Jeffrey Young

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Chase Packaging Others' Loans as Securities

By PHIL ROOSEVELT

Chase Manhattan Corp. is doing more in mortgages than expanding its originations. It also has become the latest company to get into the business of packaging other lenders' loans as securities.

Chase is trying to sign up 20 top lenders for its "conduit" program, said Sam Cooper, president of Chase Mortgage Finance Corp.

Up to $2 Billion of 1994 Loans Anticipated

He said the program should handle $1.5 billion to $2 billion of loans next year, mainly jumbos.

Several companies, including Countrywide Credit Industries and Meridian Bancorp, have started conduits in the past year

The bank hopes to sign up 20 top lenders.

to tap increased investor demand for privately issued mortgage securities.

The big draw of these securities: higher yields than on paper issued by government-sponsored secondary market agencies.

Sharing a Competitive Advantage

In starting a conduit, Chase is, in effect, sharing with rivals one of its greatest competitive advantages: sophisticated securitization capabilities. In the first half of this year, it bundled more than $2 billion of its own jumbos into securities.

Mr. Cooper, whose unit handles the securitization, cites some compelling reasons to open up the service to other lenders. For one thing, Chase will be able to spread its fixed costs over a greater number of deals.

More Clout on Wall Street

In addition, the increased issuance should boost the unit's clout among Wall Street dealers, he said.

Lenders sell jumbos to conduits because these loans, by definition, exceed the $202,300 maximum for loans that can be sold to the government-sponsored secondary market agencies.

"We have a couple of lenders signed on, and we're following up on four or five leads right now," Mr. Cooper said. □

Top Issuers
Private issuance of mortgage-backed securities, first-half 1993

	Volume ($ in billions)
Prudential Home Mortgage Securities Corp.	$12.92
Countrywide Funding Corp.	5.96
GE Capital Mortgage Services	2.77
Chase Mortgage Finance Corp.	2.13
Citicorp and affiliates	2.05
All issuers	40.10

Source: Inside Mortgage Securities

A Jumbos King Thinking Smaller

Continued from page 10

Bankers Association of America.

Solid credit quality has been crucial to Chase's success, because it has helped build demand for the company's loans in the secondary market. Like the big California thrifts, Chase generally holds the adjustable-rate mortgages it writes and sells the fixed-rate models.

Securitization Program

Since most of Chase's loans are too big to sell to the government-sponsored secondary market agencies, Chase sells a sizable amount under its own securitization program. In the first half of this year, the company issued more than $2 billion of mortgage securities. (See related story on this page.)

Mr. Koons, meanwhile, is clearly excited about the prospect of guiding Chase into the brave new world of mortgage banking. As he sees it, big lenders like Chase have only begun to realize their potential.

"There are some scale benefits available than we as an industry have achieved," he says. "We have underinvested in technology, both in servicing and originations."

'The Payback Will Be There'

However, he said, that is starting to change because the emerging breed of mega-lenders is taking a more strategic view of their businesses. "It looks like the investments will follow, and the payback will be there," he said.

But first, the industry may have to cope with some tough times. Once the refinancing boom stops, he says, the industry will undergo a shakeout every bit as severe as one that occurred after interest rates spiked in 1987.

"You're going to see a lot of companies lay off a lot of people, and other companies are going to sell themselves," he says.

Mr. Koons, however, fully expects to find some opportunity in the upheaval. And in the meantime, he says, he is quite content. "I'm just plodding along building my originations capacity."

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TEL REV BDS
Series: 1983 — *Issue Amount:* 9,000,000
Sale Date: 08/24/83 — *Dated Date:* 09/01/83

Cusip	Coupon	Maturity	Redeemed Amount	Type	Date	Price
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033267Z27	9.700	09/01/94	$260,000	Prerefunded	09/01/93	102.00
033267Z84	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
033267Z12	9.700	09/01/96	$315,000	Prerefunded	09/01/93	102.00
033267ZM0	10.100	09/01/97	$740,000	Prerefunded	09/01/93	102.00

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Top 25 Banks that Manage Institutional Mutual Fund Assets

Listed in order of total proprietary institutional fund assets on June 30, compared with March 31, and June 30, 1992 (dollar amounts in millions)

Rank	Name of Bank, City, State	TOTAL FUND ASSETS 6/30/93	3/31/93	6/30/92	FUND ASSETS AS OF 6/30/93 BY TYPE— Money Market	Bond/ Income	Mixed	Equity	Total Fiduciary Portfolio	NUMBER OF PORTFOLIOS AS OF 6/30/93 BY TYPE*— Money Market	Bond/ Income	Mixed	Equity
1	PNC Bank Corp., Pittsburgh	16,482	17,066	28,405	16,377	58	41	6	36	29	4	2	1
2	BankAmerica Corp., San Francisco	14,194	11,508	7,099	14,194	0	0	0	10	10	0	0	0
3	NationsBank Corp., Charlotte, N.C.	9,122	7,929	N.A.	5,396	1,475	461	1,790	27	4	8	9	6
4	Northern Trust Corp., Chicago	6,964	6,401	4,991	6,064	421	0	480	13	5	5	0	3
5	Banc One Corp., Columbus, Ohio	4,026	3,822	3,172	1,647	1,162	282	935	15	3	3	3	6
6	State Street Boston Corp.	3,964	3,519	3,359	3,382	322	6	254	8	2	2	1	3
7	Comerica Inc., Detroit	3,611	3,416	2,182	1,674	527	121	1,289	28	8	5	2	13
8	First of America Bank Corp., Kalamazoo, Mich.	3,342	3,886	3,237	789	929	312	1,313	13	3	4	2	4
9	Barnett Banks Inc., Jacksonville, Fla.	3,309	3,492	2,570	3,309	0	0	0	8	8	0	0	0
10	Boatmen's Bancshares Inc., St. Louis	3,081	3,175	2,952	2,995	86	0	0	9	8	1	0	0
11	SunTrust Banks Inc., Atlanta	2,930	2,467	1,158	947	357	0	1,617	9	3	1	0	5
12	Mellon Bank Corp., Pittsburgh	2,323	2,464	1,666	2,029	56	38	201	33	14	4	8	7
13	National City Corp., Cleveland	2,063	2,019	1,543	1,838	99	41	85	10	7	1	1	1
14	Bankers Trust New York Corp.	1,838	1,595	1,169	1,808	0	0	30	7	5	0	0	2
15	First Interstate Bancorp, Los Angeles	1,804	1,552	1,523	1,804	0	0	0	3	3	0	0	0
16	First Union Corp., Charlotte, N.C.	1,713	1,719	1,546	260	472	0	981	7	3	2	0	2
17	Old Kent Financial Corp., Grand Rapids, Mich.	1,510	1,375	87	329	539	79	563	9	2	2	1	4
18	Crestar Financial Corp., Richmond	1,420	1,430	846	1,096	123	21	181	9	3	2	1	3
19	Chase Manhattan Corp., New York	1,388	1,190	1,388	0	0	0	0	3	3	0	0	0
20	Glenmede Corp., Philadelphia	1,223	1,221	1,009	341	505	79	299	10	2	2	1	5
21	Huntington Bancshares, Columbus, Ohio	1,213	1,196	1,031	611	337	57	208	10	4	3	1	2
22	Bancal Tri-State Corp., San Francisco+	1,071	972	997	796	0	0	274	6	5	0	0	1
23	Union Bank, Los Angeles	1,037	1,027	614	559	115	0	363	6	2	1	0	3
24	Citicorp, New York	898	1,071	N.A.	898	0	0	0	2	2	0	0	0
25	UJB Financial Corp., Princeton, N.J.	588	831	507	563	103	18	145	11	3	3	1	4
	Totals for all 58 banks	102,568+	96,937	77,663	78,994	9,111	1,872	12,591	402	190	73	42	97

Data Source: The data were provided by Lipper Analytical Services Inc., New York, from its mutual funds data base. A proprietary fund is a fund over which the bank exercises management discretion or that was formed or founded by the bank. Institutional funds are funds marketed to pension plans, corporations, trusts, and other large investors. (*)— In the case of funds with multiple classes of shares, each share class is counted as one portfolio. (+)— Majority owned by a foreign bank. N.A.— Not available.

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NationsBank Leads in Diversity of Funds

By DEBRA COPE

When it comes to managing institutional mutual funds, no bank has broader horizons than NationsBank Corp.

As of June 30, the North Carolina powerhouse was running $9.1 billion of funds for pension plans, corporations, and other institutional investors, according to data compiled for the *American Banker*.

NationsBank's institutional funds run the gamut from equities, to taxable bonds, to tax-exempt bonds. In each of those categories, NationsBank holds a solid lead over other banks.

Changing Times

While the company trails BankAmerica Corp. and PNC Bank Corp. in total institutional assets, those companies derive their strength mainly from money-market funds, according to the data from Lipper Analytical Services Inc.

The breadth of NationsBank's strategy underscores the changing nature of the institutional side of the bond fund business.

More than a decade ago, some banks began offering institutional funds as an outgrowth of their corporate money management activities. Money market funds were about the only product around.

With $5.4 billion in money market funds, NationsBank lagged behind PNC, with $16.4 billion; BankAmerica, with $14.2 billion; and fourth-place Northern Trust Co., with $6.1 billion.

Increasingly, banks are rolling out long-term stock and bond funds in a bid to compete for retirement plan assets, such as 401(k) programs.

Quarterly Rankings

The accompanying chart, showing the top 25 banks in institutional funds, is the third in a series that will be published quarterly by the *American Banker*.

On Wednesday, the *American Banker* published a ranking based on banks' combined retail and institutional fund assets at the end of the second quarter. On Thursday, the newspaper spotlighted retail funds.

Banks are launching more products to compete for 401(k) funds.

The data show that banks managed $102.6 billion in institutional fund assets at midyear. That's a healthy 54% of the banking industry's total $190.9 billion in fund assets.

In other highlights, the data showed:

- The leaders, PNC and BankAmerica, held nearly 30% of the institutional mutual fund assets managed by all banks.
- Money market funds totaled $80 billion, or 78% of bank institutional fund assets. In all, 15 banks had at least $1 billion in institutional money market assets.
- Equity funds were the second-largest category, with $12.6 billion in assets. NationsBank had $1.8 billion in institutional equity funds. Three other banks – SunTrust Banks Inc., First of America Bank Corp., and Comerica Inc. – had at least $1 billion in such funds.
- Taxable fixed-income funds took third place, with $9.1 billion in institutional assets. The leader was NationsBank, with $1.5 billion.
- Tax-exempt fixed-income funds claimed the least institutional assets: $1.9 billion. Again, NationsBank took first place, with $461 million.
- Alone among the top 25 banks in institutional funds, PNC's assets declined during the 12 months. □

Bank Attorneys Study Fund Issues

By KAREN TALLEY

Amid growing scrutiny of bank mutual fund activities, the Consumer Bankers Association has formed an ad hoc committee of attorneys from some of the leading banks in the fund business.

The group, which has met several times since the spring, includes attorneys from about 20 large banks, including Chemical, Chase Manhattan, Barnett, and Wells Fargo.

"This is meant as an information exchange between the different banks," said Joe Belew, the association's president.

"It helps us stay attuned to compliance, regulatory, and legal issues involving this retail area."

Right now, the group is reviewing the Office of the Comptroller of the Currency's recent guidelines on mutual fund sales by banks.

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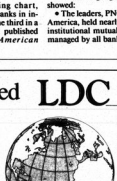

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Allmerica's 440 Financial Grows into a Major Player

By KEITH DuBAY

In 1990, when Larry Renfro left his post to join Allmerica Financial, it wasn't just anybody taking another job.

Mr. Renfro was manager of systems and mutual fund operations at giant Fidelity Investments. And he had been recruited by John F. O'Brien, who was Fidelity's No. 2 executive before leaving to run Allmerica.

In his new berth, Mr. Renfro himself began hiring away key executives from other mutual fund companies to build a new fund distribution and servicing unit – 440 Financial Group, based in Worcester, Mass.

The unit distributes, administers, or services $21 billion of fund assets.

'Fidelity West'

Many of the hires, such as Robert Lageyey, executive vice president at 440 Financial, had as much as 25 years in the business. In fact, so many came from Fidelity that 440 is sometimes called "Fidelity West."

But the company has also recruited talent from other mutual fund companies, such as the Vanguard Group. Mr. Legasey, 44, had worked for both Fidelity and Vanguard.

In three short years, 440 Financial has grown to 600 full-time employees and has snagged

In three years, it has grown to 600 employees and has 18 clients.

18 clients – including such big names in the fund business as T. Rowe Price, Invesco, Fleet Financial Group, Stein Roe Farnham, and Wells Fargo.

Revenues were $35 million in 1992. The unit distributes, administers, or services $21 billion in mutual fund assets, including a chunk of bank proprietary funds. It ranks 14th among administrators of bank-related funds, according to Lipper Analytical Service.

Many Kinds of Service

Contracts run the gamut. The company provides clients with counting for eight of its clients and telemarketing and transfer agency services for the same number. Other duties include administration, cash management, distribution, shareholder services, and prospectus printing and mailings.

Clients can mix and match services. For example, Fleet Financial Group uses 440 as administrator, distributor, fund accountant, marketer, and transfer agent for its Galaxy funds.

Among nonbank providers of mutual funds, T. Rowe Price turns to 440 Financial for cash management and telemarketing services. Invesco taps its customer service and telemarketing expertise, and Neuberger & Berman uses its fund accounting and transfer agency services.

Other clients include AMR Investment Services, Bankers Trust, Chubb Investments, Hawthorne Group and National City Corp.'s NCC Funds.

Big Expansion on the Line

The telemarketing and telephone servicing business of 440 Financial has expanded outside the mutual fund business. For example, 440 services a national flower-ordering network, 800-Flowers.

"A big day for us here on the telephones is 85,000 calls," Mr. Legasey said. The number of part-time telemarketing employees can range to 1,800 during holidays or other crunch periods.

A typical telemarketing contract is to handle night, weekend, and overflow calls for T. Rowe Price and Invesco.

When Denver-based Invesco experienced explosive growth in 1990, it saw an ad in an Investment Company Institute journal and called on 440 Financial to handle the heavy telephone information request volume.

Now 440 Financial has become Invesco's "second site" and also does information processing, statement preparation, and telephone sales for the no-load mutual fund family.

Galaxy Marketing

In marketing Fleet Financial's no-load Galaxy Funds, which have about $3.9 billion in assets, 440 Financial has played a crucial role.

Thomas Howe, executive vice president and manager of Fleet Investment Services, said Fleet moved its distribution and administration from Boston Co. because 440 Financial could provide comparable service in addition to shareholder service and marketing.

Mr. Howe, 440's largest client, likes the attention paid to his funds. "What they've got is a staff with centuries of mutual fund experience, even though it's only three years old," he said. "They have the expertise in hardware, software, and overall experience."

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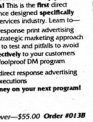

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Group of Heavyweights Begins Task Of Promoting Use of Smart Cards

Continued from page 1

transit usage, smart card systems are at some stage of exploration by the banking, health care, and government sectors, among others. Theoretically, with enough cooperation and effective standards, a single card could become almost as "universal" as a MasterCard or Visa credit card.

MasterCard International and Visa International, which have done their share of research on card technologies, have joined the Smart Card Forum.

"Our objective is to foster communications across industries and the public sector that will result in North American market trials of smart-card-based payments and information services within a few years," said Ms. Allen.

NEWS ANALYSIS

Not only has Citicorp changed its tune on technology sharing. It is winning praise by association as the Smart Card Forum has reached the incorporation stage and is preparing for its first open membership meeting on Sept. 30-Oct. 1 in Tysons Corner, Va.

Jerome Svigals, a Redwood City, Calif., technology consultant and longtime smart card advocate, called the group and its strategy "very constructive."

Toward an Open System

"Conceptually, it's right," said Ben Miller, a close observer of the technology as publisher of *Personal Identification News*, Silver Spring, Md. "They are cooperating and moving toward an open system."

"The key word is 'interoperability,'" said MasterCard vice president Lawrence Ladouceur, citing a term that the Smart Card Forum has adopted as most descriptive of its goal.

"Some of the issues the forum is addressing," he said, "could bring pressure [on standards-setting committees] to finish standards that aren't finished, or to create the standards we need for this technology to work."

The Smart Card Forum is even being praised for not stepping on the toes of other constituencies.

"They have been open in their communications," said Sean Kennedy, president of the Electronic Funds Transfer Association in Herndon, Va. He said the Smart Card Forum has avoided competing with the EFT Association's advanced card applications group, in which Ms. Allen has participated.

"Our agenda is more educational and networking in nature, while they want to get at the business issues involved in creating an open environment," Mr. Kennedy said. "They want to be a catalyst to move the technology along" – an intent that the EFT group can endorse.

"Cathy Allen has made it clear that they don't see this as an ongoing trade association – they see a finite life to it," Mr. Kennedy said.

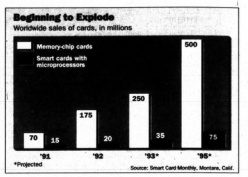
Not an Easy Task

But none of the forum participants are under any illusion that their work will be easy.

In its first press release on Aug. 4, after a series of meetings dating back to last year, the forum said it remains "in the formation stage, focusing on user needs and analysis of business specifications for smart cards."

"The smart card industry is ready to mushroom," said Rich Mandelbaum, chief scientist at AT&T's smart card systems unit. "The market needs exist and the technology is proven. By expediting the implementation of this technology, the Smart Card Forum can help achieve the widespread use of smart

See SMART-CARD next page



Smart-Card Group Launched

Continued from page 14

cards in the U.S."

Other joiners – paying $1,000 to $15,000 – include Bank of Montreal, BayBanks Inc., Mastercard Technologies Inc., the Washington Post Co., Toshiba America, the U.S. Treasury, and Verifone Inc.

Most of the member technology companies make or cooperate in smart card systems; the banks and other potential users have done early-stage research.

The group sees some sense of urgency for technical standards. It is projecting that 1.25 billion prepaid, or stored-value, chip cards – for telephones, vending machines, highway toll collections, and the like – will be issued worldwide by 1995, and payment volume will reach $20 billion by 2000.

The MAC network is conspicuously absent.

The forum has committees in several areas: payments, financial and information services, telephony, electronic benefits transfer, and health care.

"They have literally hundreds of technical, political, business, and system hurdles to get to an open system," said Mr. Miller, the newsletter publisher.

He listed two immediate needs: getting MAC to join and naming an executive director to replace PSI, the Tampa, Fla., research firm that has been providing administrative support.

MAC may be reluctant because of the head start with prepaid cards it has gotten through a test in Philadelphia. Regardless, Mr. Miller said the naming of a strong executive director is crucial, and has been appropriately postponed until a permanent board is installed. □

Citibank Is Shedding Individualistic Image

By JEFFREY KUTLER

Catherine A. Allen, who ushered the Smart Card Forum through its formative stages, personifies a change sweeping through Citicorp.

Speaking a language of cooperation between companies and across industries, Ms. Allen indicates that Citicorp has shed its historical insistence on calling its own technological tune.

The harmony emanating from the Smart Card Forum has attracted about 30 dues-payers, including leaders from financial services and high technology.

Another 30 have shown an interest in joining. Along with another Citicorp-initiated banking research project called Fintech, it tends to disarm any remaining criticism about Citicorp's being arrogantly out of touch with market preferences.

'Times Have Changed'

"Citicorp is participating because times have changed," Ms. Allen said in a recent interview. "Cooperation is necessary for common industry standards."

Standards would dispel confusion, allowing cards equipped with computer chips to be used in multiple applications, say, telephones and banking machines.

In promoting this movement, Citicorp has indeed come a long way. The automated teller machines it designed in the 1970s utilized a card-reading system called Magic Middle, developed by Citicorp and incompatible with the prevailing industry standard of magnetic-stripe cards.

Reed Changes Direction

In recent years, Citicorp has revamped its ATMs and cards to conform to networking stan-

Membership in the Smart Card Forum is one example of the new approach.

dards. It joined the Cirrus ATM system and is considering dropping its last taboo by joining the NYCE regional system.

Ironically, the Magic Middle and the go-it-alone strategy were originally championed by the technology group under John S. Reed, Citicorp's current chairman. He and his chief technology officer, Colin Crook, have changed direction.

"The technology strategy in the bank now is in line with global availability," said Ms. Allen, vice president of business development and strategic alliances in Mr. Crook's office of the senior technology officer.

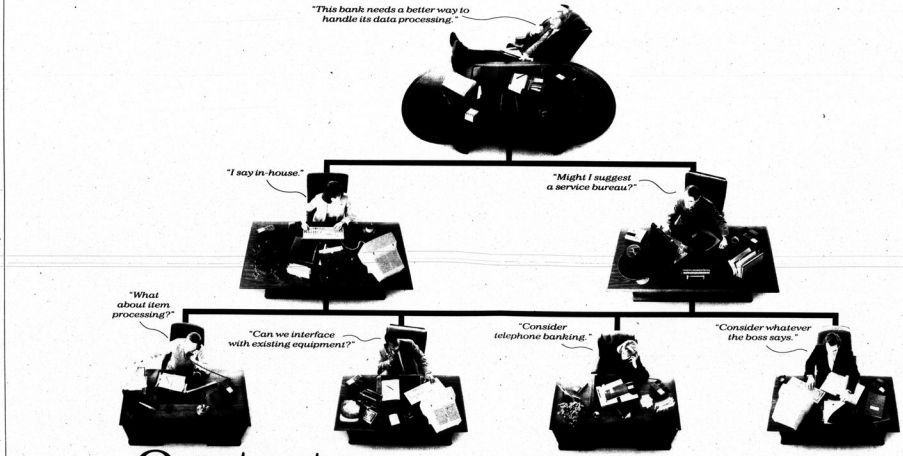
Industry Standards Sought

"We are working with groups like [the Smart Card Forum] to promote the adoption of industry standards," Ms. Allen said.

Each forum member has self-interests but has opted for group action.

Ms. Allen has been praised for keeping lines of communication open with other interested parties, like the Smart Card Industry Association and Electronic Funds Transfer Association.

That kind of effort can only help later when the Smart Card Forum approaches the highly structured national and international committees that write technical standards. □



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Industry's Emphasis On Deterrence Seen As Curbing Robbers

By BARTON CROCKETT

The number of bank robberies and related crimes dipped last year from the record level of 1991, according to data recently published by the Federal Bureau of Investigation.

The decline – the first since 1985 – indicates that new efforts to deter such crimes are paying off, said Gale Evans, chief of the FBI's violent crimes bureau in Washington.

"The banking community has recognized this as a problem.

The decline was the first since 1985.

and they've taken steps on their own" to correct it, Mr. Evans said.

Concern over bank crime peaked in 1991, when 9,810 robberies, burglaries, and larcenies were committed at commercial and savings banks, savings and loans, credit unions, and armored carrier companies – the highest number since the FBI began compiling the data in 1934.

In 1992, the FBI counted 9,512 of these crimes.

The data show that the bank crime capital of the country is California. According to the FBI, there were 3,401 bank robberies, burglaries, and larcenies in the Golden State in 1992.

New York was second with 664 incidents, followed by Florida, with 527.

Quick Getaways a Factor

Mr. Evans said that California is susceptible to bank crime because its extensive freeway system gives robbers an easy means of escape.

Gang violence, and the rising popularity of "takeover crimes," where robbers use guns or intimidation to control a bank, are also fueling the problem.

Banks are fighting back, including Bank America Corp., which was hit with a whopping 744 robberies in 1992.

A series of initiatives to beef up bank security – including installation of bulletproof windows called "bandit barriers," the hiring of more guards, and the posting of rewards – has contributed to a 43% decrease in the incidence of crime at Bank-America so far this year, said Deborah Jacob, a senior vice president and director of the bank's security services.

"We're really proud of the results we've seen," she said.

Losses have dropped 43%, while the recovery of stolen cash has risen 65%.

Among the methods Bank-America is using to recover money is inserting "dye-bombs" in packets of bills. When activated by radio, the devices explode in clouds of red ink that stains money and clothes.

But even though the incidence of bank crime declined last year across the nation, losses continued to mount. According to the FBI, $68 million was taken last year during bank crimes, up from $66 million in 1991.

More than 170 Injuries

And less of the loot was recovered in 1992 – approximately $10 million, compared with $11.5 million in 1991.

There continued to be a human toll.

More than 170 people were injured during bank crimes last year, the highest number since 1987. There were 18 fatalities, and 118 hostages were taken.

The most frequent cause of injury during bank crimes was an unprovoked action by a robber, the FBI reported.

The perpetrators in 60% of those committing bank crimes are eventually caught, Mr. Evans said.



ACT Trading Software Revamped for U.S.

By DEIDRE SULLIVAN
Special to the American Banker

ACT Financial Systems has adapted its trading software, popular in Europe, to better serve North American financial institutions.

The Citydesk information distribution and management system allows traders to customize the way data appear on their computer monitors.

ACT has headquarters in Birmingham, England, and offices throughout the world. Its products are installed at over 400 companies in 15 countries.

According to Rick Milde, ACT's U.S. sales manager, Citydesk was designed with the needs of European traders in mind. Most of ACT's clients are in the United Kingdom and Western Europe, where the focus is on trading fixed-income instruments.

A Focus on Equities

Mr. Milde said that because trading volume in the United States was heavily weighted toward equities, ACT upgraded its system accordingly.

"Equity traders are used to looking at information and handling it in different ways than a fixed-income trader might," he said. "So we've adapted to the

Citydesk was designed for European traders.

system to better meet the equity trader's need."

He said, for example, that equity traders often like to see simultaneous streams of real-time data on the screen, so ACT built in that particular capability.

"We also found out that equity traders wanted what we call a "drag and drop" function. This involves highlighting the data from one application and bringing into another application," he said.

ACT has also announced that a version of Citydesk is now available on the new Windows NT computer operating system from Microsoft Corp.

Multitasking Capability

Though previous versions of Citydesk used Microsoft's original Windows environment, ACT officials wanted to take advantage of Windows NT's ability to control numerous software applications at the same time; a process called "multitasking."

"One criticism of Windows is that you couldn't perform multitasking functions," Mr. Milde said. "For instance, you weren't able to do multiple calculations simultaneously at one workstation. The new Windows NT changes all of that."

Mr. Milde also said that by supporting Windows and Windows NT on the same network, Citydesk offers a migration path to new technology while protecting a bank's investment in existing systems.

Ms. Sullivan is a freelance writer based in New York.

Sadly for you, politicians in Washington agree on something.

Lawyers, legislators and lobbyists in Washington—people who've made careers out of being contrary—all are declaring the same thing these days: that government's relationship with the secondary mortgage market is going to change drastically.

They all know about HUD plans to toughen enforcement, new pressures on Fannie and Freddie, and the revival of Ginnie Mae as a major player in the market. And if you want more evidence, look to Capitol Hill, where Congress is toying with mortgage bankers subject to the same regs as commercial banks.

How should you react? You could wax nostalgic—and get clobbered by the government and your competitors. Or you could read *The Mortgage Marketplace.*

Every Monday, in less time than it takes to finish your morning coffee, *The Mortgage Marketplace* tells you about the new rules and ideas that could keep haul your secondary operations. It names the biggest mortgage company participants in Ginnie, Fannie and Freddie issues. And it scans the horizon to determine what types of loans, and borrowers, that now are considered exotic could soon enter the pipeline of conforming loans.

There's no debate—new regs are coming. What's still at issue is whether you'll be ready for them.

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Bisys Buys Barclay Group, a Specialist in 401(k) Servicing

By MATT BARTHEL

In a deal valued at $10 million, Bisys Group Inc., a Little Falls, N.J.-based computer services firm, has purchased a company specializing in servicing investment products.

The acquired company, Barclay Group of Ambler, Pa., handles record keeping and account administration related to the 401(k) plans of about 2,000 companies. Barclay was a subsidiary of Ethyl Corp., Richmond, Va.

The 401(k) programs in place at these companies are usually the products of brokerage houses, insurance firms, or mutual fund companies.

But an increasing number of banks are selling 401(k) products to their corporate and retail clients.

Latest Market Cited

And while most of the institutions currently engaged in this business are large organizations that have the resources to handle the related record keeping and account administration inhouse, Bisys believes there is a latent market for third-party servicing of the 401(k) plans sold by smaller banks.

"People are now putting the money they used to keep in savings accounts [at banks and thrifts] into qualified contribution plans," said Bobby Jones, vice president in business development at Bisys.

Mr. Jones said the market Bisys intended to target with its new 401(k) services – financial institutions with under $2 billion in assets – is largely untapped. Figures from Access Research Inc. in Windsor, Conn. suggest that this is true.

Access found that about 82% of businesses with more than 1,000 employees currently have 401(k) plans in place. By contrast, only about 20% of companies with between 100 and 500 employees have plans, and only 9% of companies with fewer than 100 staffers offer 401(k).

Bisys believes that the 400 small and medium-size banks using its other computer services are eager to sell 401(k) products.

Bisys bought Barclay on the hunch that the 400 small and medium-size banks that make use of Bisys' other computer services are eager to sell 401(k) products to these smaller businesses but have been unable or unwilling to handle the attendant administrative duties.

Barclay's business is focused on companies with 1,000 or fewer employees with a concentration on businesses with less than 500 staffers.

At least one banker believes that Bisys has made the right move.

"We are active in the cash management business, and not being able to offer a 401(k) product has always been something that made it hard for us to effectively compete for business with larger institutions," said Joseph Matlock, president and chief executive officer of Franklin Federal Bancorp, a $1.6 billion federal savings bank based in Austin, Texas.

"Having the ability to offer 401(k) type products to our corporate base and our retail customers is something that absolutely interests us."

Once the Barclay acquisition is complete, Bisys will be able to handle a wide range of 401(k) activities on behalf of its banking clients.

When a bank representative finds a company that wants a 401(k) plan, Bisys draws up a proposal with the bank. Upon acceptance of the proposal, Bisys takes over full administration and record-keeping responsibilities.

This includes things such as producing and mailing participant statements and doing daily valuations of the funds within each plan.

Bisys also will convert the company from an old 401(k) plan to a new one, if necessary. In addition, Bisys can process loans from the 401(k) plan on behalf of the bank. □

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CoreStates Turns To Systematics

CoreStates Financial Corp. has agreed to license two software packages from Systematics Financial Services Inc.

Philadelphia-based CoreStates said it had signed a five-year deal for software and support related to Systematics' advanced-loan system and its information-management system. Little Rock, Ark.-based Systematics will handle the installation of the software, training of the bank's employees, and scheduled upgrades to the system.

The value of the transaction was not disclosed.

The deal is part of the $23.7 billion-asset bank's push to standardize the products and services it offers through its 280 branches in Pennsylvania and New Jersey.

— Matt Barthel

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Day 1

8:00 – 9:00 Registration

8:00 – 9:00 Continental Breakfast
Sponsored by: **BHC Securities Inc.**

9:00 – 9:15 1993 Conference Chair
Debra McGinty-Poteet, *Senior Vice President and Director, Bank of America*

9:15 – 9:45 The Role Banks Are Playing in the Mutual Fund Explosion
A. Michael Lipper, *President*
Lipper Analytical Services

9:45 – 10:45 How Banks Can Build a Profitable Mutual Fund Business
PROPRIETARY: Paul Klug, *Vice President*
Vista Capital Management
NON-PROPRIETARY: J. Edward Diamond,
Senior Vice President
Dime Savings Bank

10:45 – 11:00 Coffee Break
Sponsored by: **Fidelity Investments**

11:00 – 11:30 Banks and Mutual Funds: Risks and Opportunites
Matthew P. Fink, *President*
Investment Company Institute

11:45 – 1:00 Lunch

1:15 – 2:30 Your Funds or Mine: The Advantages and Disadvantages of Starting Your Own Fund, Working with a Third Party Provider or Entering into a Private Label Agreement
Moderator: Joy P. Montgomery, *President*
Money Marketing Initiatives
W. Christopher Maxwell,
Executive Vice President, KeyTrust
Mark Mitchell, *Senior Vice President*
First Federal Bank
Harley Sefton, *Vice Chairman*
San Diego Trust & Savings Bank
C. McNeil Baker Jr., Senior *Vice President*
Barnett Banks Trust Company NA

2:30 – 2:45 Coffee Break
Sponsored by: **GE Investments**

2:45 – 3:15 Taking the Plunge: What Do Customers Want? A Look at Customer Attitudes
Marcia Selz, *President & CEO*
Marketing Matrix

3:15 – 4:15 Building a Mutual Fund Business: Marketing to Your Customer Base, Cross Selling Opportunities
Moderator: Debra Cope
Investment Products Editor, American Banker
Eugene Purcell, *Vice President*
Branch Banking & Trust
Richard Davies, *President*
First Chicago Investment Services

4:15 – 5:00 And the Walls Come Tumbling Down: A Look at What State/National Banks and State/Federal Thrifts Can & Cannot Do
Moderator: Melanie Fein, *Partner*
Arnold & Porter
Laurie Schaffer, *Senior Attorney*
Federal Reserve Board
Thomas Harman, *Chief Counsel*
Division of Investment Management
Securities and Exchange Commission

5:00 Cocktail Reception

Day 2

8:00 – 9:00 Continental Breakfast
Sponsored by: **PNC Financial Services Group**

9:00 – 9:30 Mutual Fund vs. Deposits: The Impact on the Banking Industry
Lawrence Kudlow, *Chief Economist*
Bear Stearns & Co.

9:30 – 10:30 Pricing the Product: The Load, No Load Question
Moderator: Fred Werblow, *Partner*
Price Waterhouse
Marc Lieberman, *Director, Mutual Funds*
First Union Corporation
Peter Herlihy, *Vice President*
Fleet Investment Service

10:30 – 11:00 Managing Compliance in an Aggressive Sales Environment
Rainey Gray, *Senior Vice President*
Boatmen's National Bank

11:00 – 11:45 Banks and Mutual Funds: The Next Generation
L. William Seidman
Chairman of the Board, Com Mac
Former Chairman, FDIC

11:45 Conference Adjourns

Space is extremely limited, please register early!

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Comment

By William J. Kilberg and Mark Snyderman

Government Shouldn't Be Going After 'Deep Pockets'

Private litigants look for the "deep pocket." When an injured plaintiff searches for a source of compensation, "whoever can afford it" suffices.

Our government has a higher obligation. It must act fairly and in the public interest. Yet too often, government litigators, bent on winning cases and collecting awards, abdicate that responsibility.

And when the courts reject their expansive theories, government agents do what few private litigants can: They turn to Congress to change the law.

A recent Supreme Court decision limiting recovery in some lawsuits brought on behalf of employee benefit plan participants threatens to derail certain of the Department of Labor's litigation.

New Class of Defendants

In response, the department has enlisted Sen. Howard Metzenbaum (D-Ohio) to push through a bill that not only would undo the Supreme Court's decision, but would create whole new classes of defendants.

The proposed legislation is a reflexive response to a perceived need that does not exist. Worse, the bill is anticompetitive and certain to drive up the cost of services provided to employee benefit plans, to the long-term detriment of plan participants.

Under the Employee Retirement Income Security Act of 1974, those who exercise discretion over the funds in an employee benefit plan are fiduciaries of the plan and held to a strict duty of care. Those who breach that duty are liable to make up to the plan all resulting economic loss.

Common-Law Twist

In recent years, some courts have read into Erisa a common-law theory that persons who are not fiduciaries, but who actively assist in a fiduciary breach, may share liability.

In Mertens v. Hewitt Associates, the Supreme Court held that recovery in such "knowing participation" suits is limited to plan assets that the nonfiduciary may have obtained as a result of participating in the breach.

Unlike fiduciaries, nonfiduciaries are not liable for all economic loss to the plan resulting from the fiduciary's misconduct. The Mertens court also questioned whether Erisa supports a claim against nonfiduciaries at all, though the court reserved judgment on that issue.

The Department of Labor reacted quickly. Fearing that the limitation on relief in knowing-participation suits would hinder its efforts to collect money from unwitting deep pockets, the department drafted new legislation to overturn the result of *Mertens*.

Out of Control

That fact is unhappy enough, for there is little reason to believe that the Mertens decision will be a detriment to employee benefit plans. But those whose job it is to enforce the law, given this opportunity to write it, could not control themselves.

As originally drafted, the department's bill not only would establish with certainty a claim for knowing participation by a nonfiduciary, but would have enlarged available damages for all Erisa claims to include not only lost benefits, but compensation for nonmonetary loss and punitive damages.

The department also took a little for itself. The bill mandated a 5% civil penalty to be paid to the government every time a private plaintiff succeeded in an Erisa suit.

Foiled at the Last Minute

Sen. Metzenbaum attempted to append the bill to the Senate's version of the budget, quietly and without hearings. The business community lobbied hard and, with the assistance of Sen. Nancy Kassebaum of Kansas was able to prevent this last-minute amendment. The resulting compromise is a narrower bill that will be the subject of future hearings.

Unfortunately, the new bill is almost as bad as the original. Gone are the punitive damages and damages in excess of lost benefits, but the bill expands value and poorly drafted, and, in one sense, revolutionary in its expansion of liability. The department continues to seek its pound of flesh.

The bill outlaws knowing participants in a fiduciary breach. The bill does not define "knowing." Unlike the common-law cause of action, which required an active furtherance of the breach, the Department of Labor in its litigation has sought liability against those who only involvement is being in the vicinity of the breach and having significant financial resources.

Thus, the department has gone after the providers of medical and dental services on the theory that their prices were too high. According to the department, these doctors and dentists participated in a breach of duty by selling services to plan fiduciaries who overpaid with plan funds.

The participation was "knowing" because the providers knew what price they were charging. This is a remarkable reading, and an incredibly inefficient way to achieve cost control over medical and dental services.

Perhaps we can rely on the courts to reject the department's interpretation of "knowing participation" But the department's legislation has a fallback provision to achieve the same result.

Under Erisa, anyone who provides services to a plan is a "party in interest." Erisa currently prevents a plan fiduciary from purchasing services from a party in interest for more than "reasonable compensation."

Erisa imposes no liability on the party in interest in such a situation. The new bill would enforce a party in interest to disgorge lull profits from a transaction with a plan if the party in interest charged the plan more than "reasonable compensation." The reasonableness of a service provider's fees are to be determined after the fact, in court.

TOO OFTEN, *government litigators, bent on winning cases and collecting awards, abdicate their duty to promote fairness.*

THE LABOR *Department has gone after doctors and dentists on the theory that their prices were too high.*

To aid service providers in conforming their behavior to the law, the Department of Labor's regulations offer this gem: Reasonableness "depends on the particular facts and circumstances of each case."

The real danger in the new provision goes well beyond the vagueness of "reasonable compensation" The party-in-interest rule, should it become law, would make every benefit plan service provider a guarantor of fiduciary conduct.

A service provider would be liable even if the provider charged the plan its customary rate for such services, and even if the provider was unaware that someone else charged less.

A service provider – such as a doctor, lawyer, or accountant – ordinarily deals at arm's length with those to whom services are provided; the provider is not the protector of its customers when setting fees.

If the Department of Labor has its way, this way of doing business no longer will suffice when providing services to an employee benefit plan. Service providers will have an affirmative obligation to ensure that the plan is not paying "too much" for services.

Unwelcome Consequences

This new rule is sure to have several pernicious consequences. Many service providers simply will cease doing business with benefit plans; the marginal cost of the potential liability will not be worth it.

Other providers will be forced to raise their prices or reduce the quality of services to offset the costs of dealing with plans. Ironically, the brunt of price increases will be felt by the provider's nonplan customers, as raising prices to benefit plans only increases the chance of liability.

Finally, some service providers may try to reduce their risk of liability by engaging in anticompetitive behavior. Once a service provider sets a low price for services, other providers realistically must fear that any higher price will be deemed unreasonable.

Threat of Collusion

To prevent the inevitable race to the bottom, many providers may be induced into collusion. In the end, all of this behavior will cost employees and retirees, both in and out of plans.

The Department of Labor appears to care little about these long-term consequences. Doctors, lawyers, and accountants have money, and employee benefit plans need it.

And so the Department institutes legislation that will add to its redistributive arsenal. This kind of short-sighted self-interested thinking is to be expected from hired-gun litigators. The government should know better. □

Reader Forum

The American Banker welcomes points of view on issues of interest and importance to the banking industry. Please direct letters to Jeffrey Kutler, assistant managing editor, *American Banker*, One State Street Plaza, New York, N.Y. 10004.

Mr. Kilberg, former solicitor of the Department of Labor, is managing partner in the Washington office of the law firm of Gibson, Dunn & Crutcher. Mr. Snyderman is an associate with the firm.

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Comment

By Stephen H. Axilrod

Europe's Rate System Meets Reality

The second major crisis to hit the European exchange rate mechanism in a little less than a year – this time focused mainly on the French franc – was yet another demonstration of the adage that you cannot fool all of the people all of the time.

But you may, as the saying also notes, fool all of the people some of the time. The rate mechanism did hold together for more than five years – from January 1987 until September 1992 – as a system of essentially fixed exchange rate relationships.

There were no currency realignments, in large part because the markets came to believe the system could be maintained for an indefinite period.

Credibility Lost

However, once the market perceived that exchange rate relationships were inconsistent with underlying economic conditions, and once there was any doubt about a country's will to do whatever was needed to keep its rate in line, credibility was lost.

It then became practically impossible – either through domestic policy adjustments or official exchange-market intervention – to maintain the system in face of the massive shifts in private funds.

When it is not even clear that policy authorities in the various participating countries have the same priorities, defense of the system becomes even more difficult.

To many European countries, a mechanism with rigid rate relationships was a way station toward the more basic goal of a common currency and common central bank.

Maintaining rigid exchange rate relationships was a means of enforcing the convergence of domestic policies and economic conditions needed before implementation of a common currency.

Britain's Motives

Clearly, not all of the key countries were wholeheartedly behind that ultimate goal of a common currency.

In my view, the British had joined the rate system basically for their own domestic purposes of restoring balance and international competitiveness to their economy, not because they were particularly enchanted with the idea of moving toward a common currency.

When the market forced the politicians to realize their exchange-rate policy had outlived its domestic usefulness, it was something of a blessing for the British economy.

The French were also using the rigidity of the rate mechanism in discipline their domestic economy and reduce inflation, and in addition to enhance the relative stature of France and the franc in Europe and the world. But unlike the British, they seemed to believe strongly in the drive toward a common currency.

That attitude was derived from political as much as economic imperatives. Politically, it was a way of restraining the independent influence of Germany by distributing power to broader European institutions.

Germany's Troubles

As the underlying political objective of the drive toward a common currency gradually became understood in Europe, considerable resistance developed because of fears that nations not only would lose more economic sovereignty than expected but also would see much of their traditional political and social authority eroded.

The recession that was prolonged and deepened in Europe by the inflationary impact on Germany of the unforeseen merger of East and West Germany made political problems even worse.

In Germany itself, the political and monetary authorities may have had divergent views. The independent German central bank's overriding concern is domestic price stability.

As a result, even apart from any doubts it might have about the desirability of giving up the



D-mark for a common currency, as an institution it must have felt it could give only limited consideration to the impact of its policies on the other

See **EUROPEAN page 25**

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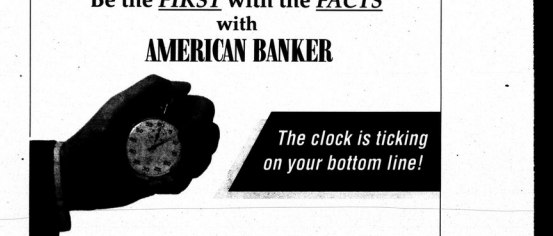

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AUCTION NOTICES

M. SKOLNICK DCA Lic # 793108 and/or S. GORELICK DCA Lic # 841437 Sell August 23, 1993 9:00 AM. 2000 Hamilton Blvd Island Park NY 1983 Ford Mustang 2 Dr H/B 1FAHP28E9DF130303 Re: P Brennan/E Collins: 10:30 A.M. 10-09 Buick 2 Dr H/B 2G4WB14T9N1427041 Cumaro 2 Dr Sdn 1P8THAS564330 Re: J a Woodward/T Haines: 11:00 A.M. 10-17 Beach 21st St Queens 1991 Honda Accord 4 Dr Sdn JHMCB7649M0100788 Ford Rosaures Corp/S Dvoich: 11:30 A.M. 222-19 North Conduit Ave Queens 1992 Toyota Cressida 4 Dr Sdn JT2MX56J2N1280293 Re: A Smith: 12:00 P.M. 123-40 Merrick Blvd Queens 1984 BMW 318i 2 Dr Sdn WBAAK5407E8376-2475 Re: M Lamour: 12:30 P.M. 116-21 Merrick Blvd Queens 1986 Mazda 626LX 4 Dr Sdn JM1GC2212G1846460 Re: G Amos/C Rowland: 1987 Toyota Corolla 4 Dr Sdn JT2AE82E4H3489406 Re: J Emanuel: 1:00 P.M. 107-57 Merrick Blvd Queens 1987 Mazda 626 4 Dr Sdn JM1BF2223H0553087 Re: M Hall: 1980 Ford Mustang 2 Dr Sdn 1FABP2623AG Re: A Smith: 1:30 P.M. 116-60 Sutphin Blvd Queens 1989 Oldsmobile Cutlass 2 Dr Sdn 3317P8E49206 Re: J Thomas: 2:00 P.M. 110-11 Sutphin Blvd Queens 1962 Ford Thunderbird 2 Dr Sdn 2Y83Z177418 Re: W Bradshaw: 1979 Mercury Zephyr 2 Dr Sdn 9E33T631785 Re: P Chappell: 2:30 P.M. 13345 Atlantic Ave Queens 1990 Harley Davidson Electra Glide M/C 1HD1FALL8MY310583 Re: E Powell: 3:15 P.M. 406 Autumn Ave Bklyn 1980 Chevrolet Corvette 2 Dr Sdn 1G1AY0787A7845762 Re: H Garcia: 3:45 P.M. 796 Rockaway Pkwy Bklyn 1986 Ford Thunderbird Super 5.0 Re: Lincoln/L A Fishman: 4:15 P.M. 1911 Utica Ave Bklyn 1987 Chevrolet Lebaron 4 Dr Sdn 1C3BH44EAHN346257 Re: R Bravo. Metropolitan Auctioneers, Inc.

M.SKOLNICK DCA Lic # 793108 and/or S. GORELICK DCA Lic # 841437 Sell September 1, 1993 9:45 A.M. 500 Hillside Ave New, Hyde Park 1984 Volvo Turbo 4 Dr Sdn YV1AX8407E1000555 Re: S Farkanish-Moore; 1985 Renault Alliance 4 Dr Sdn 1EMDC9633FJ814320 Re: R Jones: 10:30 A.M. 10-17 Cross Bay Blvd Queens 1986 Chevrolet 20 Truck 1G8EC24Y3GB135104 Re: L Wilder/L Ford Mustang 2 Dr Sdn 1FABP28E5GF214278 Re/S Coleman; A Pokorapy: 12:15 P.M. 116-60 Sutphin Blvd Queens 1983 Nissan Sentra 2 Dr Sdn JN1SB-15RDHJ004356 Re: A Vickers: 12:45 P.M. 130-18 Liberty Ave Queens 1986 GMC Sierra 1500 Pick-up Truck 2GTDC14H6 Re: Diamond Trading Co Inc/P Cavin: 1:15 P.M. 108-15 Merrick Blvd Queens 1991 Chevrolet Geo Storm 2 Dr Sdn JH1RF2306MT500184 Re: L Wilder/L Barwell: 2:00 P.M. 78-13 31st Ave Queens 1982 Mercury Lynx 4 Dr H/B 2MEBP6452-4C363979 Re: H Cichon: 2:45 P.M. 92-02 Metropolitan Ave Queens 1983 Buick Riviera 2 Dr Sdn 1G4EZ2Y7VHF848811 Re: J Gardy: 3:30 P.M. 281 St Nicholas Ave Bklyn 1980 Subaru 1600 Sdn JF1SA5-31FAG215858 Re: M Falaise: 1983 Oldsmobile Omega 2 Dr Sdn 1G3AB37R2D-W306375 Re/G Tosh: 1980 Buick Skylark 2 Dr Sdn 4B337A7141989 Re: J Dionjasio: 1976 Pontiac Astro Sabo 2C15A6U341353 Re/N Godbolt; 1978 Mercury Cougar 2 Dr Sdn 8H93F634743 Re: I Danvers; 1983 Plymouth Reliant 4 Dr Sdn 1P3BP26C-6DF162901 Re: O Wiggins: 1983 Mazda 626 2 Dr Sdn JM1GC1311D1511331 Re: T M Voley: 1985 Nissan Sdn. Sdn JF2AN52B7FD416034 Re: P German; 1981 Cadillac Fleetwood 4 Dr Sdn 1G6AL6999BP246212 Re: VIP Facility/D White Metropolitan Auctioneers, Inc.

M.SKOLNICK DCA Lic # 793108 and/or S. GORELICK DCA Lic # 841437 Sell August 31, 1993 9:45 A.M. 600 Fountain Ave Bronx 1979 Sea Sprite 18' Boat Hull # BSSS18479A Re: R Rose: 10:30 A.M. 1331 Commonwealth Ave Bronx 1978 Dodge Omni 4 Dr Sdn 2A4AM2D13Z65 Re: J Cruz/Ford Mustang 2 Dr Sdn 1FABP28M-1HF140159 Re: R Jackson; 1985 Oldsmobile Regency 4 Dr Sdn 1G3CW69R-1F312690 Re: J Gomez/A Uzena: 12:30 P.M. 1910 W 181st St NYC 1987 Mercury Sable 4 Dr Sdn 1MEBM56U2H-G614823 Re: J Cuevas: 1984 Pontiac Firebird 2 Dr Sdn 1G2AB37-1EL258802 Re: Jackson Sales/J Rodriguez: 1:00 P.M. 103 W 108th St NYC 1981 Toyota Corolla 4 Dr Sdn 1T2TE72E0BW064141 Re/F Hamel-burg: 1991 Geo Prizm 4 Dr Sdn 1Y1S-K5463MZ0-0 Re: R Bradley: 1:45 P.M. 130 W 20th St NYC 1995 Aviator Hooley Spirit 2 Dr Conv 1H1312-1Re/D Mcconor: 1986 Dodge Omni 4 Dr Sdn JA-SADDDRL9-WC243284 Re: Kraft Hand-Le Co./M. Sena Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA Lic # 793108 and/or 7. GORELICK DCA Lic # 841437 Sell September 14, 1993 10:00 A.M. 750 Zerega Ave Bronx 1986 Chevrolet Cavalier 2 Dr H/B 1G1JD7PJ7G7114-38 Re/K Taylor:10:30 A.M. 4729 Third Ave Bronx 1987 Toyota 4X4 2 Truck JT4RN50R8H-2002-6895 Re: Chisolm: 11:15 A.M. 1941 Jerome Bronx 1979 BMW 320i 4 Dr Sdn WBAAB-7737 Re: V Mitsou/J Rogidis: 11:45 A.M. 255 Jackson Ave Bronx 1986 Mazda 323 4 Dr Sdn JM1BF2232G0178121 Re: A Bonilla: 1:00 PM 300 W 55th St NYC 1985 Pontiac Sunbird 4 Dr Sdn 1G2JB0650F-7598142 Re/M Stevens: 1:45 P.M. 245-247 10th Ave NYC/1989 Honda Prelude 2 Dr Sdn JHMBA4229KC022163 Rec/A & M Auto Repair: 1979 BMW 633 2 Dr Sdn 4387641 Re: J Prior 2:15 P.M. 249 10th Ave NYC 1983 Oldsmobile Omega 4 Dr Sdn 1G3AX69Y8DM803349 Re: C Rodriguez: 2:45 P.M. 150 W 20th St NYC 1983 Jaguar XJ6 4 Dr Sdn SAJAY1340DC361-311 Re: L Fisenberg/Brookfield Braking Inc. Metropolitan Auctioneers, Inc.

MAGRILL AUCTIONEERS CO. INC. As Agents For Gem Pawnbrokers Corp., All Locations, Will Sell All Unredeemed Pledges, Dec. 0001 12/15/00 To 89,999 10/15/92 To Be Held At Gem Pawnbrokers Corp. 216-13 Jamaica Ave., Queens Village NY, On August 16th, 1993 At 9 A.M.

M. SKOLNICK DCA Lic # 793108 and/or S. GORELICK DCA Lic # 841437 Sell September 1, 1993 9:45 A.M. 600 Fountain Ave Bronx 1979 Sea Sprite 18' Boat Hull # BSSS18479A Re: R Rose: 10:30 A.M. 1331 Commonwealth Ave Bronx 1978 Dodge Omni 4 Dr Sdn 2A4AM2D13Z65 Re: J Cruz/Ford Mustang 2 Dr Sdn 1FABP28M-1HF140159 Re: R Jackson; 1985 Oldsmobile Regency 4 Dr Sdn 1G3CW69R-1F312690 Re: J Gomez/A Uzena: 12:30 P.M. 1910 W 181st St NYC 1987 Mercury Sable 4 Dr Sdn 1MEBM56U2H-G614823 Re: J Cuevas: 1984 Pontiac Firebird 2 Dr Sdn 1G2AB37-1EL258802 Re: Jackson Sales/J Rodriguez: 1:00 P.M. 103 W 108th St NYC 1981 Toyota Corolla 4 Dr Sdn 1T2TE72E0BW064141 Re/F Hamel-burg: 1991 Geo Prizm 4 Dr Sdn 1Y1S-K5463MZ0-0 Re: R Bradley: 1:45 P.M. 130 W 20th St NYC 1995 Aviator Hooley Spirit 2 Dr Conv 1H1312-1Re/D Mcconor: 1986 Dodge Omni 4 Dr Sdn JA-SADDDRL9-WC243284 Re: Kraft Hand-Le Co./M. Sena Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA Lic # 793108 and/or S. GORELICK DCA Lic # 841437 Sell AUGUST 24, 1993 9:00 AM 2201 Tilden Ave Bklyn 1987 Chrysler Lebaron 4 Dr Sdn 1C3BH44EAHN318251 Re: John Kennedy Chevrolet Inc./D. Williams; 1983 Oldsmobile Royale 4 Dr Sdn 1G3BJ-Y69YHF9039184 Re: F.M. Clark: 10:30 1283 Rogers Ave Bklyn 1986 Honda City 2 Dr H/B JHMAF3337GS034669 Re: C. James: 11:00 AM 313 Thatford Ave Bklyn 1981 Chevrolet Malibu 4 Dr Sdn 1G1L-W69K2BM205491 Rec/A. Lopez: 11:30 1986 Cherokee 1/Y 1JCUL7823FT17968 Re: J. Ulysse; 12:15 AM 3876-3900 Flatbush Ave Bklyn 1984 Audi 4000S 4 Dr Sdn WAUF-AB813E0065537 Re: L.A. Rebour: 12:00 PM 885-905 Dean St. Bklyn 1980 Oldsmobile Cutlass Supreme 2 Dr Sdn 3R43Y4C-400571 Re: E. Morgan Jr. ; 1978 Chevrolet Caprice Classic 4 Dr Sdn 1N69U3L2037347 Re: J. Santiago; 1982 Chrysler Caprice Classic 4 Dr Sdn 2G3AN69H0C1205367 Ref: J. Bannister. 12:45 PM 132 Franklin Ave Bklyn 1989 Nissan Sentra 4 Dr Sdn 1N4GB21E5KC718099 Re: M. Cort: 1:15 P.M. 620 Broadway Bklyn 1972 Pontiac Firebird 2 Dr Sdn 2F87Z3A144882 Re: N. Diaz: 2:00 PM 1602 Bergen St. Bklyn 1979 Ford Mustang 2 Dr Sdn 9F02Y-833223 Re: P Eugenie: 2:30 PM 1877 Atlantic Ave Bklyn 1984 Chevrolet Corvette 2 Dr H/B 1FMBU14SXEUA54125 Re: A. Jones; 3:15 PM 1234 Bushwick Ave Bklyn 1986 Clubwagon Van 1FBJS31H0LHB66632 Re: Lenox Cove Inc/ P. M. Liberty: where is made in any other manner than Metropolitan delivery within the State. The United States of America, if designated as a defendant in this action, appears and is entitled to sixty (60) days of service hereof. In case of failure to appear or answer, judgment will be taken against you by default for the relief demanded in the complaint.

NOTICE OF NATURE OF ACTION AND RELIEF SOUGHT

The OBJECT of the above captioned action is to foreclose a Mortgage to secure $75,000.00 and interest, recorded in the Office of the Clerk of the County of Columbia on April 1, 1987, in Liber 452 of Mortgages, Page 383 covering premises known as 111 Pumpkin Hollow Road, Taghkanic, NY 12502.

The relief sought in the within action is a final judgment directing the sale of the premises described above to satisfy the debt secured by the Mortgage described herein.

Plaintiff designates Columbia County as the place of trial. Venue is based upon the County in which the mortgage premises is situated.

Dated: June 3, 1993
Shapiro & Kreisman
Attorneys for Plaintiff
Powers Bldg., Suite 100
26 West Main Street
Rochester, New York 14614
(716) 454-3780
Our File No. 9623-93

LEGAL NOTICE

SCHEDULE A
DESCRIPTION OF
MORTGAGE PREMISES

PARCEL I

ALL that certain piece or parcel of land situate, lying and being in the Town of Taghkanic, County of Columbia and State of New York being bounded and described as follows;

BEGINNING at a point on the northerly right of way line of Pumpkin Hollow Road where the same is intersected by the westerly line of the premises herein described and being the southwest corner of the premises described herein;

RUNNING THENCE north 06 degrees 20 minutes 06 seconds east for a distance of 1753.02 feet to a point marking the northwest corner of the parcel herein described;

RUNNING THENCE south 71 degrees 51 minutes 51 seconds east for a distance of 1037.32 feet to a point marking the northeast corner of the parcel herein described;

RUNNING THENCE south 22 degree 08 minutes 06 seconds west for a distance of 1691.00 feet to a point marking the southeast corner of the parcel herein described;

RUNNING THENCE along the northerly right of way line of Pumpkin Hollow Road north 67 degrees 52 minutes 47 seconds west for a distance of 47.00 feet and north 75 degrees 40 minutes 31 seconds west for a distance of 1015.79 feet to the point and place of BEGINNING. Containing 31.24 +/- acres and being Parcel 1 on the hereon below mention map.

PARCEL II

ALL that certain piece or parcel of land situate, lying and being in the Town of Taghkanic, County of Columbia and State of New York Being bounded and described as follows:

BEGINNING at a point on the southerly right of way line of Pumpkin Hollow Road which point is distant the following two courses and distances from the northeast corner of the residence on the premises (as of 6/26/74).

1) south 85 degrees 21 minutes 21 seconds east 188.04 feet and

2) south 67 degrees 52 minutes 47 seconds east 43.50 feet to a point being the northeast corner of the herein described parcel, which point is also on a point of intersection southwesterly of the easterly line of Parcel I, to the south side of Pumpkin Hollow Road;

THENCE RUNNING south 22 degrees 08 minutes 06 seconds west for a distance of 324.75 feet to a point;

THENCE along a stone wall on the following five courses and distance:

1) south 21 degrees 27 minutes 34 seconds west for a distance of 136.04 feet to a point;

2) south 20 degrees 02 minutes 40 seconds west for a distance of 195.95 feet to a point;

3) south 24 degrees 23 minutes 46 seconds west for a distance of 121.37 feet to a point;

4) south 23 degrees 31 minutes 03 seconds west for a distance of 165.25 feet to a point and

5) north 66 degrees 16 minutes 24 seconds west for a distance of 207.89 feet to a point;

THENCE RUNNING north 66 degrees 16 minutes 24 seconds west for a distance of 353.11 feet to a point;

THENCE RUNNING north 53 degrees 38 minutes 53 seconds west for a distance of 553.10 feet to a point, maker by a pun found;

THENCE RUNNING north 60 degrees 16 minutes 30 seconds east for a distance of 968.72 feet to a point;

THENCE RUNNING north 06 degrees 20 minutes 06 seconds east for a distance of 163.73 feet to apoint on the southerly right of way line of Pumpkin Hollow Road, south 75 degrees 40 minutes 31 seconds east for a distance of 504.57 feet to a point; and south 67 degrees 52 minutes 47 seconds east for a distance of 43.50 feet to the point of BEGINNING.

BEGINNING. Containing 18.82 +/- acres and being Parcel 2 on the herein below mentioned map.

The above Parcel 1 and 2 are shown and delineated on a certain map entitle "Lands of Mildred Anna Ock, Town of Taghkanic, Columbia County, New York" by F. Robert Brew, dated 6/28/74 and filed in the Columbia County Clerk's Office on 11/8/74 as Map #5248.

NOTICE OF FORECLOSURE

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF COLUMBIA
Index No. 2220/93

Federal Home Loan Mortgage Corporation,

Plaintiff,

SUPPLEMENTAL SUMMONS AND NOTICE

-against-

Stanley Jelsman and Hortensine Beyer d/b/a/ ing, and if any be dead, any and all persons who are spouses, widows, grantees, mortgagees, lenors, heirs, devisees, distributees or successors in interest of such of them as may be dead, and their spouses, heirs, devisees, distributees and successors in interest, all of whom and whose names and places of residence are unknown to Plaintiff.

Defendants

PROPERTY ADDRESS:
111 Pumpkin Hollow Road,
Taghkanic, NY 12502

TO THE ABOVE NAMED DEFENDANTS:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance on the attorneys for the Plaintiff within twenty (20) days after the service of this summons, exclusive of the day of service, or within thirty (30) days after completion of service where is made in any other manner than personal delivery within the State. The United States of America, if designated as a defendant in this action, appears and is entitled to sixty (60) days of service hereof. In case of failure to appear or answer, judgment will be taken against you by default for the relief demanded in the complaint.

NOTICE OF NATURE OF ACTION AND RELIEF SOUGHT

The OBJECT of the above captioned action is to foreclose a Mortgage to secure $75,000.00 and interest, recorded in the Office of the Clerk of the County of Columbia on April 1, 1987, in Liber 452 of Mortgages, Page 383 covering premises known as 111 Pumpkin Hollow Road, Taghkanic, NY 12502.

The relief sought in the within action is a final judgment directing the sale of the premises described above to satisfy the debt secured by the Mortgage described herein.

Plaintiff designates Columbia County as the place of trial. Venue is based upon the County in which the mortgage premises is situated.

Dated: June 3, 1993
Shapiro & Kreisman
Attorneys for Plaintiff
Powers Bldg., Suite 100
26 West Main Street
Rochester, New York 14614
(716) 454-3780
Our File No. 9623-93

LEGAL NOTICE

DEFAULT In Security Agreement Made By Patria Navarro Dated 8th day of January, Inc. I Will Sell On 8/16/93 At 11:30 AM At 1336 St. Nicholas Ave.,N.Y.C. All Right, Title & Interest In & To Fixtures Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK C. SEIPP, Auct'r Lic #733234 of F.E.S. AUCTIONS INC. As Agents.

DEFAULT In Security Agreement Made By Maximo Tseres to Ro Mar of Connecticut, Inc. I Will Sell On 8/16/93 At 10:30 AM At 2031 Webster Ave., Bx., N.Y. All Right, Title & Interest In & To Fixtures Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct'r Lic #733234 of F.E.S. AUCTIONS INC. As Agents.

Hal Zakow Lic #0733454Sells 8/20/93 Wy 1PM 206 Drake Bx 86 Ford #1FABP22-X7GK-03560 Rec: A. R. Cruz: 2PM 511 Sndvw Av Bx 84 Chev #1G1AB08C-1EA131834 Rec: D. Ruiz, 82 Buick #G-4AB695KC7136407 Rec: F. Nunez/Nissan Con Fin Cp; 3PM 317 W. 169 NY 77 Mack Th #F 2KDA23Y1XW-L53-0 Rec: Brook Av. Bx 87 Suzu #5S4UC53C0H-4153917 Rec: J. Doe. Pub 8/6 & 8/13/93.

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Please send your resume and salary history, indicating position desired to: Director of Human Resources, BHA Box 191, 555 Madison Avenue, NY, NY 10022. No phone calls please.

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- Handling the Bank Holding Company Act, Bank Merger Act, International Banking Acts, applications and Regulations K & Y

Experience with non-traditional bank products such as securities and insurance would be beneficial.

We offer a fully competitive salary, attractive benefits and the high visibility and advancement potential of an industry leader. For prompt, confidential consideration, please fax or forward resume to:

Human Resources, Dept. MBW,
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FAX: (201)547-7135. We are an equal opportunity employer.

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Successful candidates are individuals who are:

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If you are this individual, please send your resume to:

Attn: Personnel Dept.
Douglas National Bank
P.O. Box 10027
Roseburg, OR 97470
EEO/AAP

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- The Board of Governors of the Federal Reserve System has immediate openings for **Financial Analysts in the Division of Banking Supervision and Regulation.**
- Financial Analysts in the Surveillance function are responsible for applying complex financial analysis techniques to section projects related to structure, condition and/or activities of financial institutions.
- Requirements include experience in SAS Basics and PC software including LOTUS and graphics packages; extensive experience analyzing and modeling bank data using SAS procedures; a minimum of three years experience in a financial institution; BA degree in Finance or equivalent. MBA or PHD in Finance or Economics preferred.
- Responsibilities in other functional areas include revising and updating examination procedures, implementing policy initiatives, reporting requirements, and monitoring troubled institutions. Knowledge of laws, regulations, examination procedures, accounting principles and regulatory reporting relating to Banks and Holding companies; in-depth knowledge of the supervisory process; an understanding of credit and other banking principles; a solid foundation in financial analysis and superior communication skills are also required.
- We offer a competitive salary commensurate with background and experience. Qualified candidates should send resume and salary history to:

Board of Governors of the Federal Reserve System
20th and C Streets, N.W.
Mail Stop 156
Washington, D.C. 20551
Attention: Juanita Johnson

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Prominent investment banker (NYC) specialist in bank and financial service companies - seeks fixed income analyst for its growing sales and trading industry to work with fixed income sales/trading group. 3-5 years experience, good writing/communication skills and some familiarity with large U.S. and foreign banks is ideal background for this first career opportunity.

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E.O.E

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To qualify, you should have a B.S. in Finance or related area (M.B.A. and/or CPA a plus), 5 years' audit experience, at least 3 of which should have been in a supervisory/management capacity; well-developed analytical and organizational skills; and experience with PC based audit programs and spreadsheet applications. In addition, a successful track record of planning audit programs, managing and coaching staff, plus analyzing problems and recommending appropriate changes to management and the Board is expected. You should also be able to offer the exceptional communication skills and proven expertise required for successfully interfacing with all levels of management, the Board of Directors, external auditors, and regulators.

This position reports to top management and the Board, and carries an attractive compensation and benefits package attuned to your experience and anticipated contributions. For confidential consideration, send your resume, with salary requirement, to: Vice President, Director of Human Resources, Department-IAB, Hudson Valley National Bank, P.O. Box 189 Centuck Station, Yonkers, New York 10710. We are an equal opportunity employer m/f.

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Send your resume and compensation history in confidence to: Ms. Joanne Enos, Director of Personnel, Boles Fleming & Co., 227 W. Trade St., Charlotte, NC 28202.

BOWLES HOLLOWELL CONNER & CO.
INVESTMENT BANKERS

CITATION NOTICE

SURROGATE'S COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK
File No.171593

CITATION

THE PEOPLE OF THE STATE OF NEW YORK
BY THE GRACE OF GOD
FREE AND INDEPENDENT

TO: PUBLIC ADMINISTRATRIX

The heirs at law, next of kin and distributees of HENRY OTTLEY, Deceased, if living and if any of them be dead, to their heirs at law, next of kin, distributees, legatees. Executors, Administrators, assigns and successors in interest whose names are unknown and cannot be ascertained after due diligence.

A petition having been duly filed by VERA CANTON JONES, who is domiciled at 480 St. Nicholas Avenue New York City New York 10030

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Collet, New York County, at Room 503 of Chambers Street, New York, on September 21, 1993, at 9:30 a.m., why a decree should not be made in the estate of HENRY OTTLEY, Deceased, lately domiciled at 2369 Adam Clayton Powell Blvd. New York New York 10039 in the County of New York, admitting to probate as a will a real and personal property a paper dated November 22. 1988, (a copy of which is attached) and order and decreeing the Letters of Testamentary issue to VERA CANTON JONES). (State any further relief sought)

None

Dated. Attested and Sealed. July 19, 1993.

(L.S.) HON. EVE PREMINGER, Surrogate. County of New York.

ROBERT M. REAVES
Clerk of the Surrogate's Court

Name of Attorney:
IRVING J. PANZER. ESQ.
Address of Attorney:
800 Grand Concourse
Bronx, New York 10451
Telephone Number:
(718) 665-2246

This. citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that you do not object to the relief requested.

FOUNDATION NOTICES

NOTICE

The annual report of THE MICHAEL AND POLA TENENBAUM CHARITABLE TRUST for the calendar year ended December 31, 1992 is available at its principal office located at c/o Bruni Sonnenschine & Co., 377 Broadway, New York, NY 10013, (212) 219-0220 for inspection during regular business hours by any citizen who requests in within 180 days hereof. The Principal Manager of the Foundac.on is Brenda Melnicke.

NOTICE

The Annual Report of **MIRIMAC FUND, INC.** for the fiscal year ended July 31, 1993 is available at its principal office, located at 301 Roaring Brook Road Chappaqua, NY 10514 for inspection during regular business hours by any citizen who requests it within 180 days hereof.

Principal Manager of the Foundation is Louise Rosenfeld.

Dated: August 4, 1993.

NOTICE

The annual return of **THE SPUNK FUND, INC.** for the fiscal year ended June 30. 1993 is available at its principal office located at 675 3rd Avenue. New York, NY 10017. for inspection during regular business hours by any citizen who requests it within 180 days hereof. The recipient Manager of the Foundation is Marianne Gerschel.

NOTICE

The annual report of **THE PANETH FAMILY CHARITABLE TRUST** for the calendar year ended December 31, 1992 is available at its principal office located at c/o Bruni Sonnenschine & Co., 377 Broadway, New York. NY 10013, (212) 219-0220 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Samuel Paneth.

PARTNERSHIP NOTICE

Notice of Application for Authority of TWENTY-FIRST CENTURY LP. I a foreign limited partnership (LP). Appl. for Auth. filed with Sec. of State of State of New York (SSNY) on 12/29/1992. LP organized under the laws of Delaware on 12/7/1992. NY office location: New York County. SSNY is designated agent of the LP upon whom process against it may be served. SSNY shall mail a copy of any process against the LP served upon him/her to c/o The Prentice HAll Corporation System, Inc., 15 Columbus Circle, New York, NY 10023-7773, the registered agent of the LP upon whom process may be served. Office address of LP is jurisdiction of its organization is: The Prentice Hall Corporation System, Inc., 32 Loockerman Square, Suite L-100, Dover, DE 19901. Name and address of each general partner available from SSNY. Copy of Cert. of LP is on file with The Prentice-Hall Corporation System, Inc. 32 Loockerman Square, Suite L-100, Dover, DE 19901. Purpose/character of LP: all aspects restaurant business.

AUCTION NOTICE

Pronto Lien Service, Llc# 869242 Sells on 8/30/93 at 8AM 1284 Ogden Ave Bx NY 86 Macda Subs. #3M21/F1114GO615895 Rc. Liberty Mutual Ins., 94M 31 W. Tremont Ave Bx NY 85 Honda #36881-3921402 Rc: Graig Scott Inc., 82 Buick Century #1G4AH15R9CC242846 Rc: J. Griffin, 84 Ford Subs #1FTCF15YXELA01170 Rc: Y. Gomez. Published 8/13 & 8/20/93.

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Peter Cohane or Louis DiPalma

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3890-A03	10301
3890-B04	10324
3890-A04	10853
3890-B04	10973
3890-B06	10649
3890-B06	10589

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Comment

By Stephen H. Axilrod

European Rate System Bumps Up Against Reality

Continued from *page* 21

countries.

The burden of adjustment was then left to German fiscal policy or to realignment of the European rate mechanism. The various conflicting political and economic attitudes and objectives were simply too much for the system to bear. Perhaps it could have held together longer without the shock of German unification.

The Value of Flexibility

But there are always economic and political surprises in the world. A certain degree of exchange rate flexibility – though not necessarily freely floating

NOT ALL *of the key countries were wholeheartedly behind the ultimate goal.*

rates – generally helps nations and the world economy absorb such surprises more smoothly.

What Europe has now is a floating rate system within very wide bands. That ought to permit economic policies that will move it out of recession more quickly.

There is no reason to rush back into rigid bands. Indeed, in terms of locking markets together, a common currency is preferable to rigidly fixed rates, because it does not depending on fooling the public that rate relationships can be held indefinitely.

In any event, the decision on fixed rates or a common currency should wait until the time when economies have converged at high levels of employment and reasonably low inflation rates.

The attempt to use the rate mechanism to force convergence was clearly counterproductive. But Europe also needs time to think harder about the whole process of economic and political unification, now that the basic issues have surfaced and are much more clearly before the public. □

Liberty to Purchase Tulbancorp of Tulsa

TULSA, Okla. — Liberty Bancorp Inc. said it has signed a letter of intent to buy Tulbancorp Inc. and its wholly owned subsidiary, Bank of Tulsa, in exchange for stock.

Terms were not disclosed.

The Bank of Tulsa has total assets of $69 million, deposits of $63 million, and net loans of $51 million.

Liberty said the acquisition was expected to be completed by yearend, pending regulatory and corporate approvals. □

AUG 13 1993

Citi Lending Czechs $400 Million to Complete N-Plant

PRAGUE — Citibank will lend the Czech power company CEZ some $400 million to complete the Temelin nuclear power station in southern Bohemia, said the Prague director of Citibank, Karel Swoboda.

The money will finance U.S. Westinghouse Electric Corp.'s upgrade of a four-reactor Soviet nuclear design begun in 1986 but never completed. The Czech government awarded the contract to Westinghouse in May.

"The energy derived from this plant will permit them to deemphasize somewhat the coal-fired plants," Mr. Swoboda said.

A U.S. government official close to the project has said that the U.S. Export-Import Bank will guarantee 85% of the loan, or about $340 million.

Mr. Swoboda said the agency is involved in underwriting the loan in concert with the Czech government "and other European institutions."

"For us, this is a major financing," he said. "It is a package to be done in cooperation with Citibank Prague, Citibank London, and Citibank U.S."

Westcorp Unit's Shift of Capital Is Approved

IRVINE, Calif. — Westcorp Inc.'s Western Financial Savings Bank unit received approval from the Office of Thrift Supervision to include the 8.5% subordinated capital debentures due 2003, and issued on June 24, in its total capital.

The bank said it would redeem on Sept. 10 all $52 million of its previously issued 11% subordinated capital debentures due in 1999.

The bank said that its capital position would end up as 7.48% in Tier 1 capitalic capital, 7.48% for core capital, and 16.18% for risk-based capital.

BANK CALL NOTICES

REPORT OF CONDITION OF
The Merchants Bank of New York
of the City of New York, New York
a member of the Federal Reserve System, at the close of business June 30, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 48,276
Securities:	488,622
Loans:	
Loans, net of unearned income	310,820
Less: Allowance for loan and lease losses	6,853
Loans, net of unearned income, allowance and reserve	304,167
Premises and fixed assets	1,992
Other real estate owned	5,740
Investments in unconsolidated subsidiaries and associated companies	1,686
Intangible assets	12,342
Other assets	$ 863,625

LIABILITIES	
Deposits:	$809,962
In domestic offices	180,275
Noninterest-bearing	646,687
Interest-bearing	
Federal funds purchased	10,000
Securities sold under agreements to repurchase	44,000
Other borrowed money	50
Bank's liability on acceptances executed and outstanding	8,240
Other liabilities	1,348
Total liabilities	$ 869,599

EQUITY CAPITAL	
Common stock	$ 3,475
Surplus	19,811
Undivided profits and capital reserves	10,740
Total equity capital	$ 34,026
TOTAL LIABILITIES AND EQUITY CAPITAL	$ 863,625

I, Nancy J. Ostermann, Vice President & Comptroller, of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

NANCY J. OSTERMANN

We, the undersigned directors, attest to the correctness of this report of condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

SPENCER B. WITTY
JAMES G. LAWRENCE
WILLIAM J. CARDEW
Directors

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REPORT OF CONDITION OF
ARAB AMERICAN BANK
of 45 East 53rd Street, New York, New York 10022
and Foreign and Domestic Subsidiaries
in charter and Federal reserve District No. 2, at the close of business June 30, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
1. Cash and balances due from depository institutions	
a. Noninterest-bearing balances and currency and coin	$ 4,083
b. Interest-bearing balances	31,285
2. Securities:	219,124
a. Held-to-maturity securities	
b. Available-for-sale securities	45,000
3. Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:	
a. Federal funds sold	45,000
b. Securities purchased under agreements to resell	0
4. Loans and lease financing receivables:	
a. Loans and leases held for sale	
b. Loans and leases, net of unearned income	208,246
LESS: Allowance for loan and lease losses	10,450
LESS: Allocated transfer risk reserve	1,990
c. Loans and leases, net of unearned income, allowance, and reserve	279,766
5. Assets held in trading accounts	0
6. Premises and fixed assets (including capitalized leases)	2,330
7. Other real estate owned	0
8. Customers' liability to this bank on acceptances outstanding	3,000
10. Intangible assets	0
11. Other assets	1,812
12. TOTAL ASSETS	$ 611,862

LIABILITIES	
13. Deposits:	$ 20,286
a. In domestic offices	
(1) Noninterest-bearing $18,832	
(2) Interest-bearing 1,533	
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs	478,258
(1) Interest-bearing $478,258	
14. Federal funds purchased and securities sold under agreements to repurchase:	
a. Federal funds purchased in domestic offices of the bank and of its Edge and Agreement subsidiaries and in IBFs	14,844
b. Securities sold under agreements to repurchase	21,000
15. Other borrowed money	
16. Bank's liability on acceptances executed and outstanding	3,000
20. Other liabilities	14,420
21. TOTAL LIABILITIES	$ 550,124

EQUITY CAPITAL	
24. Common stock	$ 44,955
25. Surplus	78,766
26. Undivided profits and capital reserves	(61,983)
27. TOTAL EQUITY CAPITAL	(37,738)
28. TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL	$611,864

I, Tekkay Allawork, Vice-Pres/Comptroller, of the above-named bank do hereby declare that this report of condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

TEKKAY AFEWORK
July 30, 1993

We, the undersigned directors, attest to the correctness of this report of condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

FAKHRUDDIN KHALIL
LAMINE DILAMI
JAMES NALORDI
Directors

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Highlights for Thursday, August 12

TOP 10 GAINERS %

Southwest National Corporation	6.0
Union Planters Corporation	5.8
Hancock Holding Company	4.3
Synovus Financial Corp.	4.1
Susquehanna Bancshares, Inc.	3.9
Summit Bancorporation	3.2
United Bankshares, Inc.	3.1
United National Bancorp	3.1
Dauphin Deposit Corporation	3.0
Pacific Western Bancshares	3.0

TOP 10 LOSERS %

City Holding Company	-8.5
BOK Financial Corporation	-5.3
CBT Corporation	-5.0
Mid Am, Inc.	-4.3
Grenada Sunburst System Corp.	-4.0
Tompkins County Trust Company	-4.0
First Tennessee National Corp.	-2.9
Park National Corp.	-2.5
Brenton Banks, Inc.	-2.4
First Midwest Bancorp, Inc.	-2.3

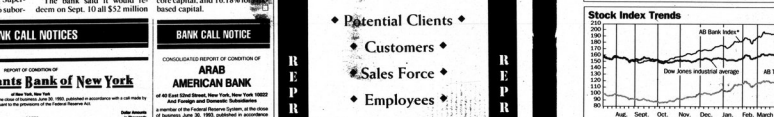
MOST SHARES TRADED

Citicorp	993400
UB Financial Corp.	716200
Chase Manhattan Corporation	904000
Chemical Banking Corp.	891600
Midlantic Corporation	794800

VOLUME AS % OF AVERAGE

Allied Bankshares, Inc.	740.1
Peoples First Corporation	588.1
AMCORE Financial, Inc.	558.0
UB Financial Corp.	554.7
Marshall & Ilsley Corporation	549.0

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the business reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.40	0.57	0.75	-0.02	0.78	2.30	-0.02	0.22	1.95

Top 225 Banks

52 Wk Hi	52 Wk Lo	Name	'92	PE	Mkt Cts.	Chg.
26¾	20	1stSourceCorp/IN	11.5	156.9	25	¼
27¼	18¼	1ST UNION CP	11.5	1,125.7	24	-¼
17½	8½	AllenBkShs/e DA	15.3	256.3	184	¼
35¾	30¾	AmbancorpInc/MD	13.4	1,000.0	32	¼
38¼	30	AssociatedBanc-Wi	12.9	186.4	37	¼
35¾	27¾	BB&T Financial Cp	8.8	111.5	149	¼
27½	12	BOKFinancial/OK	11.6	229.0	20/e	-1¼
33	21¾	BT Fin/Trenton	11.1	136.4	30/e	
11⅝	6	BaltimoreBcp/MD	14.7	1,154.1	11/e	
21¼	24¾	BancFirst Corp/Ok	13.1	125.8	23/e	-¼
61	42½	BancOne Corp/OH	14.4	229.8	53/e	
43¾	32¾	BancTennessee/TN	13.4	127.4	37/e	
42¾	27½	BancorpSouth/MS	11.7	142.8	37/e	¼
31¾	23¾	BankAtlantic/A/FL	11.2	1,250.0	25/e	
30¾	26	BankBoston Corp/MA	12.3	1,233.7	26/e	
14⅝	9¼	BankSouth Corp/GA	11.6	173.1	14/e	
60	56	BankersTrust Cp/NY	8.1	175.2	60	
52⅜	39⅜	BarnettBnk Inc/FL	13.3	139.2	49/e	¼
64¼	49¾	BeaconFed Bcp/NY	13.3	1,000.0	50/e	
22	13¾	BeaverwoodBnc/IL	29.5	587.3	21/e	¼
31¼	24¾	BerkshireBcp/MA	11.8	177.4	27/e	¼
35¾	26¾	CBT Corporation/N	11.4	139.0	33	-1¼
42½	32¼	CNB FinCorp/PA	12.1	144.3	36/e	¼
34¾	23¾	CNB Bancshares/IN	16.5	193.2	33/e	-¼
34¾	27¾	CPB Inc/IL	13.4	1,000.0	32/e	
34¾	27¾	CTB Corp/Cl A	13.4	1,000.0	32/e	
24¾	19¾	CalFed Inc/Cl A	10.4	1,000.0	24/e	
24¾	19¾	CalFed Inc/Cl B	10.4	1,000.0	24/e	
28¾	19¾	CentralBcShs/AL	11.1	175.7	24/e	
34¾	22¾	CentralBcShs/GA	11.1	178.6	28/e	
34¾	16⅝	CentralBcorp/MA	15.3	156.4	23/e	¼
24¾	16⅝	CentralBcshs/KS	15.3	156.4	23/e	¼
37¾	21	ChemelMarketAn/NY	9.3	108.8	34/e	
37¾	21	ChemelMarketAn/NY	9.3	108.8	34/e	
47¾	33¾	CitizensBanking/MI	14.2	179.8	47/e	
22	13¾	CitizensBanking/MI	14.2	179.8	47/e	
33¾	14¾	Citizens/Cl A	11.8	135.6	32/e	¼
26	19¾	CitizensBanking/MD	14.3	131.2	25/e	
28¾	19¾	CitizensBanking/MI	14.3	183.4	28/e	¼
34¾	27¾	CityBank/Lynnfield	14.3	156.8	31/e	
30	17½	CityHolding Co/WV	14.3	175.4	27	-2¼
30¾	23¾	CoastFed Bcp/IA	14.3	1,000.0	30/e	
34¾	27¾	CoastFed Bcp/IA	14.3	1,000.0	30/e	
34¾	23¾	ColumbiaBcp/OR	14.3	1,000.0	30/e	
34¾	27¾	ColumbiaBcp/OR	14.3	1,000.0	30/e	
34¾	23¾	CommercialBcp/NJ	14.3	1,000.0	30/e	
34¾	27¾	CommercialBcp/NJ	14.3	1,000.0	30/e	
30	17½	CrestarFin'l/VA	11.4	179.0	34	-¼
28¾	20¾	DeltaNational/NM	11.4	179.0	34	
36¼	29¾	DimeBancorp/Wt	16.5	230.6	36	-¾
36¼	29¾	DimeBancorp/Cl A	13.9	180.0	27/e	
32¾	23¾	DominionBkrs/WV	11.9	159.9	28/e	
34¾	24	EFC Bancorp/IL	11.2	173.0	29/e	
8⅜	3⅜	FactNetwork/CA	14.8	288.5	7?	-2
39¾	31¾	FeederstFinCp/KY	13.9	182.8	39	-¼
34¾	24¾	FirstAlabama/AL	13.0	190.4	36	-1
24¾	19¾	FirstBancorp/Cl A	9.1	215.7	23/e	-¼
24¾	19¾	FirstBancorp/Cl B	9.1	215.7	23/e	-¼
28	18	FirstBkShs/IA/Cl A	10.2	183.7	18/e	
37¾	17¾	FirstBkShs/IA/Cl B	11.1	158.5	27/e	
28¾	9	FirstBkShs/MS/Cl A	17.1	84.6	18/e	
13¾	7¾	FirstBkshs/Cl B	8.0	161.6	13/e	-¼
34¾	24¾	FirstBkshs/Cl A	11.4	154.1	33	
11⅝	6½	FirstBkshsCp/OK	NM	68.4	6¾	
15¾	10¾	FirstBkshsCp/OK	11.7	222.6	36/e	-¼
35¾	24	FirstBancorp/PA	12.8	171.2	35	-¼
14⅜	10⅜	FirstCapital/IN	11.8	151.2	18/e	
14⅜	10⅜	FirstCapital/IN/Wt	11.8	140.4	13/e	-¼
29¾	21¾	FirstCommBcp/Cl A	21.9	185.1	24/e	
30¾	25	FirstEmpireSt/Cp/NY	15.5	196.1	29/e	¼
34¾	27¾	FirstFinancial/IN	13.1	203.1	32/e	¼
29¾	23¾	FirstFinCp/DE	11.1	202.1	33/e	-¼
34¾	27¾	FirstFinCp/DE	11.1	202.1	33/e	-¼
23¾	15	FirstNorthern/CA	13.4	185.0	20/e	-¼
27¾	25	FirstNorwestNat/Pf	11.9	149.5	35/e	-2
34¾	24¾	FirstSecurity/UT	12.0	197.1	35/e	-¼
43	29¾	FirstSt/SiouxCm/I	15.3	248.7	33/e	
34¾	25¾	FirstSvgBk/Cl A	9.9	161.7	44/e	
31½	21	SumitomoBnk-CA	8.2	80.3	30/e	-½
34¾	27¾	SumitomoBnk/NY	8.2	181.5	34	
49¾	37¾	SunTrustBnks-GA	13.3	200.3	44/e	-¼
34¾	24¾	SuquehannaBcp/PA	12.0	146.4	33	-¼
24¾	14¾	SynovusFin/Cp/GA	19.0	291.9	19	-¼
34¾	27¾	TempleInCp/A-NY	11.1	207.0	29/e	-1¼
23¾	12¾	TransFinancial/CT	13.1	188.3	18/e	
28¾	23¾	TrustCo/Bank/Corp/NY	15.5	227.9	27/e	-¼
11½	7	TrustcompanyNJ	16.0	184.1	14/e	
34¾	27¾	UB Financial/Cp/WV	11.6	156.3	34	-¼
32¾	21¾	U.S. Bancorp/OR	14.1	185.1	25/e	-¼
58¾	45½	U.S.Trust/Cp-NY	14.1	264.2	54/e	-¼
34¾	24¾	UBI Financial/A	21.1	175.5	34/e	
26	20¼	USBANCORP/PA	8.6	102.7	24/e	-¼
12	7¾	Val1 Corp./MA	NM	96.1	10	
39½	32¼	ValleyBnk/Cp/CA	9.5	80.8	37	
29¾	17¾	UnionPlanters/TN	11.6	180.7	29¾	1¼
25¾	19	UnitedBkshs/WV	14.4	177.8	25	-¼

52 Wk Hi	52 Wk Lo	Name	'92	PE	Mkt Cts.	Chg.
28¼	20¼	WinchesterBcp/NY	NM	116.4	59	-¼
14¾	8¾	WintrustFin/IL	14.3	135.5	19¾	-¼
35¾	29¾	WoBcp Inc./DE	11.5	150.0	22½	¼
34¾	27¾	WoBancorp/DE	11.5	150.0	22½	¼
41½	35¾	WoodlandBancorp/PA	14.2	1,000.0	41¼	¼
36¼	27¾	NBD Bancorp/MI	13.7	169.2	32¾	
21¼	17¾	NBSC Corp/SC	13.3	127.8	18¾	
17¾	13¾	NBTBancorp/MI	14.7	126.9	17	-¼
28	21	NationalCity/Cp/OH	11.2	164.9	25	-¼
40	19½	NationalPenn/PA	20.1	331.4	40	1
57¾	41¾	NationalBnc/AC	10.0	180.7	53¾	-¼
55½	44¾	NatlBancorpPA/Wt	11.3	141.5	50¾	-½
34¾	24¾	NatlCityBancorp/MN	10.6	83.4	33¾	-¼
37	27¾	NatlBkCo/Inc/Pf	17.1	192.3	36	
29¾	23¾	NationsBank/NC	14.5	245.6	31¼	
57½	25¾	NatCommunity/Cp	22.3	NM	53	
34¾	27¾	NatCommerce/AR	13.4	1,000.0	32	
37¾	27¾	NorthernTrust/IL	15.0	242.6	43¾	-¾
38¼	17¾	NorwestCorp/MN	16.3	258.2	29¾	-¼
37¾	25¼	ONBANC/KY	11.9	189.9	35¾	
31¼	18	OhioBancorp/OH	NM	155.8	27	
27¾	27	OldKentFinancial/MI	11.4	179.0	34	-¼
36¼	29½	OldNatlBancorp/IN	16.5	230.6	36	-¼
36¼	29¼	OregonFinancial/IN	13.9	180.0	27¼	
32¾	23¾	OverlandParkv/MO	11.9	159.9	28¾	
34¾	24¾	PNC Bank/Cp/PA	11.2	173.0	29¾	
8¾	3¾	PacificWestern/CA	35.4	117.6	8¾	-¼
28¾	6½	ParkNatCorp/OH	14.8	288.5	7?	-2
39¾	31¾	PeoplesFirst/Cp/KY	13.9	182.8	39	-¼
34¾	24¾	PeoplesBancorp/OH	13.0	190.4	36	-1
24¾	19¾	PeoplesBancorp/IL	9.1	215.7	23¾	-¼
24¾	19¾	PeoplesBancorp/IL	9.1	215.7	23¾	-¼
28	18	PremierBshs/A-GA	10.2	183.7	18¾	
37¾	17¾	PremierBshs/Cl B	11.1	158.5	27¾	
28¾	9	PremierBshs/MS	17.1	84.6	18¾	
13¾	7¾	RepublicBancorp/MI	8.0	161.6	13¾	-¼
34¾	24¾	RepublicNY/Cp-NY	11.4	154.1	33	
11⅝	6½	RiggsNatlCorp/DC	NM	68.4	6¾	
15¾	10¾	RiverFinancial/CA	11.7	222.6	36¾	-¼
35¾	24	SBTBancorp/PA	12.8	171.2	35	-¼
14⅜	10⅜	SeacoastBanking/FL	11.8	151.2	18¾	
14⅜	10⅜	SecurityCapital/SC	11.8	140.4	13¾	-¼
29¾	21¾	SharonBkCorp/CT	21.9	185.1	24¾	
30¾	25	StoneHarbCp/NJ	15.5	196.1	29¾	¼
34¾	27¾	SignetBanking/VA	13.1	203.1	32¾	¼
29¾	23¾	SouthCarFin/SC	11.1	202.1	33¾	-¼
34¾	27¾	SouthCarFin/SC	11.1	202.1	33¾	-¼
23¾	15	SouthernNatCp/FL	13.4	185.0	20¾	-¼
27¾	25	SouthwestNatCp/PA	11.9	149.5	35¾	-2
34¾	24¾	SouthwestBcp-OK	12.0	197.1	35¾	-¼
43	29¾	StateStBcorp/MI	15.3	248.7	33¾	
34¾	25¾	StateStreetBos/MA	9.9	161.7	44¾	
31½	21	SumitomoBnk-CA	8.2	80.3	30¾	-½
34¾	27¾	SumitomoBnk/NY	8.2	181.5	34	
49¾	37¾	SunTrustBnks-GA	13.3	200.3	44¾	-¼
34¾	24¾	SuquehannaBcp/PA	12.0	146.4	33	-¼
24¾	14¾	SynovusFin/Cp/GA	19.0	291.9	19	-¼
34¾	27¾	TempleInCp/A-NY	11.1	207.0	29¾	-1¼
23¾	12¾	TransFinancial/CT	13.1	188.3	18¾	
28¾	23¾	TrustCo/Bank/Corp/NY	15.5	227.9	27¾	-¼
11½	7	TrustcompanyNJ	16.0	184.1	14¾	
34¾	27¾	UB Financial/Cp/WV	11.6	156.3	34	-¼
32¾	21¾	U.S. Bancorp/OR	14.1	185.1	25¾	-¼
58¾	45½	U.S.Trust/Cp-NY	14.1	264.2	54¾	-¼
34¾	24¾	UBI Financial/A	21.1	175.5	34¾	
26	20¼	USBANCORP/PA	8.6	102.7	24¾	-¼
12	7¾	Val1 Corp./MA	NM	96.1	10	
39½	32¼	ValleyBnk/Cp/CA	9.5	80.8	37	
29¾	17¾	UnionPlanters/TN	11.6	180.7	29¾	1¼
25¾	19	UnitedBkshs/WV	14.4	177.8	25	-¼

52 Wk Hi	52 Wk Lo	Name	'92	PE	Mkt Cts.	Chg.
28¼	20¼	WinchesterBcp/NY	NM	116.4	59	-¼
14¾	8¾	WintrustFin/IL	14.3	135.5	19¾	-¼
35¾	29¾	WoBcp Inc./DE	11.5	150.0	22½	¼
34¾	27¾	WoBancorp/DE	11.5	150.0	22½	¼
41½	35¾	WoodlandBancorp/PA	14.2	1,000.0	41¼	¼
36¼	27¾	NBD Bancorp/MI	13.7	169.2	32¾	
21¼	17¾	NBSC Corp/SC	13.3	127.8	18¾	
17¾	13¾	NBTBancorp/MI	14.7	126.9	17	-¼
28	21	NationalCity/Cp/OH	11.2	164.9	25	-¼
40	19½	NationalPenn/PA	20.1	331.4	40	1
57¾	41¾	NationalBnc/AC	10.0	180.7	53¾	-¼
55½	44¾	NatlBancorpPA/Wt	11.3	141.5	50¾	-½
34¾	24¾	NatlCityBancorp/MN	10.6	83.4	33¾	-¼
37	27¾	NatlBkCo/Inc/Pf	17.1	192.3	36	
29¾	23¾	NationsBank/NC	14.5	245.6	31¼	
57½	25¾	NatCommunity/Cp	22.3	NM	53	
34¾	27¾	NatCommerce/AR	13.4	1,000.0	32	
37¾	27¾	NorthernTrust/IL	15.0	242.6	43¾	-¾
38¼	17¾	NorwestCorp/MN	16.3	258.2	29¾	-¼
37¾	25¼	ONBANC/KY	11.9	189.9	35¾	
31¼	18	OhioBancorp/OH	NM	155.8	27	
27¾	27	OldKentFinancial/MI	11.4	179.0	34	-¼
36¼	29½	OldNatlBancorp/IN	16.5	230.6	36	-¼
36¼	29¼	OregonFinancial/IN	13.9	180.0	27¼	
32¾	23¾	OverlandParkv/MO	11.9	159.9	28¾	
34¾	24¾	PNC Bank/Cp/PA	11.2	173.0	29¾	
8¾	3¾	PacificWestern/CA	35.4	117.6	8¾	-¼
28¾	6½	ParkNatCorp/OH	14.8	288.5	7?	-2
39¾	31¾	PeoplesFirst/Cp/KY	13.9	182.8	39	-¼
34¾	24¾	PeoplesBancorp/OH	13.0	190.4	36	-1
24¾	19¾	PeoplesBancorp/IL	9.1	215.7	23¾	-¼
24¾	19¾	PeoplesBancorp/IL	9.1	215.7	23¾	-¼
28	18	PremierBshs/A-GA	10.2	183.7	18¾	
37¾	17¾	PremierBshs/Cl B	11.1	158.5	27¾	
28¾	9	PremierBshs/MS	17.1	84.6	18¾	
13¾	7¾	RepublicBancorp/MI	8.0	161.6	13¾	-¼
34¾	24¾	RepublicNY/Cp-NY	11.4	154.1	33	
11⅝	6½	RiggsNatlCorp/DC	NM	68.4	6¾	
15¾	10¾	RiverFinancial/CA	11.7	222.6	36¾	-¼
35¾	24	SBTBancorp/PA	12.8	171.2	35	-¼
14⅜	10⅜	SeacoastBanking/FL	11.8	151.2	18¾	
14⅜	10⅜	SecurityCapital/SC	11.8	140.4	13¾	-¼
29¾	21¾	SharonBkCorp/CT	21.9	185.1	24¾	
30¾	25	StoneHarbCp/NJ	15.5	196.1	29¾	¼
34¾	27¾	SignetBanking/VA	13.1	203.1	32¾	¼
29¾	23¾	SouthCarFin/SC	11.1	202.1	33¾	-¼
34¾	27¾	SouthCarFin/SC	11.1	202.1	33¾	-¼
23¾	15	SouthernNatCp/FL	13.4	185.0	20¾	-¼
27¾	25	SouthwestNatCp/PA	11.9	149.5	35¾	-2
34¾	24¾	SouthwestBcp-OK	12.0	197.1	35¾	-¼
43	29¾	StateStBcorp/MI	15.3	248.7	33¾	
34¾	25¾	StateStreetBos/MA	9.9	161.7	44¾	
31½	21	SumitomoBnk-CA	8.2	80.3	30¾	-½
34¾	27¾	SumitomoBnk/NY	8.2	181.5	34	
49¾	37¾	SunTrustBnks-GA	13.3	200.3	44¾	-¼
34¾	24¾	SuquehannaBcp/PA	12.0	146.4	33	-¼
24¾	14¾	SynovusFin/Cp/GA	19.0	291.9	19	-¼
34¾	27¾	TempleInCp/A-NY	11.1	207.0	29¾	-1¼
23¾	12¾	TransFinancial/CT	13.1	188.3	18¾	
28¾	23¾	TrustCo/Bank/Corp/NY	15.5	227.9	27¾	-¼
11½	7	TrustcompanyNJ	16.0	184.1	14¾	
34¾	27¾	UB Financial/Cp/WV	11.6	156.3	34	-¼
32¾	21¾	U.S. Bancorp/OR	14.1	185.1	25¾	-¼
58¾	45½	U.S.Trust/Cp-NY	14.1	264.2	54¾	-¼
34¾	24¾	UBI Financial/A	21.1	175.5	34¾	
26	20¼	USBANCORP/PA	8.6	102.7	24¾	-¼
12	7¾	Val1 Corp./MA	NM	96.1	10	
39½	32¼	ValleyBnk/Cp/CA	9.5	80.8	37	
29¾	17¾	UnionPlanters/TN	11.6	180.7	29¾	1¼
25¾	19	UnitedBkshs/WV	14.4	177.8	25	-¼

Bank and Thrift Stocks

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Cts.	Chg.
23¾	18½	UnitedCarolina/NC	10.5	139.4	23¾	-¼
89	72	UnitedCorp/Inc/AL	8.1	123.8	85	
40¾	36¼	UnitedMissouri-MO	13.7	121.9	38¾	-¼
31¾	24¾	UnitedNatlBk/IL	11.9	145.5	30¾	
34¾	27¾	UnitedNatlBk/NJ	13.4	172.3	32¾	-¼
28	19¼	WashingtonFed/CO	12.1	127.1	27¾	
21¼	17¾	WBSC Corp/SC	13.3	127.8	18¾	
40¾	25	WashcoreCorp/KC	14.2	220.5	37½	¼
12¾	6¼	WellsFargo/CA	12.0	1,000.0	11¾	-¼
33¾	21¼	WellsFargo/WI	15.9	181.9	33¾	¼
56¼	36¾	WestC

STOCKS

UJB Shares Volatile On Talk of Takeover

Continued from page 1

Banks of West Paterson. A spokesman for Bank of New York had no comment.

"Bank of New York could probably pay a [share] price in the low 40s for UJB and take only 2% dilution [in earnings per share] in the first year," said Anthony M. Polini, a banking analyst at Mabon Securities Corp.



T. Joseph Semrod
Favors independence

"That would not be a huge price to pay," he said, noting that such an in-market merger could result in enormous cost savings. It would also provide Bank of New York with a huge market share in the affluent suburbs of Bergen County adjacent to New York City.

A Surefire Option

Many other banks have been considered possible UJB suitors. "You have 11 of the largest 25 banks in the country headquartered within 200 miles of Princeton," noted Anthony Davis, a bank analyst at Dean Witter, Discover & Co.

Acquisitions present one of the few surefire options banks have for increasing revenues.

"We are still not seeing enough loan growth to compensate for the [net interest] margin pressure banks are feeling, particularly if interest rates fall further," said Mr. Davis. .

'Looking for Other Means'

"So superregional banks are out looking for other means to grow their earning assets, and acquisitions are an obvious option." he said. And New Jersey currently is the prime area of consideration.

Besides the New York City banks, the list of possible suitors includes CoreStates Financial Corp., Philadelphia; PNC Bank Corp., Pittsburgh; Fleet Financial Group, Providence, R.I., and New Jersey's largest bank, First Fidelity Bancorp., Lawenceville.

CoreStates recently enlivened New Jersey banking stocks by announcing it would buy Elizabeth-based Constellation Bancorp. for $312 million, a price exceeding 2.5 times that bank's tangible book value per share.

'The Hottest Spot'

Earlier, Bank of New York's deal for National Community had set the pace with a price exceeding twice book value.

"New Jersey is by far the hottest spot on the map for bank consolidation right now," said Mr. Davis.

T. Joseph Semrod, UJB's chairman, president, and chief executive, has affirmed the bank's desire to remain independent. He is currently leading a study of the bank's business lines and may unveil a revised strategy for the future in September. □

Bankers Trust Recruits 2 Specialists To Launch High-Yield Investment Unit

By YVETTE D. KANTROW

Bankers Trust New York Corp. on Monday will launch a unit to manage high-yield investments for its clients, the company said.

The new "global high-yield asset management unit" will oversee client portfolios in junk bonds, mezzanine debt, and bank loans of U.S. and foreign corporations.

The New York bank company, the nation's seventh largest, recruited Stephen Freidheim and James Tucker to run the unit.

Solid Credentials

The two men most recently worked at Nomura Corporate Research and Asset Management, where Mr. Freidheim was head trader, director of research, and a member of the board of directors. They were previously with Kidder, Peabody's high-yield assets management subsidiary, which was run by Mr. Tucker.

Mr. Tucker also has worked at Kidder's investment banking unit, where he specialized in merchant banking and international transactions.

'Tremendous Opportunities' Seen

At Bankers Trust, Mr. Tucker will oversee structuring and marketing of high-yield products, as he did at Nomura.

Bankers Trust said the new unit will be part of its Global Investment Management division, which has $155 billion of assets under management. About $65 billion of that is in actively managed fixed-income portfolios.

"The U.S. high-yield market is moving from recovery over the past two years toward becoming a permanent part of the American capital markets," said Ivan Wheen, managing director and head of Global Investment Management.

"We see tremendous opportunities for investors in both the U.S. and the rapidly expanding foreign high-yield corporate and sovereign debt markets."

Collateralized Bond Pioneers

Mr. Freidheim, a graduate of Yale University, will be responsible for portfolio management and trading.

He and Mr. Tucker, a graduate of Harvard law and business schools and a former lawyer at Sullivan & Cromwell, helped create the first public collaterized bond obligation in 1989 when they were at Kidder, Bankers Trust said.

The pair has since created more than $4 billion worth of high-yield structured investment products, according to Bankers Trust. □

THE MARKETS

Thin Bidding at Treasury Auction Pushes Long Bond Yield to 6.44%

A disappointing auction of new 30-year bonds on Thursday took some steam out of the credit markets.

The U.S. Treasury awarded $11 billion of new bonds at an average yield of 6.33%. But auction results were seen as disappointing, given the 2 basis point difference between the average yield and the high bid. The yield of the new bond rose to 6.36% on a when-issued basis after the auction was completed.

The outstanding 7⅛% 30-year bond was yielding 6.44% late Thursday afternoon, up from its record-breaking 6.42% yield on Wednesday. Among shorter-maturity government securities, only three-year and five-year notes showed any rise in yields. The three-year yield rose 1 basis points to 4.44%, and the five-year rose 1 basis point to 5.13%.

A report Thursday said that produce prices fell 0.2% in July and that retail sales rose 0.1% in July and a revised 0.2% in June cheered investors.

Stock prices slid. The Dow Jones industrial average fell 14.26 points to close at 3,569.09. — David Siegel

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B of A Decides Against Buying Premier System

By JEANNE IDDA

When it comes to choosing the right computer systems, bankers sometimes find that political considerations can be just as important as technical ones.

That seems to have been the case last week, when BankAmerica Corp. decided to end seven-month-old discussions with Premier Solutions Ltd., a Wayne, Pa.-based vendor of accounting and reporting software for trust and global custody, in favor of using a system developed in-house.

BankAmerica – which since 1991 has been shopping for a single replacement for its multiple, disparate systems for institutional and master trust and custody – had narrowed its options down to Premier or an in-house system.

Premier's software was viewed by many B of A bankers as the quickest way to get the most advanced technology for the bank's trust operations, where competition has been increasingly cutthroat over the past few years.

NEWS ANALYSIS

Earlier Disaster

A move to Premier would have been controversial however, because BankAmerica had already blown $80 million on a previous version of the company's software that the bank failed to get running in 1988.

But since that fiasco, Premier has had several successful installations of its revamped software, restoring most of its credibility with bankers.

Despite early indications that it was leaning toward Premier's software, the bank couldn't pull the trigger. Last week BankAmerica officials told staff members in New York that the bank will revamp its own trust software, called Gclear, which was originally installed by Security Pacific Corp. four years ago, before the two banks merged.

Other In-House Systems

BankAmerica officials also said they will continue in-house development of software for accounting for securities in different currencies and generating customer reports.

By building in-house, BankAmerica will probably spend more than the tens of millions that an off-the-shelf system to handle institutional, master trust, and custody would have cost, according to trust experts.

Why did BankAmerica do

See **BofA** *page* **3**

INSIDE NEWS

MANAGEMENT STRATEGIES



F. Carter Smith

AS THEY DEFEND their turf, community banks are increasing their technology budgets faster than the increase at their largest rivals. Jerome Simon, above, of Houston's Tanglewood Bank is implementing image processing and other advanced tools. *Page 1A*

WASHINGTON

ROBERT R. DAVIS, chief economist of the Savings and Community Bankers of America, expects thrifts to focus more on consumer lending. *Page 17*

COMMUNITY BANKING

SMALL BANKS in the upper Midwest could be targets of acquisition-hungry Community First Bankshares of Fargo, N.D. *Page 6*

MORTGAGES

THE REFINANCE BOOM is giving mortgage executives the jitters – making recruiting difficult and driving up salaries. *Page 8*

INVESTMENT PRODUCTS

WELLS FARGO customers can now buy and redeem shares of its proprietary equity mutual funds at teller machines. *Page 10*

CREDIT DEBIT ATMs

WITH COBRANDING, the likes of GE, AT&T, and GM have invaded banks' territory. But some say the trend isn't that revolutionary. *Page 12*

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FDIC Faces Tough Questions On How It Handled Crossland

By BARBARA A. REHM

WASHINGTON — Now that the Federal Deposit Insurance Corp. has finally unloaded Crossland Federal Savings Bank, the agency faces some tough questions about how it chose to deal with the failed thrift.

Banking law requires the FDIC to sell or liquidate in the cheapest way possible. At issue will be how the FDIC concluded that last week's unusual sale met that requirement.

The agency can expect to be second-guessed with the following questions:

Was it right to nationalize Crossland when the Brooklyn thrift failed in January 1992, or should the agency have sold it off right away?

Was the agency right to have sold the $5.3 billion-asset thrift to institutional investors last week, or should it have sold Crossland to rival Anchor Savings Bank?

More specifically, is the FDIC being too optimistic when it estimates it will have to pay out only a net $28 million under its loss-sharing deal with investors?

Lots of Gray Areas

These are tough questions mainly because – as in all big failed bank deals – the calculations are complicated, and only FDIC has all the numbers. Black-and-white answers are not easy to find in bank resolutions.

House Banking Committee Chairman Henry B. Gonzalez, D-Tex., intends to send a formal investigation request to the General Accounting Office today or Tuesday, his staff said Friday.



Peggy Turbett/American Banker

Harrison Young
Confident he was right

The Crossland saga began on Jan. 24, 1992, when the thrift failed and the FDIC decided to run it on its own rather than sell it off or shut it down. This May, the FDIC said it wanted to convert Crossland to a stock institution in a public offering to institutional investors – something the agency has never done.

Rival Bids

But then Anchor, and others, emerged as bidders, so the FDIC decided to let the two sides bid against each other.

With offers in from investors and Anchor, the FDIC decided late Thursday night to go with the public offering, issuing 12 million shares in Crossland to

See **FDIC** *page* **2**

Morgan Leads Eaton's Deal For Unit of Westinghouse

By DAVID SIEGEL

NEW YORK — Morgan Guaranty Trust Co. has been tapped to arrange $1.1 billion in loans to finance Eaton Corp.'s purchase of a Westinghouse Electric Corp. unit that makes electrical devices.

The deal is the latest in a string of acquisitions this summer providing fresh business for lenders. Many of the acquisitions are related to the sale or spinning off of subsidiaries by companies that are narrowing their focus.

John Carmont, treasurer of Cleveland-based Eaton, said Morgan will provide some of the funds itself and syndicate the rest of the loan on a best-efforts basis. He declined to comment on the financing terms.

'No Concerns'

"We have very strong bank relationships, so we have no concerns about whether the money's there or not," he said.

"We expect closing toward the end of the year, so we have a considerable amount of time," he said.

The financing represents new business for Morgan, which declined to comment. Eaton arranged its current $100 million in bank credit lines itself, rather

See **DEALS** *back page*

Fourth Financial Goes on a Buying Spree



Lois Thiele

EVEN AFTER 15 ACQUISITIONS in 16 months, CEO Darrell G. Knudson shows no sign of slowing down.

See story on page 4

News *briefs*

Barnett Banks Selling Student Loan Units

JACKSONVILLE, Fla. — Barnett Banks Inc. said it had signed a letter of intent to sell BTI Services Inc., its student loan servicing unit, and the Barnett Higher Education Loan Program, its student loan origination division, to Union Bank and Trust Co. of Lincoln, Neb.

Terms were not disclosed.

Barnett said BTI services a total portfolio of more than $4 billion in student loans and guarantee agency assets for various clients, including Barnett. Over the last two years, the loan origination division has booked about $400 million in new student loans, the company said.

The Florida banking company said its 1993 earnings would not be impacted and that the transaction "should enhance future results."

Under the agreement, Barnett Higher Education will continue to originate new student loans in Florida and Georgia for Barnett's portfolio and BTI will service them. The two units will remain in Jacksonville with the current staffs in place, Barnett said.

The sale is subject to the execution of a definitive agreement and due diligence, the company said.

Macy Credit Facility Extended, Modified

NEW YORK — R.H. Macy & Co. said it reached an agreement to extend and modify its current debtor-in-possession credit facility with a group of 30 financial institutions.

Macy said the facility was extended through Aug. 1, 1995, from its original expiration date of February 1994.

In addition, the facility's maximum availability was cut to $550 million from $600 million. Macy said the reduction was "due to effective cash management and the anticipation of lower cash requirements" and said it "reflects the progress the company has made in implementing the expense reduction initiatives of its five-year business plan."

Also, the revised credit facility now includes covenants relating to the company's earnings before interest, taxes, depreciation, and amortization that are calculated on a trailing 12 months basis. The old pact had covenants based on such earnings calculated on a single-quarter basis.

The company noted that should a plan of reorganization be confirmed prior to August 1995, the debtor-in-possession financing would be terminated and replaced by a working capital facility.

Calfed to Buy 4 Union Federal Branches

LOS ANGELES — California Federal Bank will purchase about $180 million in deposits from Union Federal Bank.

The transaction, subject to regulatory approval, is scheduled to close Aug. 27. Other terms were not disclosed.

California Federal will acquire and operate two Union Federal branches, while deposits at two others will be consolidated with nearby California Federal offices.

Calfed said that as of Aug. 30, its new customers will have access to its full line of financial services.

First Fidelity Acquires Village Financial

LAWRENCEVILLE, N.J. — First Fidelity Bancorp. announced that it had completed the acquisition of Village Financial Services Ltd., the parent of the nine-branch Village Bank, of Port Chester, N.Y.

The briefs were compiled from staff and wire reports.

Correction

An Aug. 12 article on Arkansas Bankers' Bank misstated the maximum interest rate banks can charge under the Arkansas usury law. It is 5% plus the federal discount rate.

FDIC Faces Tough Questions On How It Handled Crossland

Continued from *page 1*

about 50 investors for $23.50 a share. That raises $282 million.

The FDIC will also receive the proceeds from the sale of $50 million in subordinated debt by Crossland. That brings the total to $332 million.

According to a source working for Anchor, its bid came in about $10 million below the securities sale. The FDIC refused to disclose Anchor's bid or, for that matter, a list of the investors.

Harrison Young, who as the agency's resolution director engineered the securities sale, was confident the agency made the right choice.

'A Great Deal'

"This is a great deal for the FDIC. The public offering won pretty clearly," he said Friday. "But it was not by an enormous margin."

Mr. Young calculates the FDIC's $889 million tab this way: The FDIC put in $1.2 billion into Crossland. It is making back $332 million in cash plus on million warrants, which were valued at $8 a piece or $8 million. That brings the cost down to $860. But FDIC added back in $11 million being paid to its investment bankers and another $28.8 million it expects to pay under the covering net losses on assets.

Crossland is the agency's



L. William Seidman

Lonnie Krafft

Sees investors betting on resale

eighth-most-expensive bank failure ever.

The big outstanding question is whether the FDIC is underestimating how much it will have to pay out under its five-year loss-sharing agreement with the investors.

Crossland's $2.7 billion in troubled assets are covered by the loss-sharing deal. Under the deal, the FDIC will pay 80% of the loss on those assets after a $179 million reserve is eaten up. The agency is figuring its total cost will be $28.8 million, a meager amount of such a large portfolio.

"I think the net chargeoffs are going to be a lot more than $179 million," said Bert Ely, a banking consultant who has tracked the deal. "That means the FDIC is going to be writing checks."

Clearly, the loss sharing was the linchpin for investors.

"Without that, we would have no interest," said Ray Garea, who bought into the deal on behalf of Mutual Series Fund Inc., in Short Hills, N.J.

Former FDIC Chairman L. William Seidman agreed that the investors are "fairly well guaranteed on the downside.

"It's very hard to value [the deal], because they've guaranteed so much in the way of assets," Mr. Seidman said. "The whole bet is they [the investors] can sell it to someone else for more."

The FDIC figures net chargeoffs will exceed the $179 million threshold amount by $36 million. The FDIC will pay 80% of that or $28.8 million.

Mr. Young said many of the assets have already been written down substantially. But he added: "I wouldn't argue with anybody who would say, , the number might be higher. It might be lower. There's no certainty."

Loss sharing "takes a deal that I was sort of unexcited about and made it attractive," said Jim Schmidt, manager of the John Hancock Freedom Regional Bank Fund in Boston. But he added: "Odds are they won't come into play, but if it falls apart, it's a backstop."

Mr. Schmidt estimated he could double his investment in three years. ☐

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Technology/Operations

Varied Services Planned For Tennessee National's Test of Home Banking

By BARTON CROCKETT

First Tennessee National Corp. will offer a wide range of services next year when it and a BellSouth unit test-market home banking. Consumers will be provided with computerized telephones.

The test will be one of the first in which home banking will be coupled with advanced telephone services.

Experts say that such a combination is key to the success of screen phones, a new type of de-

It will be one of the first tests combining home banking and advanced phone services.

vice with electronic displays to help consumers obtain information services.

'A Really Good Opportunity'

"We see this as a really good opportunity to meet the consumer demand for convenience," said Susan Terry, the vice president who is leading the test for First Tennessee.

First Tennessee is teaming with BellSouth Telecommunications Inc., a unit of Atlanta-based BellSouth Corp., in the test, which is scheduled to run from April through August.

First Tennessee will give the phones to 500 customers living in the Nashville area who will use the phones free of charge to check account balances, move funds, pay bills, buy from catalogs, and obtain a wide range of advanced telephone services.

Comparison Shopping

One such service is caller identification, in which the caller's name and number are displayed on the telephone's screen so people can see who is calling before they pick up.

Ms. Terry said the phone company will hand out screen phones from three vendors – US Order Inc., a Herndon, Va.-based unit of Worldcorp.; Northern Telecom Ltd. of Mississauga, Ontario; and National Semiconductor Corp. of Santa Clara, Calif., – to determine which phone consumers prefer.

US Order also will process home shopping and bill payment transactions for the test.

Ms. Terry said that following the test, First Tennessee expects to make the home banking service available across the state.

"Our feeling now is that we'll go ahead, although we want to measure the research [results] very closely," she said.

Citicorp, Huntington Bancshares Inc., and MNC Financial Corp. are among the handful of institutions that have either tested or delivered home banking through screen phones.

Similar Test at Barnett

But thus far, only Barnett Banks Inc. has tested a service in which consumers access both home banking and advanced telephone services from screen phones. And the Jacksonville, Fla.-based company's test, launched in June, involved fewer than 100 households.

Over time, experts expect screen phones will be able to access more combinations of banking, advanced telephone, and other services.

"I don't think home banking by itself will support screen phones," said Michael Grisham, a computerized-telephone expert in New York.

Variety Needed to Justify Cost

Mr. Grisham, who left American Telephone and Telegraph Co. in February after developing a screen phone AT&T canned last year, said that for the device's cost to be justified, consumer many in the trust industry were surprised that the vendor was even being considered, even though other big banks such as Chemical Banking Corp. and Bank of Montreal had already chosen its system.

Several sources said the technologists in the bank, headed by Marty Stein, feared they would risk their jobs if the bank again installed Premier software that proved faulty. However, a spokeswoman for the bank said that was not a factor.

The bank had second thoughts about the trust software

"Although they probably had several logical reasons for not choosing Premier, I'm sure the political consequences of selecting that system were not overlooked," said Hal McIntyre, managing partner of the Summit Group, a bank consulting firm based in New York and New Jersey.

For its part, Premier was also said to have had its own concerns about taking on too big a project. The vendor was said to have limited the discussions to global custody, even though BankAmerica was looking to replace nearly all its trust and custody systems.

Starting Small

Had a contract been signed, Premier would initially have converted only about 500 accounts, from a global custody system inherited from Security Pacific in New York, one in London, and a third, smaller system administered in Australia, the sources said.

Perhaps as important was that the BankAmerica trust executives didn't have the support of the securities processing staff, many of whom are former Security Pacific employees, sources said.

In its haste to consolidate the two banks, BankAmerica has alienated many former SecPac employees upon whom it still must rely to make the transition to a consolidated operation, sources close to bank said.

NEWS ANALYSIS

B of A to Forgo Premier System

Continued from *page 1*

it? According to several people who participated in the talks, Premier's champions – Lee Harbert, senior vice president, and Richard Griffith, executive vice president of global securities services – had several problems.

One was the complexity of melding the operations of two such different businesses and cultures as BankAmerica's and Security Pacific's.

Each bank served different types of customers, with BankAmerica's corporate clients requiring different kinds of accounting and reporting than Security Pacific's Wall Street clientele.

Another Fiasco Feared

Given BankAmerica's unpleasant experience with Premier, many in the trust industry were surprised that the vendor was even being considered, even though other big banks such as Chemical Banking Corp. and Bank of Montreal had already chosen its system.

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OUTSOURCING

First thing in the morning, you can get back to the business of banking...



Computerized phones from three different vendors will be tested.

NEWTREND

Technology Solutions For The Financial Industry

OUTSTANDING

4th Financial Travels Local Roads to Build Empire

By JOHN RACINE

WICHITA, Kan. — Fourth Financial Corp., which has amassed 15 acquisitions in the last 16 months, may be getting more mileage out its ambitious acquisition program than any other bank around.

"When we started this we said this was a one-tank-of-gas program," said David L. Strohm, an executive vice president who oversees acquisitions for the Kansas company. "We said that anywhere we can get to on one tank of gas, we'll go there."

In Kansas, Oklahoma, and Missouri, one tank apparently goes a long way.

Fourth Financial, the parent of Wichita-based Bank IV, has nearly doubled its asset size to $7.3 billion since 1990. And its executives say they aim to add $2 billion of new assets annually over the next few years.

Tight Focus

In the process, the bank has developed a reputation not only as a savvy acquirer but also as an extremely focused one.

Most analysts praise Fourth Financial for solidifying its already dominant position in Kansas, while almost overnight building itself into the third-largest bank company in Oklahoma, a heavily fragmented market.

The drive has been stimulated by the liberalization of interstate banking laws in Kansas on July 1, 1992. The law creates expansion opportunities in all of Kansas' bordering states except Iowa.

For all its ambitions, however, Fourth Financial itself is frequently mentioned as a takeover candidate. Indeed, some analysts say its rapid market expansion only increases its appeal to certain out-of-state giants, such as Minnesota's Norwest Corp., Ohio's Banc One Corp., or St. Louis-based Boatmen's Bancshares.

Not Ready to Succumb

Boatmen's is the most frequently mentioned acquirer because of interstate restrictions on the other two companies.

Nevertheless, most observers say Fourth Financial has more empire building to finish before it succumbs to another company.

"It can still grow quite a while, maybe 70% more, before it would become too large to be acquired," said Steven Schroll, senior bank analyst at Piper Jaffray Inc. in Minneapolis.

But Jerry Swords, president of Swords Associates Inc., a Kansas City, Mo.-based bank consulting firm, sees a day of reckoning coming soon. "They'll either get to the $10 billion-asset size or they'll be acquired," he said.

Beside the Point

Such talk is a distraction to Darrell G. Knudson, the chairman and chief executive officer of Fourth Financial. The executive, who joined the company from First Bank System Inc. three years ago, said he doesn't stay awake at night worrying about whether his company will be acquired or remain independent.

"We think it's a mistake to have a focus on either one," he said during a recent interview. "We won't slit our wrists if we don't reach $10 billion by 1995, because that's not our objective."

What drives Mr. Knudson and his top managers is avoiding the loan problems that stung them in 1990. That year, Fourth Financial's profits plummeted 49% from the previous year and its return on assets plunged 60% to 0.47%.

The cause: big provisions related to 13 commercial real estate loans (known internally as the "dirty baker's dozen") to long-standing customers in Kansas.

Diversification Drive

Since then, the company has installed rigorous credit standards and pursued its diversification plan. The drive for diversification is circumscribed by the company's credit process – its standards are superimposed on the portfolios of acquisition candidates – and by certain size requirements.

Fourth Financial says its primary targets are leaders in their home markets with assets ranging between $100 million and $500 million of assets.

Another factor driving Fourth Financial is the fact that its home state is becoming uncomfortably crowded since the interstate prohibitions were relaxed.

Since last year, about $5.8 billion of bank assets have been acquired in Kansas, according to SNL Securities.

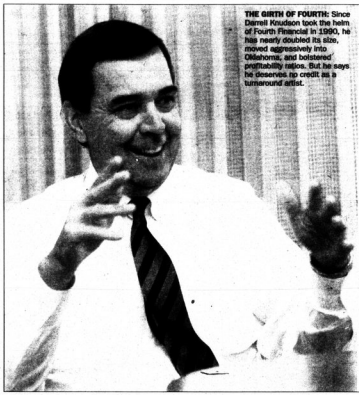
Missouri banks have been the most aggressive, focusing predominantly on banks in affluent Johnson County, Kansas, which borders Kansas City, Mo.

In-State Expansion

Fourth Financial itself has been an active acquirer – picking up some $526 million of assets in the Sunflower State since April 1992 and cementing its status as the Kansas' biggest bank. Its in-state growth was assured when Kansas lawmakers last spring raised the cap on deposit market share of any one bank from 12% to 15%.

The legislators rejected a measure that would have limited out-of-state bank holding companies to the 12% deposit cap. Observers say the decision was a significant victory for Fourth Financial. Lawmakers guaranteed the Kansas bank's viability as a buyout target while giving it room to add another $1.5 billion in assets.

Nevertheless, Fourth Financial's biggest appetite has been in neighboring Oklahoma, where it is concentrating on acquiring healthy banks in a region that is strongly rebounding from its oil bust days.



THE GIRTH OF FOURTH: Since Darrell Knudson took the helm of Fourth Financial in 1990, he has nearly doubled its size, moved aggressively into Oklahoma, and bolstered profitability ratios. But he says he deserves no credit as a turnaround artist.

Larry Fleming

As Fourth Financial's Home State Becomes Crowded...

Bank company/ headquarters	Kansas assets acquired since 5/1/92
United Missouri Missouri	$1.27 billion
Mercantile Bancorp Missouri	$1.03 billion
Metropolitan Financial Minnesota	$937.7 million
Fourth Financial Kansas	$826.3 million
Commerce Bancshares Missouri	$443.2 million

It Is Leveraging Its Financial Strength...



To Expand Outside Kansas

Announced deals since 8/92

	Purchases	Total assets in billions
Oklahoma	8	$1.5
Missouri	1	0.5

Sources: Ferguson & Co., company reports, SNL Securities

No Status Quo for This CEO – Knudson Aims to Grow

Darrell G. Knudson was not looking for a retirement job when he was persuaded in 1990 to give up the No. 2 spot at First Bank System Inc. and become chairman and chief executive of Fourth Financial Corp.

"What I was interested in was growing a company, not getting out there and maintaining one," said Mr. Knudson, who rose from teller to vice chairman during his 34 years at Minneapolis-based First Bank.

Won't Take Credit for Turnaround

The soft-spoken 56-year-old executive says he deserves no credit as a turnaround artist.

Despite Fourth Financial's quick return to health since his arrival – profits more than doubled in 1992 to $53.2 million and are on course to beat that mark this year – the executive insists the bank was fundamentally strong when he took over three years ago.

Today, he spends most of his time thinking of ways to expand the company's market share as it fights off neighboring intruders such as Boatmen's Bancshares.

His prime strategy for doing this is to acquire community banks, which he sees as the keys to winning market share in Kansas and Oklahoma.

"I think the local community bank is as powerful a competitor as you will find," he said.

That thinking has become part of the bank's culture. Every bank that hoists a Bank IV banner quickly learns to impose a regimen of staff training, with a focus on cross-selling products and services.

Outlocaling the Locals

"As Darrell likes to say, it's hard to outlocal the locals – but we try," said Gordon Greer, a longtime Oklahoma community banker who is now chairman of Bank IV Kansas.

"The competition is going to be tougher, but we thrive on that."

— John Racine

See next page

Continued from page 4

Almost No. 3 in Oklahoma

In the past 18 months, the company has announced plans to buy about $2 billion of assets in the Sooner State. Upon completion of all the deals, Fourth Financial would be the third-largest financial institution in a state where 430 banks divide about $29 billion of assets.

The move fits the one-tank philosophy. Fourth Financial's Oklahoma empire is centered in Tulsa, a city closer to the company's Wichita headquarters than is Kansas City.

Mr. Strohm, the acquisition czar at Fourth Financial, said the bank is less than halfway toward its goal of accumulating $4.5 billion in the state.

"Fourth Financial sees the opportunities for the greatest growth is in Oklahoma," said Kay Lister, a bank analyst with Keefe, Bruyette & Woods Inc. in New York City.

Deposits Retained

Indeed, the Bank IV name that goes up on the Oklahoma branches appears to have been readily accepted in the state. The company said it has retained nearly 99% of all acquired deposits.

The company is itself seen as a takeover target.

Not all the news is good, however. Fourth Financial's efficiency ratio – which measures noninterest expenses, excluding foreclosure costs, as a percent of revenue – stands as high as it was in the days of 30 some banks. Corporate-wide, Fourth Financial in the second quarter spent 66.5 cents for every $1 of revenue – up 2% from a year earlier.

The bank and analysts say the expense problem reflects overstaffing that Fourth Financial acquired banks are consolidated and efficiencies are realized. The company maintains that it integrates the computer operations of its acquired banks into its own system within 90 days.

"What a customer sees won't be affected," said Mr. Strohm. "It's what's behind the tellers where we have changed things."

Eastward, Ho!

Fourth Financial recently began another major stage of its expansion strategy – moving eastward into Missouri. It said on July 16 that it will buy Great Southern Bancorp., a Springfield-based thrift with $515 million of assets.

Observers expect the move to be followed by a slew of statewide purchases in Missouri. However, it is not clear if the company will push into the already heated St. Louis marketplace or focus on Missouri's western border, which abuts Kansas and northeastern Oklahoma.

St. Louis is tempting – more populous than all of Kansas – but it would stretch Fourth Financial's one-tank rule.

"We don't worry about how big we can be," said Mr. Knudson. "We worry about how effective we can be in the individual markets we serve. For the next couple of years we're kind of busy with what we've already got started."

Bidding Wars

Fourth Financial's pricing strategies for its acquisitions have been generally well received by investors, but some analysts are afraid that bidding wars with neighboring banks may be tilting the company to overpay.

Many of the bank's early acquisitions involved small banks that were not courted by other suitors.

Mr. Swords noted that the healthy institutions Fourth Financial has been buying in Oklahoma lately drew high multiples over book value.

In June, for example, Fourth Financial said it would buy Western National Bancorp in Tulsa, which has $212.5 million of assets, for $34.2 million. That equates to about 2.74 times Western's book value, according to SNL Securities.

Mr. Strohm asserted that his company's deals have not diluted earnings or shareholder value.

"I don't think that overall the general prices have been bid up," he said. "We've seen multiples in the 1.75 to 1.9 times range, but we have not seen many ozone prices."

Republic Buying London's Mase, A Bullion Bank, from Westpac

NEW YORK — Republic National Bank of New York said on Friday that it has agreed to buy Mase Westpac Ltd., a gold bullion bank based in London.

The purchase price was not disclosed. Mase, a unit of Australia's struggling Westpac Banking Corp., is one of five London banks that set the price of gold there every day.

Republic National, with $18.5 billion of deposits, is owned by $36 billion-asset Republic New York Corp. The bank is an active trader of precious metals and a dealer of gold and silver in the retail markets.

Meanwhile, shareholders of Commerce Banc Corp. in Charleston, W.Va., approved the bank's merger with Huntington Banchares of Columbus, Ohio. The stock swap deal, valued at about $155 million, is expected to close this quarter.

Also, Onbancorp's application to buy Franklin First Financial Corp., a thrift based in Wilkes-Barre, Pa., was approved by state regulators in Pennsylvania and New York. Onbank is based in Syracuse, N.Y. The merger, valued at about $138.4 million, is expected to close this quarter.

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Community First's Acquisition Machine Is Zeroing In Again

By ROBERT B. COX

Mergers

ATTENTION COMMUNITY BANKERS: Donald Mengedoth and Community First Bankshares are on an acquisition binge and they may be coming to your small town.

If you run a community bank with $45 million to $100 million of assets in a town of 10,000 people somewhere in the upper Midwest, you may be a prime target for Mr. Mengedoth's hungry acquisition machine.

The Fargo, N.D.-based super community organization already has announced three acquisitions this year – in Minnesota, Colorado, and North Dakota – and is scouting for prospects in Montana, Wisconsin, and Iowa.

"We will announce more acquisitions this year, you bet," the 49-year-old chief executive said in a telephone interview.

Community First is the creature that emerged from Mr. Mengedoth's risky 1987 leveraged buyout of $620 million in rural banking assets from his former employer, First Bank Systems. Since then, the bank has grown to $1.2 billion of assets through acquisitions of community banks.

In its annual report, the company counted as possible targets 3,000 community banks in a 10-state region stretching from Colorado to Wisconsin to Montana. Earlier this year the bank raised $20 million of equity on the stock market to fuel its takeover drive.



Donald Mengedoth

"We started out with the strong belief that community banking in small to medium-sized midwestern communities was excellent business," Mr. Mengedoth said.

"We had observed that these banks had unique relationships with their customers."

But many of the small communities where Community First has offices – and in the areas it is targeting – are actually experiencing little or no population growth. In order to grow, the bank needs to make acquisitions.

"The markets they are in are not growing," said Steven R. Schroll, bank analyst at Piper Jaffray Inc., Minneapolis, the investment bank which brought First Community's stock public.

"They are small, rural towns with static – if not shrinking – populations."

While the bank looks at dozens of deals, it goes ahead with less than 5% of them. Right now the bank is conducting due diligence on two institutions, which it declined to identify.

Shops for Bargains

Because the markets Community First targets are often too small for the larger Midwest acquirers like Banc One Corp. and Norwest Corp., Mr. Mengedoth is often able to pick up banks for only a 10% to 50% premium to book value.

Community First generally knocks out the back-office operations of acquired banks to cut down on costs, and introduces its own products and services – some of which might not have been available at the acquired bank.

But Mr. Mengedoth is adamant about keeping management in place. He says good management is one of the attributes he looks for in acquirees.

"On the coasts, customers are used to dealing with branches, but as you get out into the more rural communities the idea of local ownership and commitment to the community are integral functions," he said.

Customers want to talk to the president in those communities when they come in to ask for a loan to send their kids to college."

Maryland Thrift Wins Right to Convert

WHEATON, Md. — Equitable Federal Savings Bank said it had received Office of Thrift Supervision approval to convert to federally chartered stock savings bank from a federally chartered mutual.

An offering of up to 600,000 shares was priced at $10 a share and will expire on Aug. 31, Equitable said. The shares are being offered to customers and the general public.

Equitable had assets of $192 million as of June 30, a spokesman said. — **Dow Jones**

Q: When do you think small-business lending will pick up again?



WILLIAM P. HAYES
President
Kishacoquillas Valley National Bank
Belleville, Pa.

Our small business loans are up about 16% in the last year. The demand has been fairly steady. Those businesses that are confident their revenue streams are big enough are taking advantage of interest rate environment.

And some of those that aren't are taking the opportunity to restructure their balance sheets and refinance their existing debt.

Once the uncertainty about tax rates is resolved, we will see an increase. It's not only economic issues that business owners are worried about, but policy issues also. □

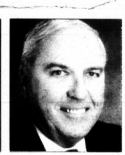


STEPHEN DUFILHO
President
Bank of San Antonio
Texas

There is still demand for credit to small businesses, particularly in our area of the country.

However, the quality of the prospective borrowers' balance sheets and income statements has been seriously affected by the poor economic conditions experienced in the late 1980s. The economic crises we endured over the past five-plus years has caused a number of changes, creating barriers to lending.

It will take some time, perhaps even years, for these bad memories to fade and our lending standards to be readjusted to accommodate these credit requests and hopefully permit character loans once more. □



JAMES RYAN
Chief executive
Bank of Walnut Creek
Walnut Creek, Calif.

I don't think it's going to pick up until business people have some kind of confidence in terms of the administration in Washington.

Clinton is going to have to make some real steps toward reducing the deficit. If he doesn't, inflation is going to go up and interest rates will soar and people just won't want to borrow.

I don't know that when the tax situation is resolved it's going to stimulate anything. If anything, it will retard it. Here in California, we have to wait until the economy turns around before anything happens to stimulate loan demand. □

For California's Truckee River Bank, SBA Lending Has Been a Bumpy Ride

By TERRENCE O'HARA

Small-business lending is the lifeblood of Truckee River Bank, Truckee, Calif.

But Truckee's small-business lending not only relies on the economy, but also on the generosity of the federal government. That reliance caused loan funding problems earlier this year, and is likely to cause problems next year as well.

Since 1986, the $170 million subsidiary of Sierra Tahoe Bancorp has developed a profitable niche in Small Business Administration lending in Northern California.

Agency Funding Dries Up

As Congress debated the appropriations bill for the SBA this spring, the agency was without funding between April and June. Nonetheless, Truckee River Bank funded almost $8 million in SBA loans.

With the SBA unfunded, Truckee River couldn't put the guarantee credit enhancement on the loans, and package and sell them on the secondary market. Truckee River's liquidity position became tight as a result.

"We were in a position to manage the liquidity problems," said William Fike, chief executive of Sierra Tahoe. "Now we are still converting those loans that we made and selling them."

The SBA was provided with $175 million in guarantee funds, which leverages into $3.2 billion in SBA-enhanced loans to small businesses nationwide.

'Preferred Lender' Status

Truckee River is the second-biggest SBA lender in California and the fifth-largest nationwide, and is a coveted "preferred lender," meaning it can underwrite its own SBA loans without approval from the agency. Truckee River Bank has a $375 million SBA servicing portfolio.

The demand for SBA loans will surely outstrip its current funding, Mr. Fike said. Agency funding tentatively earmarked for 1993, $155 million, is less than for 1992.

The SBA hopes that with underwriting and securitizing changes, however, SBA lending will keep pace with this year's $6.8 billion.

Still, the changes could put a damper on Truckee's growth, since demand for SBA loans is expected to be twice as strong next year as the California economy recovers, Mr. Fike said.

Competitive Pressures

On top of funding pressures, the Northern California market for SBA lending is increasingly crowded, with both bank and nonbank lenders jumping into the niche Truckee first carved out for itself seven years ago.

SBA originations in 1992 at Truckee were $46 million, down slightly from 1991. Mr. Fike said that this year the pace of loan origination at the bank is down slightly as well.

But he added that Truckee won't compromise its underwriting standards because of pricing pressures.

"A lot of the institutions getting into SBA lending don't understand the kind of resources you have to devote to it," he said. "It takes a real commitment to do well at it in the long haul." □

What Next for Successful CEOs Whose Banks Are Sold?

Weekly Adviser



By PAUL NADLER

One career trap that perplexes a number of top community bankers is what to do next if they are so successful that their bank are sold out from under them.

Granted, all evidence indicates that the good community bank does not have to sell out. Economies of scale are not large enough to force a bank to be acquired to gain greater efficiency.

The personal strengths and community attitude of the community bank makes it a superior competitor in the local market. Flexibility, unwillingness to make quick decisions, and the skill to handle people as individuals usually give the local bank a major advantage of service superiority over its larger competitor.

But there is such a thing as "an offer you can't refuse."

If an offer from some other organization or group of individuals is far above the current market price of the bank, the directors have a legal obligation to consider it, and the CEO who does not bring such an offer to his board is also looking for legal trouble.

So frequently one hears a CEO lament, "I did my job, I built the bank. The offer that we received

A good CEO is not automatically out of a job when his bank is sold.

made the shareholders rich and to a degree made me rich, too. But what do I do now?"

Of course a good CEO is not automatically out of a job when his bank is sold. Just the opposite is usually the case: The acquirers want him to stay, to help keep the bank on the successful path that made it so attractive as an acquisition candidate in the first place.

In some instances the deal is even predicated on the CEO remaining to run the bank for the new owners.

But all too often the new golden rule applies: He who provides the gold makes the rules.

Mr. Nadler is a contributing editor of *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

Send Us Your Ideas

Weekly Adviser is a forum for community bankers to share their concerns, problems, and solutions. You can participate by writing to:

Paul S. Nadler
14 Friar Tuck Circle
Somonl, N.J. 07981

Responses will be printed in the column.

And a top CEO often finds himself struggling to retain his enthusiasm or even his desire to come to work when he no longer is the boss and must take direction from someone else.

Sometimes bankers have died suddenly, forcing the bank to go outside for a new leader because the deceased CEO kept things so close to the vest that no one on staff was qualified to succeed him.

All too often the new golden rule applies: He who provides the gold makes the rules.

Most Act Responsibly

But most CEOs take their responsibility seriously and arrange to generate maximum shareholder value, even if it means that they must themselves make a drastic career change.

What do they do?

Some go out and take over another bank in an effort to start at the bottom and do it all over again.

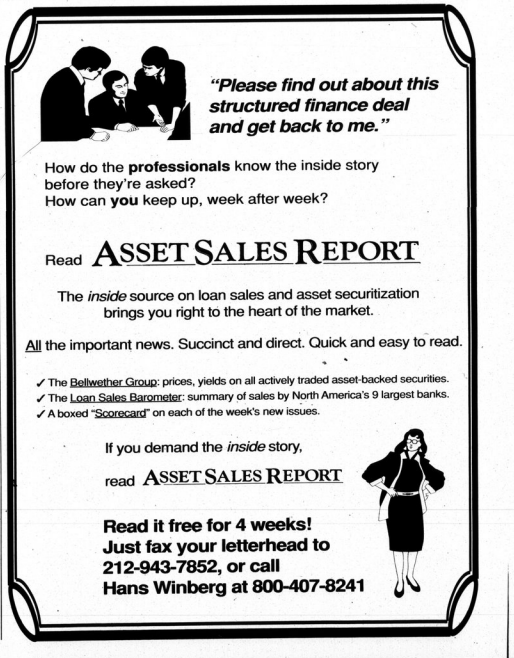
Some stay, bite the bullet, and decide they will be rich even if not as happy as they were in the past.

Some leave banking altogether. They go into another industry or they manage a small hotel or do something that is so different from banking that they can forget for days at a time that they had been a bank CEO, with all the power and glory that this entailed in the community and in the bank.

Maybe there are different routes that ex-CEOs who have been too successful can take.

The Weekly Adviser would love to hear from you at the address printed below.

Your experience and suggestions may be of great use to other community bankers who have had to choose between trying to keep their job by discouraging buyout offers and doing what they felt was best for the bank's shareholders, even though it nipped their own successful careers in the bud. □



American Residential Bulks Up to Survive

People in the News

By CHRISTOPHER NOBLE

AS MORTGAGE INDUSTRY veterans go, John Robbins is one of the most authentic on the scene.

As founder and chief executive of American Residential Mortgage Corp., La Jolla, Calif., Mr. Robbins has taken his company from anonymity to national prominence not once, not twice, but three times over the past decade.

American Residential's agreement two weeks ago to buy Fort Worth-based Foster Mortgage Co. is his latest move to secure a bright future for the company.

He started the company in 1983 as a unit of the old Imperial Savings. It was sold in 1988 to First Nationwide Bank, a unit of Ford Motor Co. When Ford threatened two years later to shut down or sell the company, Mr. Robbins and his management team pooled their money and organized a buyout.

Last year, Mr. Robbins led the company in going public, a move that has proved spectacularly successful and has firmly reestablished American Residential in the upper ranks of the mortgage industry.

"We certainly had times when the long-term outlook was a little bleak," Mr. Robbins said about the company's past.



John Robbins

While American Residential's purchase of Foster's $3.5 billion in servicing and its large servicing center in Fort Worth is puny compared with other recent servicing deals in the industry, it fits well with Mr. Robbins' plans.

By tripling the company's servicing capacity to $90 billion and bringing its current portfolio to almost $14.5 billion, the deal gives American Residential the space it needs to be a major player in the rapidly consolidating mortgage banking industry.

Mr. Robbins said buying Foster was just the first step along a five-year road to a $50 billion servicing portfolio and a position at the top of the mortgage servicing industry, two things he feels are essential for the company's survival.

And he sees more deals in American Residential's future. "To get to $50 billion, it's going to take a combination of both acquisition and originations."

Foster Is a Strategic Fit

American Residential is one of the country's largest originators, and buying Foster puts it in range of the top ranks of the country's servicers, too. "We targeted Foster for a lot of reasons. They have good people, they have a platform up and operating that has the capability to go to 500,000 loans without requiring any additional space, and it's in a tax advantaged state compared to California."

The 500,000-loan capacity translates into about $60 billion in servicing. Coupled with American Residential's $30 billion capacity in its San Diego facility, the sky's the limit for the immediate future.

Servicing is important to American Residential, Mr. Robbins said, because when originations ease after a rise in interest rates, it will provide a long-term source of funds.

"They are an annuity stream that gets more valuable as interest rates rise. We want to grow that annuity stream to the largest possible extent that it can be grown."

Interest on 30-Year Fixed Loans Falls To 7.19%; 15-Year Rate Dips to 6.73%

The national average interest rate on 30-year fixed-rate mortgages fell last week to 7.19%, from 7.24% a year earlier.

Preliminary figures from a weekly survey by HSH Associates of Butler, N.J., also showed that points charged on such loans averaged 1.37%, unchanged since last week.

The declines were across the board. The Washington, D.C., area continued to have the lowest rate, 7.06%, down from 7.12%. Minneapolis remained one of the most expensive areas at 7.28%, down from 7.35%. Points charged on loans remained basically stable.

The national average for 15-year fixed loans was 6.73%, down from 6.82%, while one-year adjustables averaged 4.35%, down from 4.4%. Edward Kalkosky

Executives' Fears of a Down Cycle Hurt Recruiting, Drive Salaries Up

By CHRISTOPHER NOBLE

The refinance boom that has taken the industry to unheard-of heights is also giving mortgage executives the jitters – making recruiting difficult and driving salaries up.

"A lot of people are very wary about where they go and what jobs they take," said Peter Hall, with the San Francisco-based executive search company Chartwell Partners.

Busy Time for Headhunters

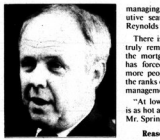
Executive searchers trying to meet the needs of an industry notorious for its boom-and-bust cycles are having a busy year.

And although the current boom has created heavy demand for new workers, those doing the searches say the industry's track record has made some executives leery of getting into the mortgage game or changing jobs.

"This business has been very cyclical, with people getting hired in busy times and fired in slow times," said David DeWilde, also with Chartwell Partners.

Inflation in Salaries

"Candidates want to know about the long-term stability of the company and what sort of protection they'll have in the post-refi era."



David DeWilde
Says candidates seek stability

The timidity among executives has led to an inflation in salaries as mortgage companies struggle to attract new talent and hold on to the people they already have, said Mark Springer, who runs his own executive search company in Southern California.

Paradoxically, while the end of the refinance boom will surely cost some people their jobs, executive search companies will likely do well during such a period, as mortgage lenders scramble to adjust to new market conditions.

Demand High at Lower Levels

"We always thrive on change," said J. Nicholas Hurd, managing partner with the executive search company Russell Reynolds Associates.

There is no denying that the truly remarkable expansion in the mortgage lending business has forced companies to hire more people, especially among the ranks of lower and mid-level management.

"At lower levels the demand is as hot as it was in 1986," said Mr. Springer.

Reason to Think Twice

But Mr. Springer said there is good reason to think twice about jumping into the mortgage finance industry during a boom.

After the last boom, which occurred in the mid-1980s, many executives hired to handle the surge in business were promptly laid off.

"They're all mortgage brokers now," Mr. Springer said.

Slowing the Searches

Mr. Springer said that many mortgage companies have begun to slow their searches in anticipation of an ending to the refinance madness that has gripped the industry.

"The street-smart companies are looking at 1994 and putting off big staffing moves until they figure out what's coming," Mr. Springer says. □

Consumers Warned on Paying a Bogus Bank

By CHRISTOPHER NOBLE

What's in a name? For some borrowers, it could be plenty. Like their monthly mortgage payment.

Immediate Payment Sought

Last week, World Wide Financial Services and the Mortgage Bankers Association of America released a statement warning consumers not to send their mortgage payments to Worldwide Mortgage Bankers, a bogus mortgage bank in San Antonio.

"Worldwide Mortgage Bankers is not to be confused with Birmingham, Mich.-based World Wide Financial Services, one of the fastest-growing mortgage lenders in Michigan," it read in part.

Number of Victims Unknown

The MBA said homeowners reported receiving in recent weeks notices from Worldwide Mortgage Bankers telling them they should immediately send their payments to Worldwide.

Worldwide apparently has no shame. The letters were addressed to "Dear Valued Customer," and went on to say a new coupon payment booklet was on the way, but that in the meantime they should just send in a payment in the enclosed, self-addressed, stamped envelope.

Both the MBA and World Wide Financial said it was almost impossible at this time to tell how many homeowners had fallen for the ploy. □

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Home Loan Banks Wielding New Clout

A recent government study of the Federal Home Loan Bank System holds some big implications for the mortgage business, says Peter Treadway, an analyst at Smith Barney, Harris Upham & Co.

Mr. Treadway discussed the report by the Congressional Budget Office in an advisory for investors.

In an excerpt from his report follows.

Verbatim

In order to generate earnings, the federal Home Loan banks have begun to use their agency status in the debt markets to buy mortgage-backed securities.

From zero at the end of 1987, mortgage-backed holdings by the Home Loan banks grew to $22.8 billion by yearend 1992.

If this trend is allowed to continue, the banks will prove to be deadly competition for the nation's thrifts – the banks' own nominal owners and the very institutions they are supposed to be helping – and will reduce the value of the "duopoly" of Fannie Mae and Freddie Mac.

The reasoning here is simple: The Home Loan banks are using their agency status in the debt markets to raise funds at roughly 25 basis points over Treasury and reinvest them in the mortgage-backed market at roughly 70 basis points over Treasury.

Another Enterprise

This form of risk arbitrage, by definition, creates a third government-sponsored enterprise that is buying mortgages and funding at agency rates in the capital markets.

Arbitrage activity could squeeze mortgage margins.

If this trend persists, we will have to start referring to Fannie and Freddie as "triopolists" rather than "duopolists." It is true that Fannie and Freddie will benefit, inasmuch as their mortgage-backeds are bought by the Home Loan banks.

But, from the viewpoint of their shareholders, this positive is probably outweighed by the fact that, with the Home Loan banks as a third mortgage-buying enterprise, mortgage spreads will be driven down further and Fannie and Freddie's own portfolio growth and/or spreads will necessarily be lower than they otherwise would have been.

Same Goes for Thrifts

This also applies to the thrifts that will be directly competing with their Home Loan bank "subsidiaries." And the positive side for Fannie and Freddie might eventually go away anyway.

Longer term, as the Home Loan banks' mortgage-backed portfolios grow, one might logically expect the banks to develop their own expertise and launch their own mortgage-buying programs for portfolio.

There is one group of winners in all of this: the mortgage bankers. From their perspective, having another government-sponsored monster to which they can feed mortgages in the secondary market is a dream come true.

Freddie Seeks Eased Reporting Rules

By SNIGDHA PRAKASH

WASHINGTON — Freddie Mac spoke softly but made many of the same points as Fannie Mae in its response to HUD's new targets for low-income housing loans.

Tone of Letter

In a letter sent last Wednesday to the Department of Housing and Urban Development, Freddie Mac stressed that factors outside its control affect the supply of low-income housing and its capacity to meet HUD's goals.

Like Fannie Mae, Freddie Mac asked HUD to relax some of the rigorous data collection and reporting requirements outlined in last month's rules. HUD will use the data to monitor Fannie and Freddie's compliance.

Though the issues raised were similar, the tone of Freddie's letter was somewhat "tamer" than Fannie's, said Chris Lewis, director of banking and housing policy at the Consumer Federation of America.

Congress directed Fannie Mae and Freddie Mac last year to ensure that 30% of the housing units financed by loans they purchase be for low-income and moderate-income people, and that 30% be in central cities.

Goals Vary Slightly

HUD told Fannie Mac, formally the Federal National Mortgage Association, and Freddie Mac – the Federal Home Loan Mortgage Corp. – that they must meet those goals in 1994. For 1993, the low-income and moderate-income goal for Freddie was 28%, and the central city-goal was 26%.

Those goals were two percentage points higher for Fannie. □

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Banks Trail the Competition in Equity Fund Assets

By MICHAEL O'D. MOORE

Bank's equity fund assets account for only 15% of assets under management at the 103 banks that manage mutual funds.

By this key measure, banks lag far behind the mutual fund industry as a whole, which has 35% of assets in equity funds, according to the Investment Company Institute.

"I don't see them catching up anytime soon," said Avi Nachmany, a partner in Strategic Insight, a New York-based consulting firm.

Institutions a Big Factor

Banks have $29.4 billion in equity funds according to a ranking compiled by Lipper Analytic Services Inc. for the *American Banker*.

A table of results was published in last Wednesday's edition. The accompanying chart lists the 10 banks with the most equity-fund assets under management.

Mr. Nachmany said most of the equity growth at banks has come from institutional clients and from trust conversions.

And he doesn't expect that to change. Retail customers aren't shaping up to be the driving force behind equity sales at banks, he said.

Source of Growth

Instead, growth will continue to be tied to annual growth in trust and institutional business.

NationsBank Corp., Charlotte, N.C., was first in equity assets of $1.9 billion as of June 30. That was 17.9% of the total assets of $10.5 billion.

SunTrust Banks Inc. of Atlanta came in second with $1.8 billion in equity assets, an impressive 53% of the $3.7 billion in fund assets for which SunTrust is investment adviser.

Consumers Diversify Assets

Third place went to First of America Corp., Kalamazoo, Mich. Its equity assets of $1.4 billion accounted for 36% of total fund assets, close to the mutual fund industry average.

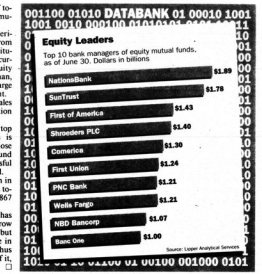
While much of First of America's equity assets came from trust conversions and institutional clients, about 53% of current retail sales are in equity funds, said William Shauman, senior vice president in charge of retail product development.

"It's really the whole sales process and the diversification of customer assets," he said.

Absent from the list of the top 10 banks in equity funds is Chase Manhattan Corp., whose Vista Growth and Income Fund is arguably the most successful bank-run equity fund around.

The fund had $335 million in assets. That's 39% of Chase's total equity-fund assets of $867 million.

Outstanding performance has helped the Vista fund to grow dramatically in recent years, but it started out with very little in institutional money and thus has a tougher climb ahead of it, Mr. Nachmany said. □



Annuities for Teen Dinosaurs

Variable annuities are ready for prime time. Just ask Robbie Sinclair.

Robbie who? Why, the teenage dinosaur on the ABC-TV series "Dinosaurs," that's who.

On a recent episode of the popular show, Robbie defeated his father, Earl, in a gladiator-style contention to become the family's "Supreme Male."

To secure the title, he had to prove his command of the dinosaur wisdom embodied in a thick manual. His sister, Charlene, drilled him.

The very first question? "What are three tax advantages of a variable annuity?"

Robbie didn't know the answer, but some wags at Cerulli Associates, Boston, had a few suggestions for *American Banker*.

- Capital gains may be deferred until the late Jurassic age.
- The death benefit preserves value in case a meteor strikes.
- Payouts can be annuitized until extinction.

— Karen Talley



ROBBIE: The TV dinosaur dealt with annuities on recent episode.

Wells Fargo Lets Customers Use ATMs To Buy and Redeem Its Equity Funds

By MICHAEL O'D. MOORE

In an apparent first, Wells Fargo Bank has made it possible for customers to buy and redeem shares of its proprietary equity mutual funds at automated teller machines.

The San Francisco-based bank announced last week that it has added the unusual capability to all but 40 of its 1,700 ATMs.

Consultants say making information and transaction capabilities available through ATMs is crucial to convincing customers that bank-managed mutual funds are a core product, not a sideline.

Tricky Business

A handful of banks have made it possible for customers to trade shares of proprietary money-market mutual funds over ATMs.

However, executing equity and bond fund trades by ATM is much trickier.

Whereas money market mutual funds are traded at a constant price of $1 per share, equity and bond fund shares fluctuate in price from day to day.

Price variation has deterred banks from offering the feature.

That makes for difficulty in squaring a redemption with the closing price posted later in the day. Consequently, banks have shied away from allowing ATM transactions for equity and bond funds.

Built-In Delay

To overcome the problems, Wells allows only 80% of a holding to be redeemed on any business day.

The cash from the sale is credited to a linked checking account of the customer's choice. The money is typically made available two days after the transaction, according to a 13-page pamphlet Wells Fargo sent to its customers.

The lag allows the bank to make the transaction and square any accounting differences.

In purchasing shares, customers may only add to existing accounts. To make new investments, they must purchase shares the old-fashioned way.

Wells Fargo customers may access up to 10 accounts over ATMs.

One of Wells' major competitors, Bank of America, is studying which investment-product capabilities to add to its ATMs. □



SEI Starts Its Own Fund Family for the Small Investor

By KALEN HOLLIDAY

After more than three years of playing stepparent to the proprietary mutual funds of banks, SEI Corp. has given birth to its own fund family.

With the launch of its Pro-Vantage Funds, the investment-services firm is marketing retail mutual funds under its own name for the first time. However, the funds will be managed by outside advisers.

The ProVantage Funds include equity, fixed-income and money market offerings, and will be sold through financial intermediaries, including banks and financial planners.

Focus on Lower-End Investors

Officials at SEI, which is based in Wayne, Pa., said they created the fund family to meet the needs of a wider range of investors, particularly those with less to invest.

"Over the years, we've had a lot of requests for products that would meet the needs of people other than high-net-worth investors," said Bert Dalby, marketing manager for ProVantage.

"What's critical now in terms of timing is that non-bank marketers have become aware of the needs of this group," said Richard E. Lieb, president of SEI Investment Services.

The move allows SEI Corp. to target a wider range of investors.

Based on the theory that there is a "huge need" for top quality funds, SEI decided that "limiting ourselves to the high end of the market wasn't the right thing to do right now," Mr. Dalby explained.

'Packaging Solutions'

As a mutual fund sponsor that administers more than $37 billion in assets, SEI has helped client banks establish and operate mutual fund families.

In creating its own retail offerings, SEI is "packaging investment solutions," especially for smaller clients who do not have proprietary funds that meet all of their customers' requirements, Mr. Lieb said.

The firm's larger clients, which include Banc One Corp., SunTrust Banks, Midlantic Corp., and United Jersey Banks, do not need SEI's mutual funds, Mr. Lieb said.

So SEI is gearing its products primarily toward small and medium-sized banks. Although Mr. Dalby would not specify which banks had signed on, he said the firm had four or five clients and about 25 additional strong prospects.

One selling strength being promoted is the funds' superior management, an advantage SEI portrays through the ProVantage name.

The funds "provide access to top institutional investment managers who typically require $500,000 to $5 million to open an individual account," Mr. Lieb said. Now these managers are available, "for as little as $1,000 per initial investment."

Tony Gray, who established his reputation at SunBank Capital Management, will be running SEI's Capital Appreciation Portfolio.

Data Base Selects Advisers

Other managers include Arthur Schwartz of Weiss, Peck & Greer Advisers and Wellington Management Company's Paul Kaplan.

The key difference between SEI's funds and others is the use and selection of outside managers.



Richard E. Lieb
Champion of small clients

To select advisors, SEI uses the company's investment performance data base. The data base includes information on more than 1,000 money managers with more than $450 billion in investable assets.

Mr. Lieb worries that some clients may think their territory is being invaded. "We believe it's a mistake for banks to say: 'You're competing with us,'" he said. "They are still thinking they're selling CDs."

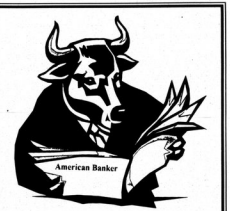
Nonbank mutual fund providers, such as Fidelity and Merrill Lynch, are their real competition, he said.

Initially, SEI's family includes eight of its 30 institutional-class funds. Fees for the funds range from no load for money market funds to 5% for equity funds.

More funds are planned for the future. "As we better understand the needs of our clients, we'll try to offer integrated and packaged solutions," Mr. Lieb said.

ProVantage's marketing manager anticipates introducing additional tax-free products within a year. □

Bankers are Bullish on Mutual Funds



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Card Cobranding: Is It Really Revolutionary?

By LISA FICKENSCHER

Through the strategy known as credit card cobranding, General Motors, General Electric, and AT&T have led an invasion into what was once exclusively banks' territory.

The new entrants were abetted by partnerships with banks that issue MasterCard or Visa cards on their behalf.

While some bankers have been disturbed by the trend, warning that the industry is giving away one of its last bastions, others see the cobranding idea as neither new nor threatening.

2d Fiddle or Equal Billing?

Jerry Crail, president of Wachovia Corp.'s credit card unit, says standard bank cards are, in a sense, already cobranded because they have a bank's name alongside that of MasterCard or Visa.

Some card bankers have decided it is better to try to control their cobranding destiny by aligning themselves with popular nonbank companies.

Some warn that the industry is giving away one of its last bastions. . . .

In one approach, Household Bank, which is owned by a nonbank finance company, willingly played second fiddle on the General Motors MasterCard. Citibank has equal billing with Ford Motor Co. on their joint Visa card.

Either point of view seems to have validity. The bottom line, analysts say, is that like it or not, cobranding is having a major impact, will not go away, and banks must find ways to live with it.

Building Brand Loyalty

The annual attrition rate among credit cardholders is approaching 15%. Card-hopping is epidemic as consumers' search for the best deal overruns any sense of institutional loyalty.

"There is no such thing as a one-size-fits-all credit card," said Michael Auriemma, a card consultant with Auriemma Consulting Garden City, N.Y., who sees cobranding as a way for card-issuing banks to build loyalty. "We will see a lot of segmentation as consumers continue to choose cards that offer something that is important to them."

To be sure, not everyone agrees on whether cobranding is the inevitable future for banks.

. . . But others see the cobranding idea as neither new nor threatening.

But one thing is certain, says Corey Stone, a consultant with Easton Consultants of Stamford, Conn.: "Cobranding takes the card to new places and the practical result is that it makes the bank card business even more competitive."

Mr. Stone also believes that cobranding will change the way payments are made, particularly in the health care and supermarket businesses. As more alliances are forged, and as they sell advanced payment services to consumers, cards will displace personal checks and cash.

Wells Fargo Bank's California Advantage card is perceived as an ideal single-bank response to the controversial value-added approaches of the cobranded cards, such as General Motors' popular auto rebate program.

Wells Fargo's California Advantage card, which offers rebates toward the cost of Wells mortgage loans, proves that banks can compete in this sweepstakes without taking on a partner. □



JERRY D. CRAFT
President
Wachovia Bank Card Services Inc.
Atlanta

The Visa and MasterCard marks, in our view, are already a form of cobranding, so we have focused primarily on distinguishing between the two.

When you go to an additional partner, one of them is going to be left out.

We want a relationship with our customers where we have more control at our level instead of sharing that with outside entities.

Cobranding is not new. It has been around since the initial stages of credit cards. □



ROBERT M. BOUZA
President
Key Federal Bank
Owings Mills, Md.

I am anti-cobranding, even though we have offered a cobranded secured and unsecured credit card for the past four years.

I started offering an S&H green stamps card, because Key Federal wouldn't have to spend any money on direct advertising and marketing.

But cobranding creates temporary, limited profits, and banks are generally at the end of the leash in terms of getting profits. We have to split everything with the marketing partner. □



ROBERT H. BURKE
Chairman
Bank of New York Delaware
Newark, Del.

We are currently looking for an appropriate partner, but we haven't found the right situation yet.

We feel that most of the cobranded products are failures. The danger of such an offering is pricing it right and giving the consumer real versus perceived value.

I do think cobranding will be very important in the future. It is the next step from affinity cards. □

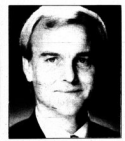


DIANNE STIGALL
Senior vice president
Union Planters National Bank
Memphis

We have a cobranded product with the Louis Rukeyser's Wall Street Club, because we saw the benefits it would offer to us by increasing our market share.

I would encourage bankers who are considering such a product to step to the forefront. Otherwise the nonbank companies are going to take over.

So much has been written about banks' not being innovative enough. We need to prove those conjectures wrong. □



TIM BALLINGER
Senior vice president
Fifth Third Bank
Cincinnati

Fifth Third is offering a cobranded product with the Kroger supermarket company, because we see the credit card business getting very focused.

The trend in the industry has been toward cobranding of one form or another.

What we've done with our card is to build on a relationship that is already strong – that of Kroger and its customers.

Cobranding is a reality that won't go away, and I don't think banks can ignore it. □

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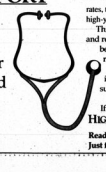

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Armed Forces Bank Shifts to Tiered Rates

By STEPHEN KLEEGE

The Armed Forces Benefit Association unveiled a tiered pricing schedule under which personnel whose credit histories are less than spit-shined can qualify for its cards.

The tight underwriting required for its 12.5%, no-fee credit cards has forced the association's bank to reject 72% of applicants.

Pricing

The bank hopes the addition of two new cards, with slightly higher interest rates, will decrease rejections to 57%.

The association, based in Alexandria, Va., has issued 112,000 credit cards, through AFBA Austin Bank in Colorado Springs, Colo.

The bank's main mission is to provide financial services to military families and federal employees, but it accepts applications from others.

Rates as Low as 8.9%

Under the new pricing, customers with "superior" credit records will qualify for an 8.9% introductory rate.



AT EASE: AFBA hopes looser standards will reduce rejections.

After September 1994, this card converts to a floating rate of prime plus six percentage points with a floor of 12.5%. There is no annual fee.

A second bank of customers, with merely "excellent" credit records, would receive a no-fee card at prime plus seven points and a floor of 13.5%.

"Good" credit risks could get cards with a $20 fee and a rate of prime plus nine. The minimum interest rate would be 15%.

The cards, either standard or gold, offer a 25-day grace period on purchases.

A bank spokesman said that all three levels of card are less expensive and harder to qualify for than the national average.

* * *

Banc One Corp. is testing a Visa Gold Card that carries no interest charges on purchases made through the end of the year.

Analysts said such offers could proliferate as issuers try to stimulate usage in a weak economy.

Similar to Signet Promotion

"Some economists are predicting a slow Christmas shopping season and this may prompt issuers to offer special pricing incentives," said Robert B. McKinley, of RAM Research Corp., Frederick, Md.

The Banc One offer entails a $20 annual fee and, effective in January, a finance charge on unpaid balances of prime plus 9.9 percentage points, currently 15.9%.

Waivers of finance charges are not unprecedented. Signet Banking Corp. has tested a similar promotion to lure balances from competitors.

The card from Banc One's Columbus bank offers a 25-day grace period. There are penalties of $15 for late payment and exceeding the limit, and a transaction charge of $2 to $15 for cash advances. □

AMERICAN BANKER/*Bank Rate Monitor's*™
Consumer Money Index
Personal loan rates and fees

Here are the personal loan rates and fees being charged by selected large banks and thrifts nationwide on August 3. The rates are those offered to the general public for a $3,000, unsecured personal loan, with a fixed rate and a 24-month term. During the past eight weeks, the trend of these rates has been declining. The eight week trend is based on the rates being charged by the ten largest banks and thrifts in the ten largest markets. The highest rate reported over the period was 15.59% on June 14th and July 6-12. The lowest rate reported over the period was 15.57% on June 21-28.
Source: Bank Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

Banks

BANK	RATE %	FEES
Bank One, Texas, Dallas	14.00	None
First American Bank, Wash., D.C.	13.45	None
First Nat'l Bk of Chicago, Chicago	14.90	None
First of America Bank, Detroit	15.00	$50 processing fee
Sumitomo Bank of California San Francisco	19.25	$60 document fee

Thrifts

THRIFT	RATE %	FEES
Dime Savings Bank, New York	18.00	None
Eastern Bank, Boston	16.75	None
First Heights Bank, Houston	14.00	None
Germantown Savings Bank, Philadelphia	15.99	None
Great Western Bank, Los Angeles	16.89	$50 loan fee

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EXECUTIVE *changes*

USbancorp Chooses Dunkle As Chairman and Chief Exec


Terry K. Dunkle

Terry K. Dunkle, president and chief executive officer of **U.S. Bank**, Johnstown, Pa., has been designated to succeed **Clifford A. Barton** as chairman, president, and chief executive officer of the bank's parent company, USbancorp.

Mr. Barton has held the top position for the past six years.

Mr. Dunkle has more than 30 years of banking experience.

He joined U.S. Bank in 1988 and developed and implemented a restructuring program that included the sale and consolidation of branch offices, realignment of staff, and a strong emphasis on asset quality.

Louis Cyrkar has been designated to succeed Mr. Dunkle as president and CEO of U.S. Bank.

Mr. Cyrkar is currently senior vice president and head of the bank's commercial and retail banking units.


Louis Cyrkar

He, too, has more than 30 years of banking experience – 24 of them with the former Equibank of Pittsburgh, where he rose through the ranks to become senior vice president in commercial lending.

In 1991, he was promoted to senior vice president and head of both the commercial and retail banking groups at U.S. Bank.

The USbancorp board will take formal action on the two appointments before Mr. Barton's retirement, which is scheduled for Jan. 31.

— **Franklin Smith**

MIDWEST

MID AMERICAN National Bank and Trust Co. of Bowling Green, Ohio, has named **Charles Parcher** as its vice president of commercial lending.


Charles Parcher

His responsibilities include developing commercial business for the bank.

MIDDLE ATLANTIC

CREDIT SUISSE USA, New York, has appointed **Moez Jamal** as a member of senior management and as group executive of its treasury group.

Mr. Jamal was previously sector head of international products and equities for Credit Suisse London.

LEHIGH VALLEY BANK, Bethlehem, Pa., has appointed **James F. Duggan 3d** administrative vice president of real estate loan services.

He is responsible for managing the bank's real estate portfolio, including delinquency monitoring, compliance issues, loan growth, and real estate support for commercial lenders.

He was vice president of commercial real estate at First Valley Bank also in Bethlehem.

CHESTER VALLEY Bancorp, Downingtown, Pa., has promoted **Anthony J. Biondi** to executive vice president.

He was secretary-treasurer, and has been chief financial officer since 1987.

Chester Valley, the parent company of **First Financial Savings Bank** in Downingtown, also appointed **Kelly L. Lawrente** as assistant vice president of the thrift.

ASLK-CGER Bank has appointed **Jacques Thys** as executive vice president and general manager of its New York branch.

The bank, whose full name is Algemene Spaar-en Lijfrentekas/Caisse Generale d'Epargne et de Retraite, is based in Brussels.

Mr. Thys succeeds **Jacques Putzeys**, who has returned to Brussels to become president of **Codep Bank**.

SOUTHEAST

SEI CAPITAL Resources, a unit of **SEI Corp.**, Wayne, Pa., said **K. David Wheeler** has joined its Atlanta office as a vice president and manager of SEI Capital's newly formed southern-region team.

John Dickson will be managing director of the Atlanta office and will continue to focus on advising pension funds in the southern region.

The southern region team will consist of the firm's Atlanta and Houston offices. **Daniel D. Trethik** has been named manager of the Houston office.

SOUTHWEST

FROST NATIONAL BANK, San Antonio, announced four promotions to the rank of senior vice president – those of **Tom Collier, James B. Crosby, Cliff McCauley,** and **C. Marvin Rickabaugh.**

Mr. Collier works in the technical planning area. His three colleagues are in commercial lending.

Promoted to vice president were **Linda Douglas,** mortgage servicing; **Beverly Edwards,** private banking; **Gayle A. Gagnon,** trust administration; **Vaughnell Gray,** nonbulk statements; and **Darlene Seisor,** cash management.

The bank also promoted four employees to the rank of assistant vice president: **Mary Keeton** in special projects, **Gloria M. Navarro** in customer information files, **Mark G. Retzloff** in financial planning, and **Debra A. Sul** in consolidated loan operations.

Frost National is a unit of **Cullen/Frost Bankers.** □

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Shift in Thrift Business Predicted

Trade Group Head Sees Consumer Loans Gaining

On July 1, Savings and Community Bankers of America named Robert R. Davis its chief economist and director of research. Previously, Mr. Davis ran Davis Financial Consultants, a New York-based financial consulting firm.

Before that, he worked for the New York Mercantile Exchange, the Commodities Futures Trading Commission, the Joint Economic Committee, and Chicago's former Harris Bank.

He tells Washington bureau reporter Robyn Meredith that the thrift business will become more consumer-loan driven.



Robert R. Davis

American Banker: What do you see as the future of thrifts?

Robert Davis: I guess one of the things that I want to say is that the traditional core business is still a good business. Housing finance is important. The needs for housing finance in the future and the public policy for housing finance may adjust to fit the times.

As time goes by, housing will remain important, but it will probably diminish somewhat.

And what will replace that will be consumer and community banking. What we are going to see will not be a watershed change, but a relative shift.

You will probably see relative growth in the portion of consumer-credit-oriented transactions on the balance sheets of savings institutions.

I expect to see a greater diversity in the industry, and more institutions finding niches that have nontraditional components.

AB: You have talked about new products for the thrift industry, but in the future do you also see more consolidation, and in what form?

RD: There will be significant consolidation. There has been consolidation from the economic fallout of the last few years, and that is going to continue.

AB: Do you see more banks acquiring thrifts?

RD: I think it is going to be sort of an equal mix.

AB: Thrifts are highly profitable now, but what will happen when interest rates change?

RD: Part of the challenge is to run one's operations so that you do very well in the good years and do sufficiently well in the bad years, and there is no reason why a depository institution can't do that.

There is good management in this industry. ..those institutions plagued by bad management did not survive.

AB: What public policy will SCBA push for in the future?

RD: The public policy that the organization wants to see – and I believe will see – is one that continues to place an emphasis on organizational arrangements that promote home ownership.

It wants to see public policy that also is community oriented. That is already part of public policy. We have an interest in reminding policymakers of that policy.

That's the reason we're here, to ensure that that environment exists so the important transactions for families and individuals can continue to be served by healthy financial institutions. □

OCC Expanding Scope Of No-Document Lending

The comptroller of the Currency is greatly expanding the universe of national banks that can make small business or farm loans without the documentation that ordinarily is required.

At President Clinton's urging, all the regulatory agencies decided in March to allow well-capitalized banks and thrifts with good managers – those with Camel ratings of 1 or 2 – to make a certain amount of small-business or agricultural loans that cannot be criticized by examiners if they lack the usual paperwork.

The Inside Line

The so-called basket of no-documentation loans may not exceed 20% of a bank's total capital, and individual loans may not exceed $300,000.

The OCC went one step further last week and said 3-rated national banks that are improving may apply for the right to make these loans without worrying about documenation.

Adding 3-rated banks will extend the new policy to 95% of all national banks, said Susan Krause, the OCC's senior deputy comptroller for bank supervision policy. The OCC promises to respond to any 3-rated bank requesting the right to make these no-documentation loans within 30 days.

The other regulators are in agreement with OCC but have not moved to expand their programs yet.

Waiting for 'Specifics'

The goal of the original proposal and OCC's expansion is to spur lending, OCC officials promised New England lawmakers in July that they would broaden the program because that region does not have many well-capitalized banks.

Allowing merely adequately capitalized banks to take advantage of the program may prod more banks to make more loans in hard-hit areas like New England.

Then again, maybe not.

"I don't know of anyone in the state that is using it," said Gerald A. Little, president of the New Hampshire Bankers Association. "People are saying we're waiting for more specifics on how we should deal with it."

Mr. Little made clear that his members appreciate the president's concerns and the regulators' efforts. But he said banks in New England "have been through regulatory hell in the last year, and are averse to adding much risk to their balance sheets right now."

— Barbara A. Rehm

Cut in U.S. Backing of SBA Could Curb Loans by Banks

By PETER SCHOENKE
Special to the American Banker

Legislation reducing government backing for the Small Business Administration's main loan program could force lenders to cut off marginal borrowers, bankers say.

"There is a real concern that some banks will curtail their SBA loans," said Scott Wilfong, senior vice president of First National Bank of Maryland.

The bill, which President Clinton was scheduled to sign late last week, was intended to make limited SBA resources go a bit further.

Guarantee Reduced to 70%

The idea was to provide businesses with smaller loans without increasing the budget deficit.

The agency doesn't actually lend money, but uses its funding to provide guarantees that eliminate much of the risk for banks, thrifts and others that lend to small business.

The new law reduces the government loan guarantee to 70% from 80%, for most small-business borrowers.

Rates and Fees Will Rise

It also limits guarantees on real estate loans above $155,000 to 75%, down from 85%, and imposes a fee of two-fifths of 1% on loans sold to the secondary market.

"The crafters of this proposal are trying to sell this as good for small business because the SBA program won't run out of funds," said Anthony R. Wilkinson, president of the National Association of Government Guaranteed Lenders Inc.

"What they are not saying is at the same time it will increase interest rates and increase fees," he said.

Marginal borrowers would feel the greatest impact of pending legislation.

Demand Problem is Seen

Under pressure to reduce the deficit, lawmakers said they would not be able to provide enough money to meet the growing demand for SBA loans.

At the same time, there is pressure to make more loans to help get the economy going.

The agency expects to guarantee up to $9 billion in loans in fiscal 1994.

Using an 80% guarantee, the agency would have been able to back only $3.2 billion in loans.

Mr. Schoenke writes for the Medill News Service.

PEOPLE

Schumer's Bank Aide Heads Across the Hill

Courtney Ward, the highly regarded banking aide to Rep. **Charles E. Schumer,** D-N.Y., is making the long walk across Capitol Hill from the House to the Senate to become staff director for the securities subcommittee headed by **Sen. Christopher J. Dodd,** D-Conn.

The current staff director, **Martha Cochran,** is expected to join the Clinton administration, either as a member of the Securities and Exchange Commission or in a Treasury Department post. She was on vacation last week and could not be reached for comment.

Mr. Ward has worked nearly five years for Rep. Schumer, first as an aide on a budget committee task force headed by the New York lawmaker, and more recently as Rep. Schumer's banking aide.

In addition to focusing on securities issues, Mr. Ward said he expects to deal with the full range of banking committee subjects, from housing to insurance.

Sen. Dodd is best known to the banking industry as the insurance industry's No. 1 advocate in the Senate.

* * *

Comptroller of the Currency **Eugene A. Ludwig** tapped Texas bank examiner **Sam Golden** to be the agency's ombudsman.



Eugene A. Ludwig
A case of pressophobia?

Last spring, Mr. Ludwig promised that he would appoint an ombudsman to investigate bankers' complaints about examiners.

Mr. Golden, who will remain in Houston, is respected by bankers in Texas, according to **Chris Williston,** president of the Independent Bankers Association of Texas.

"He is man of great intergrity and fairness," Mr. Williston said. "The general feeling of Texas national banks is one of sheer jubilation."

Mr. Golden, who has been with the agency 19 years, faces an uphill battle just getting bankers to use his services. It isn't that banks have nothing to complain about, it's that they fear examiners will retaliate if they file appeals.

* * *

Speaking of **Mr. Ludwig,** he hasn't given a single on-the-record news interview to detail his banking agenda. His invisibility has become a big joke in journalism circles. One industry magazine showed Mr. Ludwig with a bag over his head, and rumors circulated last month that he had a bad case of pressophobia. A spokeswoman said he is not afraid of reporters, he just doesn't want to give interviews before he's fully acquainted with the issues. That's a first for Washington. Mr. Ludwig, she said, is studying up and plans to become more accessible after Labor Day.

* * *

William J. Cunningham, former chief of staff to **Rep. Joseph Kennedy 2d,** D-Mass., has joined State Street Business Group Inc. has senior vice president. He will head the investment banking group's federal relations division.

* * *

Richard J. Miller is the new general counsel for the American Institute of Certified Public Accountants, succeeding **Donald J. Schneeman,** who will stay on as secretary and senior counsel until he retires next year. □

Opinion

Front Row on Washington

By Jim McTague

As Ethics Watchdogs Sleep, HUD Signs Up Bias 'Testers'

The Clinton administration's crusade against racial bias by mortgage lenders will not be slowed down by inconsequential matters like ethics.

A case in point is the $1 million contract that Henry Cisneros and the Department of Housing and Urban Development recently awarded to the nonprofit National Fair Housing Alliance to "test" bankers for bias in three cities over a 13-month period.

At the same time the alliance's scalp hunters are masquerading as minority loan applicants on behalf of HUD, the organization is hawking an educational program to banks and other mortgage lenders so they can avoid bias suits.

A Blind Eye

In fact, the alliance announced last week that it was on the verge of signing a nationwide contract with Sears Mortgage to purge its operations of biased underwriting standards and train the troops to be even handed. (I would bet the farm that Sears Mortgage has locations in all three cities targeted by the HUD investigation.)

For some peculiar reason, the ethics police at HUD didn't view this arrangement as the blatant conflict of interest that it is.

HUD's response, when I brought the situation to their attention last week, was to feign ignorance and confusion. (At least, I hope they were feigning.)

A double-assistant something-or-other in Roberta Achtenberg's office (she's the assistant secretary for fair housing and equal opportunity) said HUD had no idea that the alliance was playing for both the offense and the defense.

Shanna Smith, director of programs for the alliance, told me later that her group had been talking to Sears for nearly eight months and that she had told the HUD-ites all about it.

Minor Details

Perhaps their memories are being affected by this town's obscene August humidity.

Or maybe, since the mandate for HUD's test on mortgage bias emanated from Mr. Cisneros and Ms. Achtenberg, the foot soldiers are not focusing on petty details like prohibiting the testers from working for mortgage companies too.

Ms. Smith, who sounds sincere if somewhat naive, told me that no conflict exists because subscribers to her group's educational and self-testing program will not be immune from investigations and suits from the alliance members doing the testing.

(The alliance farms out the testing work to member groups in the cities that are not directly connected to the educational program. But the alliance oversees the operation and signs the checks.)

She doesn't buy my argument that bankers might buy the educational service in the belief that they would be immune from the HUD sting operation.

Carrot and Stick

I listened to a tape of a spiel Ms. Smith gave June 23 at a conference sponsored by the Consumer Bankers Association, and the program sounded like pretty good protection to me.

"You're wasting time with self-testing," she began. " Most programs won't protect you from suits."

She added, "I am extremely concerned that the testing you are doing won't go to the core of what is a civil rights or a fair-housing act violation, and that you in fact might be spending a lot of money on mystery shops per-type of activities with the illusion that you are protecting your institution from a fair-housing act challenge. I'm here to tell you that these programs aren't going to protect you from our perspectives."

She said the bankers that the alliance was working with Sears and that the group hoped to duplicate the arrangement with other lenders.

Action Needed

She then said by way of a warning. "One violation of the act is enough to bring a lawsuit. We don't have to prove a pattern of practice."

HUD in the least ought to investigate the alliance's pending arrangement with Sears, ASAP.

Better yet, it ought to amend the testing contract and prohibit the alliance from working for any mortgage lender in the test area during the 13 months the program will be in effect. □

AT THE SAME time scalp hunters are masquerading as minority loan applicants, the organization is hawking an educational program to banks and other mortgage lenders.

Comment

By Donald V. Brookes

When Recruiting Future Execs, Look for Skill in Juggling Complexity

Behind the success of Operation Desert Storm was primary management research that could have a significant impact on how banks recruit.

Banking in North America has gone through arduous changes in the past decade, and more is coming. It takes truly competent managers to capitalize on the opportunities and challenges that lie ahead.

Recruiting and promoting this capability will be critical to maintaining a competitive edge.

It is no longer simply a matter of recruiting for today's job. Banks must recruit and promote for the future.

Therefore, banks need more reliable means of forecasting a candidate's potential.

Career-Path Appreciation

In 1988, the United States Army Research Institute released a report on research that assessed various methods used for determining who will rise in the Army officer corps and who will not.

The institute examined one method of predicting management potential and compared it to the other techniques most commonly used.

It concluded that this new method, known as "career-path appreciation," clearly exceeded the others in its capacity to predict the level of work a person would be capable of performing five to 10 years into the future.

Differences in Potential

Career-path appreciation does not rely solely on intelligence, gender, cultural background, personality traits, or personal values.

Rather, it is based on the fact that humans mature at different rates in their ability to handle complexity.

Despite the common belief that anyone can be a corporate CEO, some will never be able to handle complexity at levels enabling them to assume middle and senior management positions.

Elliott Jaques, a renowned management scientist and visiting professor at George Washington University, developed the concept of individual growth curve capability to handle work complexity.

It is upon his theories that career-path appreciation is founded.

It appears that most managers can learn to be accurate as the career-path appreciation process in predicting employee potential.

How this process works and why it quickly becoming a popular method of forecasting management potential is already documented by banks employing it in Canada.

DESPITE the common belief that anyone can be a CEO, some people can never handle complexity well enough even for jobs in middle management.

How It Works

Other companies have started to go beyond this to develop management capability to use Prof. Jacques' techniques.

What are the steps required for a manager to use career-path appreciation successfully?

The first is to develop an understanding of his or her own organization relative to work complexity.

The second is to accurately assess the complexity of the work that the manager is recruiting for, according to the criteria Prof. Jaques has designed. Then you will be able to determine an applicant's actual operating capacity and derive the basis for forecasting potential.

A Bottom-Line Issue

This technique requires considerable expertise. But once in place, it can transform the predictive reliability of a bank's human resource planning system.

Talent-pool development and management succession planning are of no small importance when it comes to what lies ahead for the banking industry.

Techniques like these offer significant improvements in a bank's bottom-line operations. □

Mr. Brookes is a partner with KPMG Peat Marwick Stevenson & Kellogg in Toronto. He specializes in organizational design and management practices.

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Lien Sale 8/30/93 9:00am 413 Meeker Ave Bklyn NY 89 Honda #2HGED7360KH-513882 Re: GR Valentine. Pub 8/16 & 8/23/93.

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IN ACCORDANCE WITH THE PROVISIONS OF LAW, THERE, Being Due and Unpaid Charges for which the undersigned, LONGWOOD STORAGE CORP. is entitled to a lien as warehouseman of the goods herein after described and stored at 400 South 2nd St., Brooklyn, New York AND DUE NOTICE of such having been given the owners of said property and all parties known to claim an interest therein, and the time specified in said notice for payment of such having Expired there will be sold at Public Auction at 400 South 2nd St., Brooklyn, New York on Wednesday, September 1, 1993 at 10 30 am o'clock in the forenoon of that day the following property. Household goods, personal effects and/or other property stored by: McGill, Linda; Lashley, James; Higgins, Veronese; Witt, Betty; Marin, L.; Gibson, D.; Davis, J.; Zysdzer, P.; Desilva, L.; jackson, R.; Furtick, Kim; Salton, S.; Ranjining, Gail; Farica, Moore; Medin, C.; Davis, J.; Jacocks, M.; Watson & Dorsey; Hilda,Scott; Cummings, Cheryl; Delpuda, Nilsa; Morgues, M.; Vasquez, Dorasa; G & A Brown; Dyer, M. Williams, V. Taylor, Valerie; Estrada, Carmen; Jones, W.; Moore, F. Billups, D.; Maldonda, E.; Melendez, B.; McKnight, WM; Fox, B.; Murphy, Alice; McNair, Samuel; Allen Noel; All to be more specifically answered and described at the time of said sale. Should it be impossible to dispose of all these goods on Wednesday, September 1, 1993 the sale will be continued on every other Wednesday at Reisner Inc. Asct'r Lic #732421 As Agents.

FOUNDATION NOTICES

NOTICE
The annual report of the **KEALY FAMILY FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is William J. Kealy.

NOTICE
The annual report of the **RICHARD AND ELIZABETH WETTEN FAMILY FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Richard E. Wetten.

NOTICE
The annual report of **THE BRACEBRIDGE H. YOUNG, JR. FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Bracebridge H. Young, Jr.

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FOUNDATION NOTICES

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NOTICE
The annual report of **THE TEXTOR FAMILY FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Donald F. Textor.

NOTICE
The annual report of **THE WADE FETZER FAMILY FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Wade Fetzer III.

NOTICE
The annual report of **THE FISHER FUND** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Annie Fisher.

NOTICE
The annual report of the **WHITE FLOWERS FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is J. Christopher Flowers.

NOTICE
The annual report of the **DONALD R. & JANE GANT FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Donald R. Gant.

NOTICE
The annual report of **THE JAMES N. MARCUS FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is James S. Marcus.

NOTICE
The annual report of the **DAVID A. & VERNA M. GEORGE FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is David A. George.

NOTICE
The annual report of **THE TILLES FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Larry S. Gensler.

NOTICE
The annual report of **THE H. FRED-ERICK KRIMENDAHL, II FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is H. Frederick Krimendahl, II.

NOTICE
The annual report of **THE FAHEY FAMILY FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Peter M. Fahey.

NOTICE
The annual report of **THE SIDNEY J. WEINBERG FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Sidney J. Weinberg.

NOTICE
The annual report of **THE SULLIVAN FAMILY FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Daniel J. Sullivan.

NOTICE
The annual report of **THE KEALY FAMILY FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is William J. Kealy.

NOTICE
The annual report of **THE WILLIAM C. LANDRETH FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is William C. Landreth.

NOTICE
The annual report of **THE PETER & FADDO KIERNAN FOUNDATION** for the fiscal year ended May 31, 1993 is available at its principal office located at 85 Broad Street, New York, NY 10004, (212) 902-6897 for inspection during regular business hours by any citizen who requests it within 3 years hereof. The Principal Manager of the Foundation is Peter D. Kiernan.

NOTICE
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NOTICE
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Fitch to Review One of Barclays' Ratings

NEW YORK — Fitch Investors Service Inc. has placed Barclays Bank PLC's AA long-term rating for structured transactions under review for a possible downgrade, the New York-based rating agency announced.

Structured transactions include letters of credit and liquidity facilities for asset-backed commercial paper programs.

Fitch said it put Barclays under review after estimating that the bank will continue to suffer from problem loans in nearly all categories.

"The burden of addressing loan quality problems may limit the bank's competitive position and responsiveness to an economic upturn," Fitch said in a statement.

London-based Barclays last week reported a $1.05 billion increase in provisions for problem loans and large charges against U.S. assets for the first half of this year.

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Union of Switzerland Earnings Jump 89%

ZURICH — Union Bank of Switzerland said its first-half group net profit rose 89% to SR440.0 million, from the corresponding period of 1992. Analysts had expected an increase of 35% to 50%.

Cash flow rose 58% to $1.5 billion, while assets increased 9% to $189.6 billion.

Provisions, value adjustments, and depreciation remained high at $698 million, up nearly a third from the year-earlier level, with the bank blaming "doubtful debts and country risks."

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Credit Ratings

By DAVID SIEGEL

The ratings agencies took the following actions last week:

Bank of New York: Thomson BankWatch affirmed the bank's issuer and debt ratings and said the bank completed the purchase of National Community Banks Inc. Bank of New York's issuer rating is B, its short-term rating is TBW-1, its senior debt rating is A, and its subordinated debt rating is A-minus.

California Federal Bank: Thomson BankWatch downgraded the preferred stock to CCC-plus from B-minus. Thomson cited Calfed's $45.5 million loss in the second quarter and said further losses due to asset valuation writedowns were possible.

First USA Bank: Moody's Investors Service Inc. assigned to First USA Bank ratings of Baa2 for long-term deposits, Prime-3 for short-term deposits, and Ba1 for its recent issue of 7.65% subordinated notes due 2003.

The ratings incorporate the bank's significant position within the credit card sector and the good credit performance of the bank's credit card portfolio. The ratings also reflect the company's relatively modest capital base, its reliance on purchased funds and credit card securitizations for funding, high double leverage at the bank holding company level, and the bank's holding company.

Other factors considered include the expectation that the company's main businesses will be pressured by competition, and that its high profit margins could be subject to erosion.

National Community Banks Inc. Standard & Poor's Corp. raised its ratings on National Community's series B 7.75% cumulative convertible preferred stock to double-B-plus from BB-minus.

The upgrade follows the completion of the acquisition of National Community by A-rated Bank of New York Co. Each outstanding share of National Community's Series B preferred stock has been converted into one share of Bank of New York's class A 7.75% cumulative convertible preferred stock.

Thomson BankWatch raised National Community Bank's issuer rating to B from C/D, and short-term ratings to TBW-3 from TBW-3, due to Bank of New York's purchase of the bank.

Shawmut National Corp.: Duff & Phelps Credit Rating Co. upgraded Shawmut National Corp. and its lower-tier holding companies, Shawmut Corp. and Hartford National Corp., as well as the ratings of its two subsidiary banks, Boston-based Shawmut Bank and Hartford-based Shawmut Bank Connecticut.

The senior debt rating of Shawmut Corp. and Hartford National was raised to BBB from BBB-minus. The subordinated debt rating of Shawmut National Corp., Shawmut Corp., and Hartford National Corp. was upgraded to an investment-grade BBB-minus from a junk rated BB-plus. The preferred stock rating of Shawmut National Corp. was raised to BB-plus from BB.

The long-term deposit rating for Shawmut Bank and Shawmut Bank Connecticut was upgraded to BBB-plus from BBB, while the short-term deposit rating was reaffirmed at Duff-2.

The rating upgrades recognize the continued improvement in the underlying fundamentals of the corporation, including earnings, asset quality, capitalization, and liquidity.

The progression in the recovery from severe asset-quality problems has evolved from a position of identifying and containing loan problems to one of building core earnings power and establishing a sufficient structure to improve the organization's competitive position, the agency said.

Signet Banking Corp.: Standard & Poor's Corp. affirmed its BB-plus subordinated debt rating of Signet Banking Corp. S&P also affirmed its BBB/A-2 rating for uninsured CDs of Signet Bank Virginia and Signet Bank Maryland, which are backed by assets backed by letters of credit.

The agency revised and withdrew the bank's ratings outlook to "positive" from "stable." The outlook revision reflects Signet's continued progress in disposing of its large book of troubled commercial real estate assets, as well as strong operating performance achieved funds purchased and securities sold under agreements to repurchase in domestic offices of the bank 1,998,147
Trading liabilities issued to the U.S. Treasury 55,000
Other borrowed money 886,009
Mortgage indebtedness and obligations under capitalized leases 11,956
Bank's liability on acceptances executed and outstanding 1,993
Other liabilities 1,412,202
TOTAL LIABILITIES 4,767,307

EQUITY CAPITAL
Perpetual Preferred Stock 50,000
Common stock 41,473
Surplus 282,942
Undivided profits and capital reserves ..... (13,970)
TOTAL EQUITY CAPITAL 360,445
TOTAL LIABILITIES AND EQUITY CAPITAL $7,128,341

Source: S.E.C. Memo. Controller of the above named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation and is true and correct to the best of my knowledge and belief.

ALASTAIR G.C. MERRICK

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and the State Banking Authority and is true and correct.

DONALD H. McCREE
NORRIDGE YOSHIOKA
EDWARD G. HAMWAY, Jr. — Directors

BANK CALL NOTICE
CONSOLIDATED REPORT OF CONDITION OF
IBJ SCHRODER BANK & TRUST COMPANY
of New York, New York
And Foreign and Domestic Subsidiaries
a member of the Federal Reserve System, at the close of business June 30, 1993, published in accordance with a call made by the State Banking Authority and by the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 29,906
Interest-bearing balances	338,833
Securities	91,813
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank	725,294
Loans and lease financing receivables:	
Loans and leases, net of unearned income 2,416,283	
LESS: Allowance for loan and lease losses 53,111	
Loans and leases, net of unearned income, and reserve, net	2,363,172
Assets held in trading accounts	1,591,093
Premises and fixed assets	12,786
Other real estate owned	485
Customers' liability to this bank on acceptances outstanding	1,993
Intangible assets:	81,609
Other assets	201,662
TOTAL ASSETS	$7,138,341

LIABILITIES	
Deposits:	
In domestic offices	$395,967
Noninterest-bearing 155,083	
Interest-bearing 240,884	
In foreign offices, Edge and Agreement subsidiaries, and IBFs	766,557
Noninterest-bearing 14,166	
Interest-bearing 752,391	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank	1,998,147
Trading liabilities issued to the U.S. Treasury	55,000
Other borrowed money	886,009
Mortgage indebtedness and obligations under capitalized leases	11,956
Bank's liability on acceptances executed and outstanding	1,993
Other liabilities	1,412,202
TOTAL LIABILITIES	5,767,307

EQUITY CAPITAL	
Perpetual Preferred Stock	50,000
Common stock	41,473
Surplus	282,942
Undivided profits and capital reserves	(13,970)
TOTAL EQUITY CAPITAL	360,445
TOTAL LIABILITIES AND EQUITY CAPITAL	$7,128,341

Source: S.E.C. Memo. Controller of the above named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation and is true and correct to the best of my knowledge and belief.

ALASTAIR G.C. MERRICK

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and the State Banking Authority and is true and correct.

DONALD H. McCREE
NORRIDGE YOSHIOKA
EDWARD G. HAMWAY, Jr. — Directors

Highlights for Friday, August 13

TOP 10 GAINERS %

FNB Corporation	5.3
Imperial Bancorp	4.2
Hopkins County Trust Company	3.8
Bank of Granite Corp.	3.3
Central Jersey Bancorp	3.3
Chittenden Corporation	3.1
First Colonial Bankshares	2.9
Union Bank	2.8
CCB Financial Corporation	2.8
Security Capital Bancorp	2.7

TOP 10 LOSERS %

First United Corporation	-5.8
NBT Bancorp	-2.9
Pacific Western Bancshares	-2.9
First Hawaiian, Inc.	-2.7
Citizens Banking Corporation	-2.7
National Penn Bancshares, Inc.	-2.5
Provident Bankshares Corp.	-2.3
ONBANCorp, Inc.	-2.1
United Bankshares, Inc.	-2.0
City National Corporation	-1.8

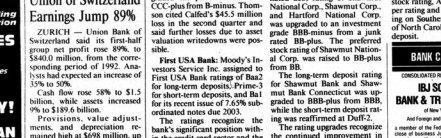
MOST SHARES TRADED

Constellation Bancorp	1698600
Atlantic Corporation	941300
Chase Manhattan Corporation	791100
Financial Banking Corp.	647000
Citicorp	645000

VOLUME AS % OF AVERAGE

Boulevard Bancorp, Inc.	1142.2
First Michigan Bank Corp.	1042.8
S&T Bancorp	943.7
First United Corporation	825.2
Constellation Bancorp	665.5

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
1 Day	1 Month	3 Months	1 Day	1 Month	3 Months	1 Day	1 Month	3 Months
0.02	0.26	0.53	0.14	0.71	2.02	0.09	0.35	2.46

TOP 225 BANKS

52 Wk. Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg.
26¾	20	1stSourceCorp(R)	11.5	156.9	25	—
19¾	14¼	1stUnionCp	10.7	1,147.1	19¾	¼
17¾	9¼	AllenBkShs(R)	15.7	206.3	17¼	¼
41½	29¾	AmeribankInc	10.2	230.3	41½	¼
39½	30	AmericanExpCo	15.7	1,911.1	39½	¼
35¾	27⅞	BB&T FinlCp(R)	11.7	151.7	33¾	—
12	7	BOHInvestCp(R)	11.7	153.2	12	—
33	21⅝	BT Fin'l Corp	13.1	136.4	30¼	¼
12	8	BancFlorida(R)	14.8	124.9	12	—
31¾	24⅜	BarPoint Cos(R)	10.3	126.5	29¾	¼
42¾	32¾	BarclaysBkPLC	14.4	228.8	41¾	¼
53¾	40⅜	BarnettNewInd	9.3	137.4	43	—
40¼	27½	BayBanksInc(R)	11.0	1,284.7	39¾	¼
54¾	41	BankAmericaCorp.Cp	9.7	123.0	46½	—
26¾	20	BankUnionCorp(R)	10.5	284.1	25¾	¼
14⅝	9¾	BankSouthCp(R)	11.4	189.2	14⅝	¼
80	59	BankersTrustNY	7.5	1,251.5	80	—
19¾	12¾	BankersWrldwd(R)	25.7	100.9	19	¼
28¾	18⅝	BankAtlantic(R)	9.1	150.8	28¾	¼
61¾	36¾	BankBoston Cp	10.9	1,196.1	61¾	¼
31¾	24⅜	BarnettBanks Fl	10.4	1,511.9	31¾	¼
64¾	49¾	BostonFdBkMA	11.9	156.8	61	¾
31¾	24⅜	BostonPrivate(R)	10.4	1,511.9	31¾	¼
42¾	32¾	CCB FinCorp(R)	12.8	148.3	37¼	1
22	13¾	CNBancshCorp(R)	11.5	112.5	20¾	¼
24¾	14½	CNBancshInc(R)	14.6	133.1	24¾	¼
26	19¼	CNBancshares(R)	14.8	133.1	25¾	¼
28¾	19¼	CNBancshares(R)	14.8	133.1	25¾	¼
7¾	2¾	CitizensFinl Kt	11.7	194.8	6¾	—
30	17¾	CityNatlCp(R)	14.4	1,754.4	27	¼
11¾	4¾	CityNatlCp(R)	NM	106.8	6¾	¼
17¾	10¾	CmmtyBkSys(R)	14.5	1,754.4	17¾	¼
34¾	27⅞	CommerBancSh(R)	10.8	163.7	29¾	¼
29¾	14¼	CommerBancShr(R)	15.2	193.8	29¾	¼
17¾	11¼	CommerceBncpNJ	11.2	156.4	17¾	¼
17¾	11¼	CommerceBncpPA	11.2	156.4	17¾	¼
45¾	25¼	CommonwealthPA	14.3	212.4	44¾	¼
15	11¼	CompassBkAL(R)	11.2	1,511.9	15	¼
31¾	24⅜	CoreStatesFinl	10.4	1,511.9	31¾	¼
13¾	6¾	CrestarFinlCp	9.7	88.3	13¾	¼
42¾	47¾	CrestarFinlCp(R)	9.7	88.3	13¾	¼
48¼	25¾	CrestarFinlCp(R)	13.9	160.9	43¾	¼
27¾	21¼	CrestarFinlCp(R)	13.9	160.9	43¾	¼
27¾	20¾	DauphinDeposit(R)	12.3	165.5	25¾	¼
27¾	20¾	DauphinDeposit(R)	8.5	165.5	30	¼
17¾	13¾	F & M NatlCorp(R)	12.1	158.7	16	¼
22	17¾	FBS Bankshares(R)	12.3	143.8	22	¼
16¾	9¾	FNB Corp(R)	16.5	116.5	15	¼
29	26	FidelityBkshs(R)	11.1	171.1	29	¼
58¾	48¾	FifthThirdBcp(OH)	17.9	302.2	56	¼
41¾	28¾	FirstAmCorp(TN)	13.4	213.3	39¾	¼
31¾	24⅜	FirstTennNtl	10.4	213.3	31¾	¼
38¾	27¾	FirstUnionCp	11.1	171.1	35¾	¼
26¼	10¾	FirstAmericaBk	8.7	202.0	26	¼
19¾	14¼	FirstCmmrcBncp	11.5	1,511.9	19¾	¼
26¼	10¾	FirstAmericaBk	8.7	202.0	26	¼
19¾	14¼	FirstCmmrcBncp	11.5	1,511.9	19¾	¼
27	20¾	FirstCmmrcCp(R)	11.5	1,511.9	27	¼
31¾	24⅜	FirstCmmrcCp(R)	10.4	1,511.9	31¾	¼
42¾	32¾

STOCKS

Countrywide Drops After Lower Rating

By GORDON MATTHEWS

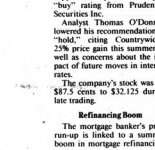
Shares of Countrywide Credit Industries, the nation's largest mortgage banking company, slipped Friday after losing a "buy" rating from Prudential Securities Inc.

Analyst Thomas O'Donnell lowered his recommendation to "hold," citing Countrywide's 25% price gain this summer as well as concerns about the impact of future moves in interest rates.

The company's stock was off $87.5 cents to $32.125 during late trading.

Refinancing Boom

The mortgage banker's price run-up is linked to a summer boom in mortgage refinancings



– the fourth such surge in the last two years – as interest rates have steadily fallen.

"Most of the positive impact of the current mortgage refinancing boom is already reflected in the share price," Mr. O'Donnell said.

"Even if rates remain at current levels, or below, and the boom continues, [price] upside in Countrywide will likely be limited, near-term," he said.

Up in March, Down in May

On the other hand "a rate rise, by slowing [home loan] production, could put downward pressure" on Countrywide shares.

The stock surged last March, after a significant decline in long-term interest rates began, presaging a new round of mortgage refinancings.

But in May, when investors feared inflation was rebounding and rates might rise, Countrywide shares fell sharply.

They began climbing again after the scare passed and have risen through the summer as economic indicators have remained sluggish.

New Drop in Some Rates

While rates are hard to predict, the continued sluggishness in the economy and low level of inflation indicated last week by government reports has prompted a new decline in some rates.

Mr. O'Donnell said the low interest rate environment that stimulates mortgage refinancings and production of new loans also carries risks for the earnings of mortgage bankers because it increases the run-off of loans from the servicing portfolio and accelerates amortization of servicing rights.

Risk Seen as Offset

Mortgage bankers have two main sources of earnings: from the origination of loans and their sales into the secondary market, and from servicing loans for a fee.

Over the past three quarters, Countrywide has offset the risk to earnings from portfolio run-off by assuming a higher rate of amortization in its $69.2 billion servicing portfolio, Mr. O'Donnell noted.

But other analysts say the company is still trading at a discount to its rapid earnings growth rate.

Other Views

Analyst Sy Jacobs of Alex. Brown & Sons Inc. has a "strong buy" rating on the stock. He said Friday he was "as bullish as ever," believing Countrywide will fare even better against competitors if rates rise.

Mr. O'Donnell acknowledged that, longer-term, Countrywide is in an enviable position as the mortgage industry leader.

The company is admired on Wall Street for using its economies of scale and advanced technology to apply pricing pressure and gain market share from competitors.

Record Year Expected

During some periods over the last two years, the stock has ranked among the better-performing issues on the New York Stock Exchange

The company has said it is on track to produce $40 billion in home loans this year, up 30% from last year's record pace. Within five years, Countrywide hopes to seize 6% of the nationwide mortgage market, as measured by originations. It has 3.8% currently.

FRIDAY'S MARKET

Shares of UJB Financial Corp. rose Friday in another session of volatile and active trading sparked by takeover speculation about the Princeton, N.J., banking company.

In late trading, UJB was up 25 cents to $31.875, another 52-week high. Volume of 571,200 shares was 2.5 times normal. □

DEALS

Morgan to Lead $1.1 Billion Financing For Eaton Purchase of Westinghouse Unit

Continued from *page 1*

than though an agent bank, Mr. Lamont said.

Pittsburgh-based Westinghouse announced last week that it will sell its electrical distribution and industrial control manufacturing businesses to Eaton, a diversified manufacturer, for $1.1 billion.

Could Fall Through

Eaton's purchase could fall through if Siemens AG decides to make a competing offer for the Westinghouse assets, under a right of first refusal the German company has from a 1989 contract with Westinghouse.

Other companies that are arranging loans for recently announced acquisitions include Louisiana Land and Exploration Co., the Toronto Group of Arkansas, and Quorum Health Group Inc. of Nashville, Tenn.

Supports Pending Purchases

Louisiana Land has a fully underwritten credit of $790 million, said a banker. Morgan is the lead manager of the credit, and Chemical Banking Corp.'s Texas Commerce Bank and NationsBank are co-managers, said a spokeswoman for the New Orleans-based company.

The financing supports the company's pending purchases of oil and gas assets from Nerco Inc. for $353.7 million in cash, and North Sea oil assets from British Gas Exploration Production Ltd. for $232 million in

Morgan will provide some of the loan itself and syndicate the rest.

cash. Some of the debt will be refinanced, said the spokeswoman, who declined to elaborate.

NationsBank Banner

NationsBank Corp. is rumored to have underwritten a financing of around $400 million to $500 million for the Stephens Group's purchase of the Donrey Media Group.

Donrey is a privately held company based in Las Vegas with newspaper, cable television, and advertising holdings. Its market value has been estimated at $950 million. Stephens Group is the parent of Stephens Inc., a Little Rock-based brokerage firm, as well as other holdings of the Stephens family.

Stephens and Donrey representatives declined to comment on the price or financing of the acquisition.

Amsouth Tapped

Quorum has tapped Amsouth Bank to lead a $275 million bank line to support the group's $335 million cash purchase of 10 hospitals from Charter Medical Corp. according to Bob Yaeger, chief financial officer. Amsouth currently leads an unused $100 million line, which has five other banks in it, he said.

Terms of the new facility have not been finalized, but it is expected to be a three-year revolving credit that will convert to a four-year term loan, with a borrowing rate expected to start around 225 basis points over the London interbank offered rate, subject to change based on the company's leverage, said Mr. Yaeger. □

Bankers Trust Fills Top Syndications Job

By YVETTED. KANTROW

Bankers Trust New York Corp. has appointed Ted Virtue head of its loan syndication department, which has been operating without a leader since the departure of Morgan St. John in May.

Mr. Virtue, 33, will run the unit while retaining responsibility for the company's high-yield capital markets department.

Both businesses reside in Bankers Trust's global investment bank division.

Mr. Virtue joined Bankers Trust in 1990 as a vice president and was named a managing director the following year.

He took over the high-yield capital markets division in 1992.

A Long Commute

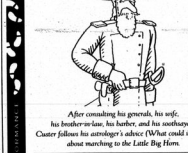
Mr. St. John, 36, had been running loan syndications for less than a year when he stepped down for personal reasons in May.

During his tenure, he commuted between his Los Angeles office – where he had been co-head of structured finance for the bank – and New York, where the syndications desk was based.

In Mr. St. John's absence, loan syndications was jointly managed by three of his former subordinates.

A Bankers Trust spokesman said the trio will now report to Mr. Virtue, who will report to Yves de Balmann, one of the heads of Bankers Trust's global investment bank. □

Footnotes in History



After consulting his generals, his wife, his brother-in-law, his barber, and his soothsayer, Custer follows his astrologer's advice (What could it hurt?) about marching to the Little Big Horn.

Firstar Completes Takeover

MILWAUKEE — Firstar Corp. has completed its acquisition of Bank of Athens in Wausau, Wis.

Terms were not disclosed.

Firstar said it will combine Bank of Athens' six central Wisconsin locations with its own operations in that area next February. □

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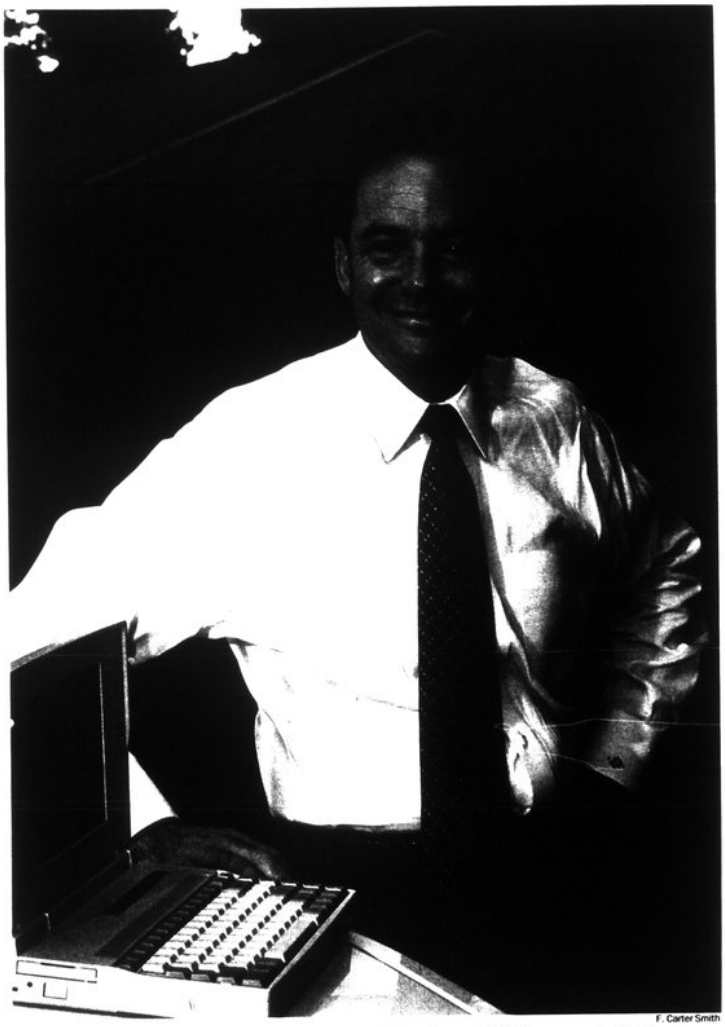
Community Banking Technology Survey

USING INFORMATION TO INCREASE PROFITS



F. Carter Smith

GOING UP: **Houston's Tanglewood Bank anticipates a 10% increase in data processing costs this year, says executive VP Jerome Simon.**

Technology Tab Getting Bigger at Smaller Banks

BY BRIAN HELLAUER

COMMUNITY BANKS are welcoming new technology with open arms – and an open checkbook.

Spending on information technology in community banks, defined as bank holding companies with less than $1 billion in assets, will total an estimated $1.25 billion in 1993, a 12% increase over 1992.

The information comes from the *American Banker*/Ernst & Young 1993 Community Banking Technology Survey, conducted by the Tower Group, a Dover, Mass.-based consulting firm.

THE BACK OFFICE: SYSTEMS

While the $1.25 billion figure represents only a small fraction of the industry's overall annual technology expenditures of $15.3 billion, spending in community banks is growing at nearly twice the annual rate of the industry as a whole.

Likewise, the number of people employed in community bank technology functions is expected to grow from 10,200 this year to slightly more than 12,000 in 1996, an annual growth rate of 6%.

By contrast, employment in the technology sector for the entire industry is expected to grow only slightly in same period, after declining at the beginning of the decade.

The forces shaping the community banking environment – robust net interest margins coupled with increasing competition from regional banks and rising regulatory costs – are driving many smaller banks to beef up their spending on hardware, software, and personnel.

"A lot of institutions are bringing up systems that the larger banks have had in place for years," said Warren Heller, research director of Veribanc Inc., a bank rating firm based in Wakefield, Mass.

Community banks, added Mr. Heller, are playing catch-up not only with their larger competitors, but with other small businesses as well.

The latest branch automation systems now found in many community banks resemble something "your local auto-parts store has probably had for 10 years," he added.

Still, Mr. Heller sees the upward trend as a positive sign. "Spending on technology is part of the cost of retooling. The implication is that the people that are buying are knowledgeable and making excellent purchasing decisions. That's what it's all about," he said.

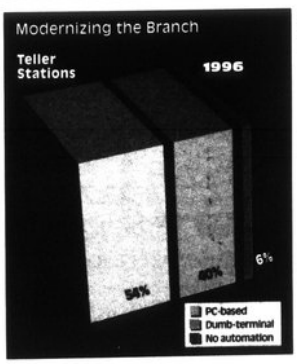
Banks with less than $1 billion in assets are often perceived as less technologically sophisticated than their larger counterparts. But in many cases, community bankers are installing systems that match or even surpass those in place in larger institutions.

Applications based on image technology, which have been slow to catch on in larger banks, are at the top of the shopping list for many community banks.

Used in item processing, customer service, signature verification, and other applications, imaging systems are designed to improve the workflow and reduce the flow of paper through a bank's branch or

Continued on page 10A

INSIDE



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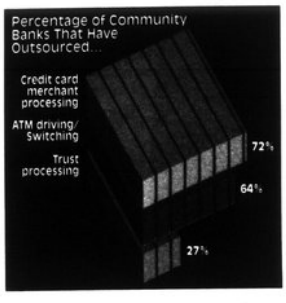

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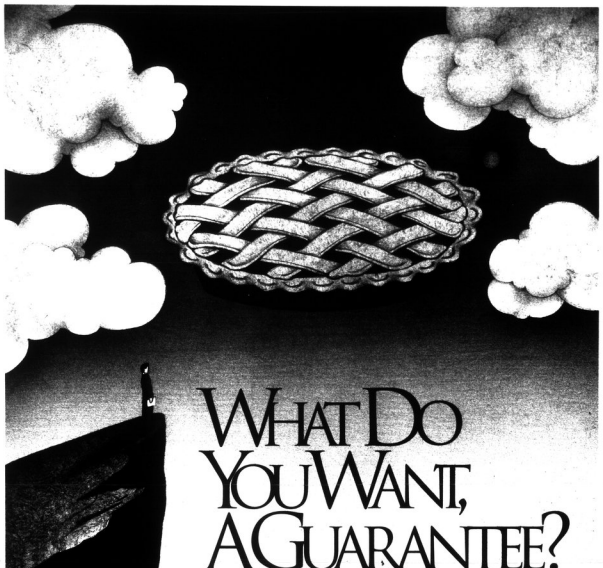

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APPLICATIONS DEVELOPMENT IS NO LONGER BUSINESS AS USUAL.

Community Banks Join PC Revolution: More Units, More Uses

BY WILLIAM PESEK JR.

ALONG WITH WHITE pillars out front and classic furniture in the lobby, community banks will soon have another standard feature: personal computers.

The *American Banker*/Ernst & Young 1993 Community Banking Technology Survey indicates that small banks are purchasing personal computers at almost the same rate as larger banks, indicating that small asset size doesn't necessarily translate into technological timidity.

The survey found that there will be about 103,000 PCs installed in community banks by the end of 1993 and at least 151,000 by 1996.

"There's an increasing trend toward the use of PCs in community banks," said Randall B. Grossman, manager of information technologies at Gemini Consulting Inc., Cambridge, Mass.

"The question for small banks has moved from 'Should I use PCs?' to 'Why shouldn't I use PCs?' "

Community banks are using PCs for a wide range of applications. And the machines are being used not only by programmers, tellers, and platform personnel. Small banks also are likely to use PCs to run core deposit, loan, and accounting applications.

Clearly, community banks are better suited than large banks to the use of PCs for mission-critical applications at the present time, because the processing volumes of the smaller banks are much lower.

In the case of some banks, a single 486 PC can handle the requirements of an entire institution. Others might require several PCs linked using a local area network. But in both cases, such an arrangement provides a glimpse into the future for all banks, as PCs assume a more important role in banks of all sizes.

"We're using PCs because the technology is moving in that direction and advances in the mainframe have reached a plateau," said Lee R. Gibson, executive vice president at Southside State Bank, Tyler, Tex.

The $377 million-asset bank has departed from the strategy used by most institutions its size and purchased a core banking system that runs on PCs. Southside uses software from Perot Systems Inc. to run a local area network of personal computers, replacing a system that ran on an NCR Corp. midrange computer.

The new system is designed to give customer service representatives a comprehensive picture of customers' banking relationships. Southside will be able to expand its range of retail products, as the current system limits the number and complexity of products – such as certificates of deposit and money market accounts – that it can offer.

Like most community banks responding to the latest *American Banker* survey, Southside State Bank's PCs use Microsoft Corp.'s venerable DOS operating system. According to the survey, community banks use more than 84,000 DOS-based PCs. Coming in second, with 10,000 units, is Microsoft's Windows operating environment, a graphical user interface which sits on top of DOS.

By 1996, small banks will likely be using 86,400 DOS machines and 50,000 that run Windows.

Still, it's far too early to conclude that PCs have replaced the mainframe at banks. The American Bankers Association's annual survey of banking automation showed that banks with between $300 million and $1 billion in assets still favor mainframe software for their on-line retail applications.

But despite the rising power of the personal computer, about 60% of financial institutions with less than $1 billion of assets still use a mainframe or midrange computer to drive "dumb" terminals at the branch.

One reason for this, Mr. Grossman asserts, is the fact that converting from a host computer to an LAN can be a major headache, causing many smaller banks to steer clear of this strategy.

Another community bank that has made a big move over to PCs is Glenview State Bank, Glenview, Ill. The $500 million-asset institution has expanded the network of PCs used by its platform personnel from 10 to 150 in the last couple of years. The bank, which is currently does core processing on a mainframe, is in the process of moving all mission-critical functions over to the personal computer.

"We set a goal early on that we didn't want to lose any of the functionality when we moved from mainframe to PC," said Ron Gafron, management information systems director at Glenview. "That functionality is beginning to show up."

Functionality and flexibility are vital components of Glenview's customer services campaign. The core of the community bank is the individual customer relationship. Therefore, getting PCs on the front line supporting that type of relationship is the primary goal.

"The customer service platform is mission critical for small banks," Gemini Consulting's Mr. Grossman said.

Glenview's mortgage processing business in particular has reaped benefits from the use of PCs. With refinancing in vogue, the bank now handles four times as much volume with the same staff levels, Mr. Gafron said.

"Our people are getting much more done with PCs," he said.

While Houston-based QuestStar Bank relies on a mainframe, it turned to Fiserv Inc. to automate its platform area with a microcomputer-to-mainframe linkup to make the system more useful. That saves the bank the trouble of having to input the same information over and over.

Previously, a clerk opening a new account would take down the information by hand, then type it on a signature card. The information would go to the data processing area to be entered onto the mainframe, but would have to be typed once again for a new-accounts report.

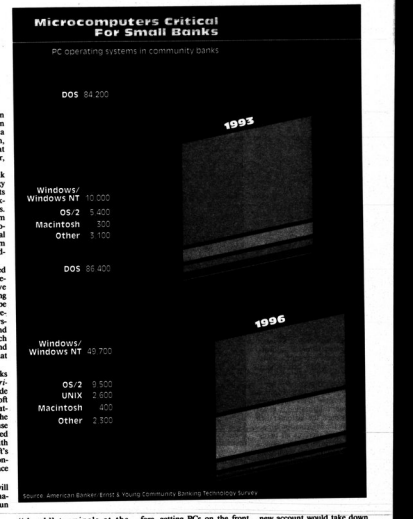
"PCs have allowed our loan and new-account platform people to do things faster and easier," said Tim O'Brien, the bank's executive vice president of operations and finance.

QuestStar has also made wide use of local area networks that link each branch's computers and terminals. With the LANs, information moves quickly, giving the main bank-office more control and scrutiny over each day's loan originations.

"With PCs we're gaining better access to information and maximizing it," Mr. O'Brien said.

PCs have yet to become the norm in the community bank arena, but according to the latest *American Banker* survey, they are definitely in the game to stay.

"In the future, PCs are going to be used everywhere in community banks," Mr. Grossman said. □



How the Survey Was Conducted

THE ARTICLES IN this publication analyze and report the results of the *American Banker*/Ernst & Young 1993 Community Banking Technology Survey, conducted by the Tower Group. The survey, containing many detailed questions on banking technology, was delivered to the chief executive officers at 1,200 selected bank holding companies with under $1 billion in assets.

Seventy-eight surveys were returned. The statistical validity of the results will vary based on the number of respondents who answered any particular question, the degree to which their interpretation of the question was consistent with others', the structure of the particular question, and the degree to which the distribution of the respondents answering the question is representative of the population at large. □

PCs will even power some back offices

Consumer Banking: Branch Automation

Computers Allow Branch Staff to Focus on Customer

BY PATRICIA A. MURPHY

WHEN IT COMES TO customer service, most community bankers believe that the personal touch goes a lot further than simply automating branch workers' jobs.

But now they are finding that some well-placed technology can actually improve that person-to-person approach.

The proliferation of inexpensive personal-computer hardware and sophisticated software has contributed significantly to employee productivity, freeing up branch workers to spend more time with clients.

PC technology "keeps us in compliance [with federal regulations] and it keeps us accurate," said Ann Lee Suttles, senior vice president of Oklahoma Bank, a $118 million-asset institution based in Oklahoma City.

Before it recently introduced PCs into its main office and single branch, said Ms. Suttles, Oklahoma Bank's customer service representatives used typewriters to detail information on new accounts – information that later had to be rekeyed into various computer systems.

Now, with personal computers accessible to all employees, customer information is keyed in only once; the customer then reviews the information for accuracy and receives all necessary regulatory disclosures within minutes of opening an account.

By working with PCs, the bank also benefits because it has access to all the basic information gathered during that initial account-opening session, streamlining subsequent dealings with customers.

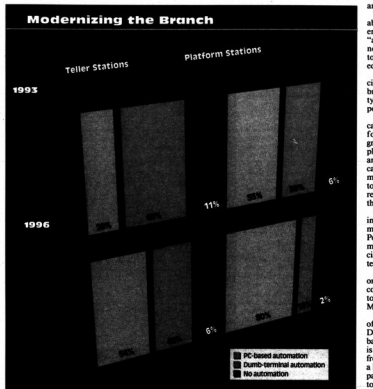
The experiences of Oklahoma Bank closely resemble those of a growing number of smaller institutions, as illustrated by key findings of the *American Banker*/Ernst & Young 1993 Community Banking Technology Survey.

Only 6% of community banks today have no type of automation in the platform area, and all but 2% expect platform stations to be automated by 1996, according to the research, conducted by the Tower Group, a bank technology consulting firm based in Dover, Mass.

Most of the platform systems in place today at community banks rely on PC technology – 55% of those banks responding to the survey use PC-based automation in platform operations; 39% use "dumb" terminals connected to mainframe or minicomputer systems.

Teller automation is still less dependent on PC technology, the survey indicates – 60% of the community banks participating in the survey use dumb-terminal automation at teller stations, 29% use PC-based systems, and 11% have not automated their teller stations.

The survey covered a broad array of technology topics and elicited responses from 78 institutions, each with assets of less than $1 billion.



For many community banks, the move to automation is a response to competitive pressures. As larger banks begin moving into the traditional market strongholds of community banks, most are deploying technology that helps enhance the personal touch that community banks have become known for, said Greg Schmergel, vice president of the Tower Group.

Computer systems enable tellers to instantly access information on customers, for example, and to expedite routine transactions like the depositing of checks.

"As the big banks do that, it becomes more important for the community banks to make sure their technology keeps up with what is possible," said Mr. Schmergel.

"Once you've experienced the one-minute check deposit, you get really fed up with 10-minute transactions," he said.

More to the point, however, the 10-minute transaction is a situation no bank can endure and expect to remain profitable, particularly a community bank that lacks the financial backing of a large holding company structure.

"We have to serve our customers efficiently and bring profits to the bottom line," said Ms. Suttles of Oklahoma Bank.

"We don't have a big brother or big sister upstream who can take care of us."

And the best way to achieve that goal, community bankers say, is through customer convenience.

Hannibal National Bank in Hannibal, Mo., is a case in point. The $85 million-asset institution has found itself serving an aging clientele. But it is eager to expand its presence among younger consumers, who demand more convenience than their elders, said Jerry Trower, the bank's president.

Bankers that have automated their branches report they can expand business without adding staff

"Loans and fee-based services are the keys to profitability, and as a rule, older people don't need loans or go in for fee-based services," said Mr. Trower. "To get more customers, we had to add convenience" to the bank's service mix.

Toward that end, Mr. Trower said, Hannibal National, which always operated out of one location, has installed automated teller machines at two local convenience stores that enable customers to access their accounts remotely. And the bank is in the process of building its first branch office.

Strategies such as this are what will keep community banks in business, even as big banks continue spreading into markets that have been the traditional strongholds of smaller banks, said William T. Gregor, senior vice president and director of Gemini Consulting Inc., Cambridge, Mass.

"The biggest competitive advantage community banks have is that they can comfortably fit themselves into the specific community with its idiosyncracies and its social structure," said Mr. Gregor.

The objective is to design bank operations efficiently, and automation provides community bankers everywhere with the means for achieving that goal.

Bankers who have deployed automated systems in their branch operations report that they are able to expand business without adding staff.

"Automation will allow us to serve a lot more customers with the same number of people we have now," Ms. Suttles said.

With a staff of 57 working in four facilities, Oklahoma Bank as of June boasted $2.03 million in assets supported per employee, up from $1.99 million at yearend 1992, said Dewey Milby, executive vice president and chief financial officer.

"Ten to 20 years ago it was about $1 million in assets per employee," said Mr. Milby, "and I believe 10 years from now we're going to have to go to $3 million [in assets supported per employee]."

Over and above general efficiencies, an important facet of branch automation is the ability to improve cross-selling opportunities.

The software used in a typical platform or teller system, for example, can be programmed to alert branch employees that a customer they are working with has a certificate of deposit that is about to mature and to advise that customer on options available for reinvesting that money with the bank.

"You can't just open a checking account in a bank and make money any more," added Joe Petruzella, vice president of marketing at BancTec Financial Systems, a Dallas-based technology firm.

"The whole key is to have one customer with four accounts, rather than four customers with one account each," Mr. Petruzella said.

What is the bottom-line cost of all this added functionality? Depending on the size of a bank and the extent to which it is being automated, anywhere from a low of about $30,000 to a high of about $1 million. The payback period is typically 18 to 36 months, again depending on the specific circumstances.

The investment made by the Bank of Walnut Creek, Walnut Creek, Calif., is at the low end of the spectrum. According to Lee Wines, executive vice president, the $115 million-asset institution spent about $30,000 on new hardware and software to automate teller and platform functions at its headquarters and three branch sites in the late 1980s.

"When we installed it, our payback was in improved efficiencies and reductions in errors," said Mr. Wines. "We felt there was a 24-month payback on it."

This year's survey shows that the growing requirements of community banks with regard to technology are in keeping with what John O'Malley, chief operating officer of Orlando-based branch systems supplier Systeme Corp., sees in the marketplace.

"A lot of it is driven off of what the bank perceives to be its strategic direction and the tools necessary to achieve its goals," said Mr. O'Malley.

And for community banks these are important perceptions.

"When you're dealing with community banks, all of these investments [in people and technology] are strategic," said Mr. Gregor, the consultant.

"With large banks, you can make a half dozen different investments, and if some don't work you can fall back on others. These investments are much more critical for community banks," he said. □

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The Back Office: Systems

Small Banks Find Imaging Systems Give Competitive Advantage

BY WILLIAM PESEK JR.

CHECK IMAGE technology is often regarded as the province of large, high-volume banks. But now community banks are beginning to get the picture.

Already several banks with assets under $1 billion have become the first in their markets to offer check image statements – which contain miniature pictures of checks rather than the checks themselves – to their retail customers.

The *American Banker*/Ernst & Young 1993 Survey of Technology in Banking indicates that community banks will be focusing more on imaging. The survey shows 15% of community banks – defined as any bank with less than $1 billion in assets – expect to have imaging capability by the end of 1993, with 24% setting their sights on 1995.

For community banks, the possible benefits of check imaging are many, including lower operating and postage costs, better customer service, and improved marketability.

"Small banks have moved quite aggressively to use imaging technology," said Charles W. McDonough, a partner with Andersen Consulting in Detroit. "The key challenge for community banks is to offer the same services of the larger banks while keeping the personal touch part of their own offerings."

Raising the level of customer convenience is key. Community banks have realized that in today's climate, a familiar face behind the teller counter and toaster giveaways may no longer ensure that customers will keep coming back. Like those consumers who bank with the big guys, community bank customers are demanding convenience and heightened service.

A possible solution for some aggressive but modestly-sized banks – particularly those battling encroaching superregionals – is imaging.

"Institutions looking to get an edge are finding that check imaging just may be it," Mr. McDonough said.

New technology, he noted, allows small banks to return images of checks to customers rather than the actual document, store images for archival purposes, retrieve images in response to customer inquiries, and provide images for use in signature verification.

"The bottom line of our bank is to serve customers better, and getting them the information they need faster is a big part of that," said H. Leigh Ballance Jr., president and chief executive officer at Unity Bank and Trust Co., Rocky Mount, N.C.

Unity was the first bank in North Carolina to offer image statements to its checking account customers. This puts the $145 million-asset bank ahead of neighboring mega-institutions such as First Union Corp., Wachovia Corp., and NationsBank Corp., which have yet to offer a similar service.

Unity uses imaging as a way to demonstrate its technological leadership and show that it is at least as progressive as bigger banks in the market.

"Imaging checks has allowed us to differentiate ourselves from the other banks in the area," said Mr. Ballance.

Unity purchased a PC-based imaging system from Broadway & Seymour, Charlotte, N.C. The system, called Echo, was developed from software purchased from Document Solutions Inc.

Cost savings from the imaging program fund the bank's no-fee checking product. According to Mr. Ballance, that has translated into a gain of 1,500 new accounts since the system was installed in February. The average balance for those accounts is $528.

While Unity's system is already up and running, many community banks are still looking for a check imaging system to give them the same edge.

"There are a tremendous amount of benefits to check imaging in banks our size," said Terry W. Goettsch, director of information processing at TransFinancial Bancorp., Bowling Green, Ky.

The $370 million-asset institution, which has been toying with the idea of check imaging for about a year, is currently looking at software from Albuquerque-based G.G. Pulley & Associates Inc., which provides document processing software for International Business Machine Corp.'s AS/400 line of mid-range computers.

Mr. Goettsch thinks Pulley's SuperStmt application will enable the bank to reduce the costs of statement preparation and mailing, while providing other marketing and fee income opportunities. Though no contract has yet been signed, TransFinancial is moving toward a decision.

"If everything falls into place and the cost benefits are there, we'll be up and running before 1994," Mr. Goettsch said.

With community banks currently keen on imaging technology, bank technology vendors alsoare jockeying for position.

"Small banks have moved into imaging faster than I personally had expected," said Doug S. Halvorsen, marketing manager at IBM. "Thus, we are expediting our plans to get into that imaging market."

Earlier in the year, IBM extended the availability of its check imaging system to the AS/400 line, enabling banks of all sizes to use the technology. Previously, the company's imaging system was available only for its mainframe computers.

Also seeking more community bank customers, Dayton, Ohio-based NCR Corp. has combined two of its products to give smaller institutions access to imaging technology. NCR's 7780 reader/sorter system, combined with its System 3000 computer, offers small banks a way to enter the world of check imaging.

Some smaller banks without check imaging capability are using the technology in other areas. Many are buying additional hardware to store images of paper documents on optical disks and installing software that enables tellers and customer service staffers to access those images using desktop computers.

According to the survey, 8% of community banks have already installed such applications, called file folder imaging systems. A total of 18% of the banks surveyed plan to have file folder imaging in place by the end of the year. Looking ahead, 41% of community banks have penciled in 1995 for their foray into file folder imaging.

Interestingly, this is an area where many small banks are ahead of the curve. Most larger financial institutions, even those with advanced check image applications, are still years away from implementing similar archiving and research systems for other operations.

The main reason community banks are on the cutting edge of this activity: the smaller volumes involved make testing and implementation much simpler.

One bank that has gone this route is American State Bank, a $135 million-asset institution in Sioux Center, Iowa.

By taking advantage of a check image's portability, American State is significantly reducing paper use and speeding up customer check inquiries, said Beverly J. Jensen, a vice president and cashier.

Powell, Wyo.-based First National Bank was one of first community banks to use an optical storage unit. Back in 1989, the $102 million-asset bank searched for a way to archive documents like checks, mortgage applications, and new account applications.

"We had too many piles of old paper reports around, and we wanted to find a way to get easier access to documents and respond quicker to customers' needs," said Bob Sanson, vice president of data processing.

Unable to find an existing system to meet the bank's needs, Mr. Sanson built his own. With an initial $32,000 investment, the bank is now optically storing documents.

It's clear that check imaging has yet to achieve critical mass. But the survey results indicate – and industry observers agree – that image will increasingly become the fashion in the industry.

"Imaging is the industry's new point of focus," said Mr. McDonough of Andersen Consulting. □



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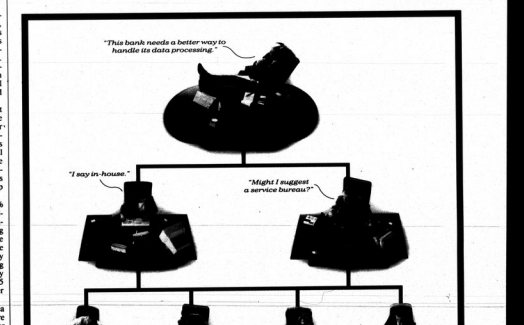

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The people behind the processing

Outsourcing Levels Playing Field for Community Banks

BY WILLIAM PESEK JR.

FACING A GROWING horde of competitive pressures, small banks are increasingly turning to technology vendors to handle back-office processing tasks.

The *American Banker*/Ernst & Young 1993 Community Banking Technology Survey shows that outsourcing is again on the rise, with a hefty number of community banks having taken the plunge and hired outside help.

The survey also shows small banks are finding that partial outsourcing – farming out specific lines of business – may be useful. Many banks with $1 billion in assets or less also see partial outsourcing as a quick way to add a new product offering.

For example, a community bank can open a trust department and process accounts in a matter of days just by signing a contract.

"Outsourcers are giving smaller banks the tools to keep up with their larger competitors," said M. Arthur Gillis, president of Computer Based Solutions Inc., New Orleans.

Community banks with in-house systems are finding that the same problems that plague larger banks – keeping up with rapidly changing and highly specialized technological change – affect them, regardless of size or volume. These problems may drive them to outsource particular lines of business in which the technology needs to be up to date.

The survey shows credit card processing topping the list of businesses that community banks have outsourced. Credit card merchant processing tasks have been outsourced by 72% of community banks. Credit card issuance also weighed in at 72%.

Other areas that community banks have outsourced include ATM support, with 64%, and securities safekeeping, with 59%.

"We have outsourced a couple of lines of business because a bank our size would need to add staff and spend more money on maintenance to do them in-house," said Toni Poole, senior vice president at Security Bank, Coos Bay, Ore.

The $108 million-asset bank has outsourced its credit card processing and ATM tasks, keeping other tasks in-house.

Like many small banks, Security found the costs of handling these tasks to be prohibitive, and decided that it could achieve greater economies of scale and a higher level of performance from a service bureau arrangement.

"We don't see the need to reinvent the wheel for bank data processing," said Terry L. Myers, vice president and manager of bank operations at Second National Bank of Warren, Ohio. "Instead, we want to take the best technology available to us and maximize it."

The $620 million-asset bank has outsourced its entire data processing center to Dayton, Ohio-based NCR Corp. The bank has also outsourced its payroll, security, and cleaning services.

The rationale behind the bank's decision is simple. Second National is up against stiff competition in its market, including Society National Bank and National City Bank.

With rivals like that, spending time and resources keeping up to speed with the latest technology was a gamble the bank just couldn't afford to take, Mr. Myers said. "We have to spend our time working on things that are critical to meeting the bank's goals."

The bank, Mr. Meyers added, is comfortable with its agreement with NCR and is likely to sign on for at least two more years in April 1994, when it has the option to cancel or continue the agreement.

That option to cancel has put the ball in Second National's court, Mr. Myers said. "The decision we made with NCR lets us watch what develops. If NCR doesn't have the premier systems that everyone else is using, we'll look elsewhere."

Union Bank and Trust Co. offers another David-and-Goliath scenario. The Montgomery, Ala.-based bank, with $463 million in assets, is up against Amsouth and Central Bank of the South in its prime market.

"When we looked at our systems a few years back, our bank was behind the times," said Lee E. Moncrief, executive vice president. "We realized we'd have to be able to do the same things as the larger banks in our market."

After an intensive search early in the year, the bank decided to outsource its data center to M&I Data Services Inc., Milwaukee.

Bank technology vendors are well aware that more community banks are outsourcing these days.

"We're seeing that community banks [with assets] between $200 million and $1 billion are showing a greater amount of interest in outsourcing," said Paul Bourke, president of Bisys Group Inc., a Houston-based provider of data services to banks.

Fiserv Inc. is another technology vendor that has found community banks a viable marketplace. Of the 984 banks serviced by the Milwaukee-based company, about 90% have assets of less than $1 billion.

"Community banks are interested in outsourcing more pieces of the total pie," said Dean C. Schmelzer, executive vice president of marketing and sales.

Mr. Schmelzer sees a number of potential areas in the market, including electronic funds transfer and item processing.

But while outsourcing is the answer for some banks, it's not for everyone. Some community banks prefer to keep data processing in-house.

The 1993 technology survey showed that 74% of community banks handle at least some of their core account processing in-house, while just 23% are depending on service bureaus.

Capital National Bancorp, Lansing, Mich., is one bank that has employed a do-it-yourself strategy. The $250 million-asset holding company handles all data processing tasks for its four banks.

"Doing our own processing is more cost efficient for a bank our size, and we can be more flexible with product offerings and modifications," said Charles McDonald, vice president of corporate systems at Capital National. "When you become part of a large service bureau, it's difficult to get changes made."

National Bank of the Redwoods is another example. Located in Santa Clara, Calif., the $150 million-asset bank is doing its own data processing.

"We were afraid that we might lose control over our own future," said Patrick W. Kilkenny, president and chief executive. "Staying in-house has given us the flexibility to retain our own information and control the cost in subsequent years."

One hurdle that institutions like National Bank of the Redwoods need to overcome is overcapacity. Because many of the systems that are available today are built to handle the processing needs of bigger banks, some small banks find their computers have too much down time. To address that problem and offset some of the costs of running its own data center, National Bank of the Redwoods acts as a service bureau to four local credit unions.

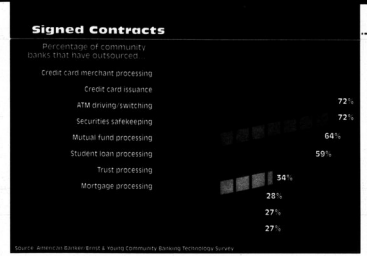
"Processing other institutions has created an income stream to help utilize the overcapacity and reduce costs," Mr. Kilkenny said.

To further control overhead, the bank doesn't keep a team of programmers on staff. Instead, Mr. Kilkenny prefers to work with local programmers on an independent contract basis.

One area National Bank of the Redwood has given local giants like Bank of America and Wells Fargo Bank a run for their money is cash management. The bank is offering an internally developed software program that allows cash managers or small-business owners to make inquiries about the status of their loans and deposits and to transfer funds through their personal computers.

Whether or not they choose to outsource, community bankers have a smorgasbord of options to get an edge in their markets.

"A small bank can now decide more than ever how to control its own destiny," Mr. Gillis said. □



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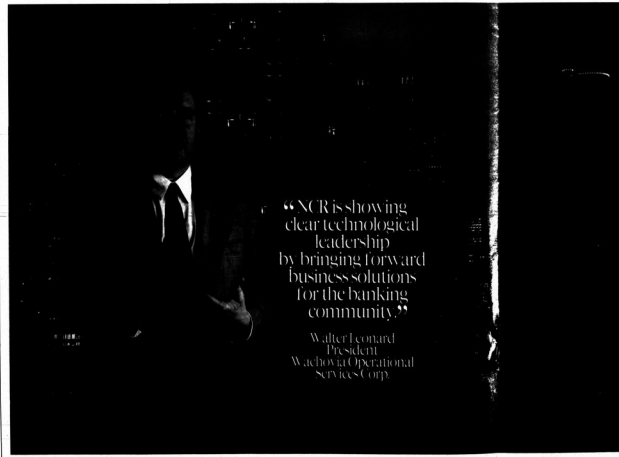

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The Back Office: Systems

At Smaller Banks, the Tab for Technology Keeps Getting Bigger

Continued from page 1A

back office.

But large banks have been slow in adopting image technology, believing that the costs of purchasing the systems and restructuring operations outweighs any possible benefits. Vendors also been slow in delivering the high-volume systems big banks require.

However, the equation changes with community banks. There, imaging systems can be driven by inexpensive personal computers, and can handle the volume of work easily.

According to the survey, 24% of community banks will be implementing image technology for checking statements by 1995. In such an application, a bank delivers laser-printed images of checks – rather than the checks themselves – with a customer's monthly statement.

An estimated 41% of the total will be using what is known as file folder imaging. (For more on imaging technology in community banks, see page 6A.)

Imaging applications are often at the top of the shopping list

The year's big push at Tanglewood Bank, a $175 million-asset institution in Houston, involves file folder imaging. In such an application, customer correspondence and other paperwork are digitized and stored electronically. Customer service reps and other bank employees then access the information from their computer screens, rather than wading through paper files.

"We hope to have most of the customer-related information stored on an optical imaging system by the end of the year," said Jerome Simon, executive vice president. According to Mr. Simon, that information includes signature cards, collateral files, and credit files.

The bank also has a second optical storage system that archives management reports.

Users can access images either from desktop PCs or from PCs equipped with oversized monitors and placed strategically throughout the bank.

Mr. Simon said Tanglewood's data processing expenses would probably grow by more than 10% this year, as the bank implements the imaging applications and continues to upgrade its PC hardware.

The 54 PCs used by the bank's 56 employees are connected to both a local area network at each branch and a wide area network which ties the entire configuration together.

The PCs use a Microsoft Corp. Windows-based application for teller and branch functions. It accesses the imaging systems as well as Tanglewood's deposit and loan applications, which are run by the outsourcing firm Electronic Data Systems Corp.

Currently, though, most community bankers are looking at imaging for check processing. "We've been interested in the concept for some time, but it has not been affordable," said Tommy Looper, executive vice president and chief financial officer at Anchor Bank, a $220 million-asset institution in Myrtle Beach, S.C. "We were at the point where we were going to have to replace our current reader/sorter, and imaging is obviously the thing of the future."

Mr. Looper said the bank will spend approximately $400,000 this year to install a system to handle deposited checks, using equipment and software from NCR Corp. and Document Solutions Inc. The system will allow the bank to handle rapid deposit growth without adding additional staff and expense, he said.

"If we installed another [nonimage check processing] system, there would be no payback," Mr. Looper noted. "With the imaging system, there will be a payback within a five-year period." Anchor may install account-statement imaging capability at a later date.

Still, the expense of an imaging system – upwards of $200,000 for a check processing package, $50,000 for a file folder system – means that such projects typically supersede other development efforts within smaller banks.

Installing a statement imaging system "will probably be the biggest thing we do all year," said John Diedrich, an executive vice president at Glenview State Bank, a $495 million-asset institution in Glenview, Ill.

"Part of the reason for installing the system was payback, part of it the philosophy of our owners. Installing this type of technology helps us to keep pace with larger banks," said Mr. Diedrich.

Many banks, of course, are simply upgrading aging equipment. From its headquarters in Greenfield, a town of 20,000 in western Massachusetts, United Savings Bank competes with regional giants such as Fleet Financial Group, Shawmut National Corp., and BayBanks Inc., as well as local thrifts.

Nevertheless, the $216 million-asset bank's recent decision to upgrade its teller and platform equipment was based more on necessity than on competitive posturing. "The system we have in place goes back two or three generations. The printers, the most mechanical portion of the system, are being held together with Band-Aids," said James Neill, a senior vice president at United.

But the bank kept capital expenditures to a minimum for the past several years, Mr. Neill said, because it was increasing its loan-loss reserves.

With its earnings for the first six months of 1993 surpassing those for all of 1992, United's management decided there was no time like the present.

Mr. Neill said the bank signed a new contract in July to install equipment, at a cost of about $400,000. The system, based on Unisys Corp. personal computers and software from Information Technologies Inc. will guide employees through most transactions and facilitate the cross-selling of products.

In the future, Mr. Neill said, United will also be looking into upgrading or replacing its Unisys A1 mainframe and implementing image technology in its check processing area.

Although they may be somewhat insulated from changes in the technology marketplace, smaller banks using data processing service bureaus are by no means immune from pricing pressures. Rio Salado Bank, Tempe, Ariz., has grown to more than $100 million of assets since it opened more than 10 years ago. As it has grown, its data processing costs have skyrocketed.

According to David Fischer, Rio Salado's senior vice president of operations, the bank has grown at about a 30% annual rate over the past four years. But monthly data processing expenditures – tied to the bank's transaction level – have more than tripled, from approximately $8,000 a month in 1989 to $25,000.

As a result, Mr. Fisher said, Rio Salado is working with a consultant to evaluate other data processing alternatives, including in-house solutions.

"If we stay with a service bureau, we'd like to develop some sort of tiered pricing arrangement," said Mr. Fischer. "I know the service bureau has to make money, but not on each single transaction."

Rio Salado is also pursuing a number of strategies to stretch its limited resources. Mr. Fischer is trying to assemble Arizona's community banks into an ATM deposit network. A similar arrangement within the state was disbanded when the banks' ATM processor, Security Pacific Corp., was absorbed by BankAmerica Corp.

While technology expenditures within the community bank segment are climbing rapidly, Mr. Heller of Veribanc points out that community bankers are taking a no-nonsense approach to evaluating systems.

"You don't score kudos for automating. Automating your back office or redesigning your monthly statement doesn't attract customers," explained Mr. Heller. "In fact, it can have the opposite effect if there are snafus."

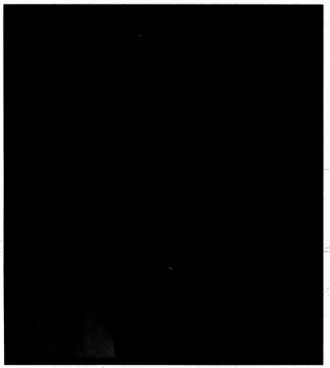
But with limited resources and looming competition, community bankers can ill afford to ignore the technology wave. As Mr. Looper of Anchor Bank explained, "We're using technology to survive." □

Technology Spending: Community Banks Outpace Bigger Brethren



Source: American Banker-Brint & Young Community Banking Technology Survey

IT TAKES COMMITMENT TO BE A WINNER



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Roosevelt Bank Taps EDS for Item Processing

St. Louis-based Roosevelt Bank has entered an agreement with Electronic Data Systems Corp., Plano, Tex., for item processing and back-office services, including item capture, exception item processing, lockbox, statement rendition, and print services.

With $3.3 billion in assets, Roosevelt operates 35 full-service offices in Missouri and Illinois.

wholly owned affiliate of the Marshall & Ilsley Corp., a $7.8 billion-asset bank holding company. Both are based in Milwaukee.

Soricon Snares Deal in the U.K.

Soricon Corp. received a $3 million purchase order to supply its check and document readers to a U.K. distributor, Advanced Recognition Ltd.

Deliveries will begin in the third quarter of 1993 and are expected to be completed by the end of the second quarter of 1994.

Based in Boulder, Colo., Soricon's primary markets are point of sale check verification for retailers and check and document processing for financial institutions.

Unisys to Equip Hungarian Bank

The National Savings Bank of Hungary, Orszagos Takarekpenztar, and Unisys World Trade Corp. signed a $57 million contract for an integrated banking system. A Unisys spokesman said it was the largest computing contract ever awarded in Hungary.

Established in 1949 as a state financial institution for consumer banking, the Budapest-based bank is the largest in Hungary, controlling about one-third of the total assets in the country and handling 70% of retail savings and 90% of retail loans.

Based in England, Unisys World Trade Corp. is a subsidiary of Unisys Europe Africa Division.

The banking system includes branch automation applications and production and backup processors. Unisys will also provide product management, training, customization, and branch rollout support. Over 45% of the contract value relates to software and services.

FIS and CCS to Provide Card Data Processing

Florida Informanagement Services Inc., Orlando, and CCS Technology Group Inc., Maitland, Fla., have been selected to provide data processing for a credit card program offered by The Associates, a $24 billion financial services company located in Dallas. □

Firstbank of Ill. Chooses Fiserv

Fiserv Inc., Milwaukee, signed a number of new contracts.

Firsthank of Illinois County, a $1.5 billion-asset bank holding company based in Springfield, Ill., will install Fiserv's comprehensive banking system. Running on IBM's AS/400 midrange computers, the system provides customer relationship management, deposit and loan accounting, and financial accounting and reporting.

Bancahsa, a commercial bank in Tegucigalpa, Honduras, signed an agreement to install the Spanish version of the retail banking system.

Microbilt Signs With a Retailer

Microbilt, a subsidiary of First Financial Management Corp. in Atlanta, signed a contract with Service Merchandise Co., Nashville, for an electronic payment system. The system will electronically capture signatures and process checks and credit cards. It will work in conjunction with Nabanco, another subsidiary of First Financial Management Corp., to provide chargeback processing and fraud protection.

M&I Data to Buy Unit of Barnett

M&I Data Services Inc. has agreed to acquire Barnett Banks' Tampa, Fla.-based correspondent data processing business, Financial Processors Inc. The company is an affiliate of Barnett Technologies Inc., the information technologies subsidiary of Barnett Banks Inc., based in Jacksonville, Fla.

M&I will assume responsibility for all current contracts, equipment, and 160 employees. M&I plans to continue operating item processing centers in Tampa and Miami.

Financial Processors has been in the data processing business for more than 30 years. Its customers are located in the Southeast, primarily Florida and Georgia. M&I is the developer of most of the software that Financial Processors has been using.

M&I Data Services is a



Verifone Software Links PCs to the Point of Sale

Integrating point of sale and backroom information management functions, Verifone Inc. has announced a software application that links DOS-based personal computers with the company's transaction automation systems.

Running on the PC, the new product, PNCPlus, handles credit and debit card processing.

Integrating the Verifone transaction system with the PC eliminates the need to enter payment transaction data more than once, thus reducing errors and speeding transactions. The software can also maintain a complete log of payment transactions.

Prices for the software range from $129 to $169, depending on the volume purchased.

Verifone Inc. is based in Redwood City, Calif.

Omega Program Offers Sales Tips

Omega Performance, a consulting firm based in San Francisco, offers a new program for branch platform staff, called Making Investment Referrals. The program is intended to help stem the outflow of deposits.

The program teaches platform personnel how to link customers with the bank's own investment experts and products. Materials include investment kits containing actual stock, bond, and annuity contract examples; sets of bank-specific mastery cards; a desktop job aid; and a video-tape showing investment scenarios between branch staff and customers. The program costs $475 per participant.

The program was developed in conjunction with First Chicago Corp. Signet Bank and Society Bank are currently using the program.

Interbold Offers ATM Video Add-On

Interbold has introduced two-way video conferencing, between an automated teller machine user and a customer service representative, on an Interbold / series self-service terminal. The system is activated when a customer pushes a button on the terminal.

Though the technology is available, the company has no immediate plans to release the enhancement until market demand for video conferencing increases.

Interbold, based in North Canton, Ohio, is a joint venture between Diebold Inc. and International Business Machines Corp.

ISC-Bunker Ramo Sells Ultrelight PC

ISC-Bunker Ramo released a new portable personal computer. Billed as the Ultraportable PC, the Olivetti Quaderno comes with a 20-megabyte hard drive, an 16-MHz processor, eight-hour battery pack, MS-DOS operating system, voice capability, and integrated accessory software. Built-in software includes word processor, calculator, schedule and phone book, file manager, organizer, and voice manager. The voice processing system provides dictation storage, voice annotation, input, and output.

The 2.2-pound computer measures 8.3 inches by 5.8 inches by 1.3 inches. The computer, floppy drive, carrying case, and printer cables sell for $874.

ISC-Bunker Ramo, an Olivetti company, supplies automation equipment and services. Its U.S. headquarters are in Spokane, Wash.

Computerm Eases Remote Imaging

Computerm Corp. introduced a system that connects mainframe computers to remote IBM high-performance transaction system image devices.

Called the Remote Image Solution, it is designed to support the IBM 3897 image capture system for check processing and the IBM 3800 series image statement printers.

The band width for transmitting image applications over data links can be costly. This system is designed to compress data and keep communication costs to a minimum.

The company's initial testing has demonstrated that a locally attached IBM 3800 printer generated image statements at 100 pages per minute, with some pages containing as much as 120K bytes of data. Without using the compression system, the machine printed 50 to 60 pages per minute.

Users can attach the system to networks over copper wire, fiber-optic cable, microwave systems, or satellite links. The system is completely compatible with all operating systems and applications software and requires no alterations or modifications to existing software.

The system is scheduled to be available in the first quarter of 1994. Pricing will start at $195,000.

Computerm is based in Pittsburgh. □

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cus-tom-er-ize \ kəs'-tə-mə-rīze' \ vt 1: to make a company more responsive to its customers and better able to attract new ones 2: to customerize an organization's information strategy, e.g., to extend systems capabilities to field locations and other points of customer contact and support 3: what Unisys Corporation does for a growing roster of companies, and government agencies, worldwide syn see CUSTOMER SERVICE, COMPETITIVE EDGE, BUSINESS-CRITICAL SOLUTIONS, REVENUE GENERATION

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The Back Office: Operations

WHAT TECHNIQUES can small banks use to combat fraud?



TOM D. WILES
Vice president
West Plains (Mo.) Bank

COMMUNITY BANKERS TEND TO believe that the first line of defense against fraud is knowing their customers personally. Unfortunately, knowing your customer is also a disadvantage. It is easier to say no to a stranger.

In my opinion, most bank losses occur because an exception to policy was made for the benefit of a personal friend.

While there is always a valid exception to a basically good rule, banks frequently neglect to establish exception procedures. Authority to make an exception should always be closely controlled. An exception from established procedures should never be made without conscious thought, nor should it be made without accountability. ■



CARROL R. PRUETT
Chief executive officer
Mid-State Bank
Arroyo Grande, Calif.

SMALLER BANKS HAVE A PROBLEM with certain types of fraud detection because they don't have a lot of the more sophisticated technology that larger banks have.

So, they fall back on the personal relationship and knowledge of the customers they're doing business with. For a small bank to protect itself against fraud, it really comes down to the old adage: "know your customer."

Small banks have a big advantage over large banks in this matter because it's not unusual for employees of a small bank to know every customer's name and background. ■



ROBERT W. HAWKINS
Chairman
Southern Commercial Bank
St. Louis

MOST BANKS HAVE MONITORING systems in place. Fraud detection has become very automated, even in smaller banks.

As for money laundering, we don't care if it's proceeds from the church picnic, if it's over the dollar limit it's reported.

Also, we have employees who watch the variances at each teller window. I suppose if the person had a partner within the bank, [fraud] could be done. But we don't have that problem. We're a neighborhood bank; we've been here about 100 years. We hire people we know or people who are recommended by our employees, so it's less of an issue for us. ■

How ArgentBank is exceeding customer expecta

EDS

"EDS helps us give our customers services they might not expect from a small community bank," says Randall E. Howard, president and CEO of ArgentBank, formerly First Interstate Bank of Southern Louisiana. "Our customers are delighted. And so are our shareholders. Our stock soared from $48 to $89 per share in its first nine months on the NASDAQ.

"With EDS, we can offer services that customers frequently expect to find only at much larger banks. Services such as overdraft protection, automated deposit validation and a preapproved credit line activated by simply writing a check. EDS has also helped us better manage rapid growth due to mergers, without disrupting customer service. And they continue to help us better manage costs. For example, in one of our departments they provided us with a way to cut labor costs by more than 200 percent.

"Information technology from EDS is definitely one of the most important tools we have."

Information technology can be a powerful tool for your business, too. EDS is the world leader in applying information technology. To learn how we can help you, write to EDS, Financial Industry Group, Marketing, 5400 Legacy Drive, B5-2B-15, Plano, TX 75024. Or call us at (800) 433-4055.

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MICHAEL W. SHEFFEY
Chief executive officer
Security National Bank
Maitland, Fla.

THIS MAY SOUND SIMPLISTIC, BUT the best advice is to know your customer. If someone walks in that you don't know, use common sense. For example, if the customer lives all the way across town and wants to open an account with you, ask why. Recently, we had a man come in on a Saturday with $1,000 in cash that he wanted to use to open a new account. We turned him down, and we were one of the few banks in this area that wasn't subsequently hit by a big scam.

You have to educate your platform people and your tellers to pay attention to these kinds of things.

And operationally, you have to have a sound system of holds. ■



JOHN S. SHIVERS SR.
Chairman
Southwest Bank
Fort Worth

I DON'T THINK THE BIG BANKS DO anything differently. Virtually every bank I know has fraud detection programs written into its processing software. These programs catch check kiters and money launderers.

The most prevalent type of fraud most banks are facing is counterfeit securities being put down as collateral for a loan. The way you combat this is checking all the documents to make sure they're not stolen or counterfeit before you accept them. ■



BOBBY P. MARTIN
Chairman
Peoples Bank
Ripley, Miss.

WE HAVE A POLICY THAT OUR tellers, officers, managers, and directors sign a statement that they will not knowingly violate the FDIC regulations – and we set down the violations right there. The penalty for violating the FDIC regulations is automatic firing. If customers ask to break the rules, and they do, our people know to say no. These regulations have teeth in them.

As for check kiting, we don't do this here, but I know of a bank in Texas that puts its customers' fingerprints on the front of the checks they cash. That should deter people who try to forge government checks that they've stolen out of mailboxes. I'm thinking about doing that here because stolen government checks are a big problem. ■



SUSANNE V. BOXER
Chief executive officer
Houghton (Mich.) National Bank

ONE OF THE PRIMARY TECHNIQUES IS to make all your internal people aware of what check kiting and money laundering are.

We have training when we first hire employees, and we have ongoing training in detecting check kiting and money laundering.

We have four branches, so we track all transactions over a certain dollar amount in a seven-day period at each one. All of these transactions are recorded, and then we have one clerk read over all of them to see if one customer's name is repeated. We also train our tellers to pay attention to how many times a customer visits the branch and to record suspicious activity. ■

"EDS helps our small town bank

tions and carving out a profitable market niche.

offer customers big city services."

—Randall E. Howard, President, CEO, ArgentBank
A $540 million regional financial institution
Thibodaux, Louisiana

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AMERICAN BANKER

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Equity Funds By ATM Seen as Wave of Future

By DEBRA COPE

Wells Fargo & Co. wowed the competition last week by letting customers start trading and selling mutual fund shares at automated teller machines.

The move by San Francisco-based Wells marks the first time a bank has come up with a way to let customers tap stock and bond funds with an ATM card.

Several banks – Citibank and Fleet among them – already allow customers to trade money-market fund shares at ATMs. But these funds trade at a stable price of $1 per share.

It is considered far more difficult for a bank to handle stock and bond fund transactions on ATMs, because share prices fluctuate daily.

NEWS ANALYSIS

Wells won't let customers make their initial fund purchase via an ATM; that requires a prospectus. But cardholders can buy additional shares, transfer money from one fund to another, or sell shares and transfer the proceeds to a bank account.

Now that Wells has come up with a way to handle bond and equity funds in ATMs, other banks that manage mutual funds are likely to follow suit.

But a prominent industry expert has some words of caution: Look before you leap.

Though the gambit could give banks a slight competitive edge, the costs may outweigh the benefits, said A. Michael Lipper, president of Lipper Analytical Services, Summit, N.J.

"It's an interesting marriage of banking technology and mutual funds," Mr. Lipper said. "But I'm not sure I understand the economics here."

Risk of Many Small Trades

For one thing, bank customers might be inclined to make a lot of small redemptions and exchanges. That could prove expensive, and it's not clear who would bear the costs, he said.

In addition, Mr. Lipper noted, customers may not realize that they may have to pay taxes each time they redeem shares in a mutual fund.

Banks that offer ATM services to mutual fund customers would have to redouble their education efforts.

Other concerns include longer lines at ATMs and perhaps a rise in fraud, Mr. Lipper said.

Wells officials could not be reached for comment, but even Mr. Lipper acknowledged that his reservations probably will not deter other banks. □

INSIDE NEWS

WASHINGTON

THRIFT REGULATORS are dismissing the American Bar Association's complaints about rough treatment of savings and loan lawyers. *Page 2*

REGIONAL BANKING

KEYCORP is making a push to expand its insurance business. The Albany, N.Y.-based bank has centralized its credit, property, and life insurance operations under one unit. *Page 4*

MORTGAGES

ADJUSTABLE-RATE mortgages remain stubbornly unpopular, despite the lowest rates ever – and lenders can't figure out how to write more of them. *Page 8*

INVESTMENT PRODUCTS

BANKS HAVE TO WAIT at least a while longer for a federal law that could boost their mutual fund assets by billions. The proposed legislation would allow the conversion of common trust funds into mutual funds without exposing trust customers to a big tax bite. *Page 10*

CREDIT/DEBIT/ATMs

PERSUADE good credit card customers to voluntarily repay, even though they have filed for bankruptcy protection, advises legal expert William R. Mapother. *Page 12*

TECHNOLOGY

TWO SECURITY measures – personal identification numbers and "holomagnetic" cards – could eventually prevent 75% to 80% of fraud losses from thefts of cards and account numbers and from fraudulent applications, said Joel S. Lisker of MasterCard. *Page 3*

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PNC BANK CORP. was elevated to "accumulate" from "neutral" by Dean Witter. *Back page*

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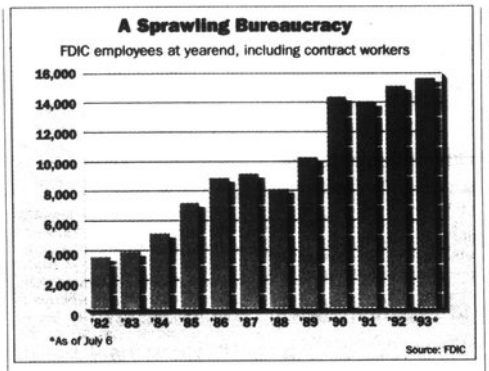


FDIC Planning to Reduce Its Swollen Work Force

By BARBARA A. REHM

WASHINGTON — After quadrupling its staff during the last decade, the Federal Deposit Insurance Corp. is preparing to slim down.

The agency is working on an early retirement package for as many as 1,100 employees. Another group – 1,000 temporary staffers – will be let go by yearend.

Rumors that a massive reduction in force is coming are being dismissed by senior officials, but they admit that trimming the agency's 15,000-person work force is a top priority.

"This is going to be a huge undertaking," said FDIC research director Roger Watson. "It's easy to grow. It is much harder to shrink. It's not as much fun either."

Record Failures in '80s

The FDIC has been riding a rocket since the mid-1980s, when bank failures started setting records. The agency bulked up its staff and its budget to handle the unprecedented workload.

In May 1992, the FDIC slapped on a hiring freeze. Still, at midyear the agency employed 15,575 people, which is more than four times the 3,504 people employed in 1982.

The agency's Washington staff nearly doubled – to 2,242 – between 1988 and 1992. Two government office buildings once accommodated these

See **FDIC** *page* **18**

NationsBank Set to Raise $800 Million In Debt Issue

By DAVID SIEGEL

NationsBank Corp. may issue $800 million in debt securities as soon as today, in the largest long-term bond offering by a bank this year.

Proceeds are expected to go toward two major pending deals: the takeover of MNC Financial Inc., a Baltimore bank holding company; and the purchase of $2.3 billion in receivables from U S West Financial Services.

Banks rarely make public offerings of this size. Sales of asset-backed and short-term debt are exceptions.

Two-Part Sale

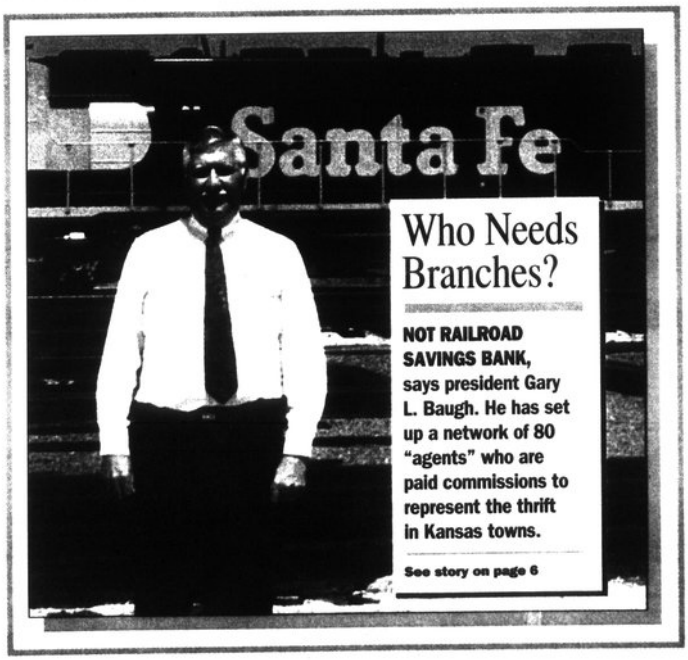
Market sources said NationsBank's offering will comprise $350 million of three-year senior debt and $450 million of 10-year subordinated debt.

The issue may be increased to as much as $1 billion, they said. Merrill Lynch & Co. will be lead manager for both issues.

NationsBank has become an active issuer in the capital markets this year after announcing a string of cash acquisitions, including the recent U S West deal.

It has completed the purchase

See **CAPITAL** *back page*



NEWS *briefs*

S&P Sees End to Realty-Based Downgrades

NEW YORK — Real estate exposure is unlikely to result in any further downgrades of U.S. banks' ratings, according to Standard & Poor's Corp.

In its publication *CreditWeek*, S&P said real estate values appear to have bottomed out, even though they are not yet recovering in most markets. S&P noted that the duration of the real estate market downturn has been relatively short, despite its severity.

Significantly, the vast majority of banks have sufficient capital and reserves to cover remaining problems in their real estate portfolios, S&P said.

Northeast Federal Cancels Rights Offering

HARTFORD, Conn. — Northeast Federal Corp. said it had decided not to proceed with its previously announced rights offering and that it was withdrawing its registration statement filed with the Securities and Exchange Commission.

The company, the parent of Northeast Savings, said current market conditions do not justify proceeding with the offering.

NBD to Buy Back Up to 7 Million Shares

DETROIT — Directors of NBD Bancorp authorized the repurchase of up to 7 million shares of the corporation's common stock. Purchases would be made from time to time on the open market or in privately negotiated transactions.

Shares purchased under the authorization, if any, would be used for general corporate purposes, including employee stock award programs, future acquisitions and other appropriate uses. As of June 30, NBD Bancorp had 160,557,393 common shares outstanding.

West Coast Bancorp Holders Defend Board

NEWPORT, Ore. — West Coast Bancorp reported that shareholders voted overwhelmingly against a proposal to remove six of the company's seven directors at an Aug. 11 special meeting, opposing a hostile takeover attempt by Western Bank.

West Coast Bancorp said the proposal, calling for removal of all except one of the company's directors, was submitted by Georges C. St. Laurent Jr., controlling shareholder of Western Bank.

According to an independent inspector of elections, 65.27% of shareholders voting at the special meeting opposed Mr. St. Laurent's proposal, 34.56% voted in favor, and 0.17% abstained, West Coast said.

MBNA Plans Credit Card Unit in Britain

NEWARK, Del. — MBNA Corp. said it would open a subsidiary, MBNA International Bank, to issue credit cards in Great Britain.

MBNA, the nation's third-largest credit card issuer, with nearly $10.6 billion of managed loans, said the unit would open next month in Chester, England, and have a business-development office in London. MBNA has obtained approvals from both the Bank of England and Federal Reserve Board.

MBNA expects to challenge leading British card issuers including National Westminster PLC and Barclays PLC.

Big-Bank Loans Up $3.25 Billion for Week

NEW YORK — Commercial and industrial loans on the books of the nation's large banks rose $3.25 billion in the week ended Aug. 4. That compared with a drop of $1.87 billion in the preceding week. These results exclude bankers' acceptance and commercial paper.

The briefs were compiled from staff and wire reports.

OTS Rejects Lawyers' Pleas To Ease Up on Thrift Attorneys

By ROBYN MEREDITH

WASHINGTON — Thrift regulators are dismissing the American Bar Association's complaints about rough treatment of savings and loan lawyers.

The Office of Thrift Supervision suggested that the lawyers' group is the one that should be doing the soul searching. It was the agency's first formal response to the ABA.

The lawyers "should be doing some self-regulation, not complaining that the banking agencies were trying to enforce banking laws," the OTS' acting chief counsel, Carolyn B. Lieberman, said in an interview Monday.

In a recent speech at the ABA's 115th annual meeting, held in New York, she said the lawyers' group should consider "the extent to which lawyers representing thrift institutions failed to adhere to professional standards and what the profession's response to those failures should be."

Improper Assistance

"While the great majority of banking and thrift lawyers have represented their clients responsibly and professionally, much of the serious wrongdoing that occurred in the savings and loan industry could not have happened without the improper assistance of lawyers," Ms. Lieberman said in the speech.

In January, an ABA working group drafted a report called, "Laborers in Different Vineyards? The Banking Regulators and the Legal Profession." The report criticized enforcement powers that regulators applied against law firms representing depository institutions.

The ABA report was triggered by the OTS' action against the New York law firm of Kaye,

The agency suggested the bar association should self-regulate, not complain.

Scholer, Fierman, Hays and Handler, which agreed to pay $41 million to settle charges involving its work for Charles Keating's Lincoln Savings and Loan Association.

The ABA paper argued that legislation is needed to prevent regulators from issuing asset preservation orders without a judicial proceeding and to force banking agencies to use the court system instead of cease-and-desist orders to secure monetary damages.

But the OTS disagreed: "Congress quite clearly intended that the banking agencies have the power to preserve respondents' assets," Ms. Lieberman told the ABA. Monetary recoveries by the OTS "are available only in the event of the commission of unsafe or unsound practices or of violations of a law, rule, or regulation" or other enforcement actions.

For that reason, "remedying such acts is inextricably related to the government's regulation of banks and thrifts," she said.

The OTS addressed other points brought up in the ABA paper, such as the responsibility of law firms to disclose information about their clients to regulators, and what responsibilities attorneys have to notify an institution's top officers of problems.

"Institutions have a number of disclosure obligations to federal banking regulators," Ms. Lieberman said. "These disclosure obligations are not optional because the institution is represented by counsel."

"It should be understood that breaches of fiduciary duty have long been considered unsafe and unsound practices and can cause significant harm to a thrift institution and its shareholders and depositors," Ms. Lieberman said. "We seriously doubt whether failure to seek correction of what a lawyer knows to be a fiduciary breach could ever be in the best interests of the organization." ❑

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2 Techniques May Yield Cut in Card Fraud

By BARTON CROCKETT

A MasterCard International official said two security technologies now under consideration could take a huge bite out of credit card fraud, saving banks hundreds of millions of dollars a year.

The two security measures – personal identification numbers (PINs) and "holomagnetic" cards – could eventually prevent 75% to 80% of fraud losses from thefts of cards and account numbers and from fraudulent applications, said Joel S. Lisker, MasterCard's senior vice president of security and risk management.

The holomagnetic technology enables a bank to encode data on a hologram in addition to a credit card's magnetic stripe.

Protection Technologies

"You could potentially wipe out an enormous piece of fraud with these combined technologies," Mr. Lisker said.

Charging Crime
1992 U.S. bank card and charge card fraud losses



Source: The Nilson Report

PINs and holomagnetic cards are two of a handful of new card fraud-protection technologies under evaluation by MasterCard and Visa U.S.A.

Mr. Lisker said one or more of the technologies would probably be recommended to MasterCard's board of directors later this year or early next year, for implementation over the following three to five years.

A Vexing Problem

Visa is expected to proceed in roughly tandem with MasterCard, Mr. Lisker said.

Card fraud has proven a vexing problem for all card issuers.

According to *The Nilson Report*, an industry newsletter in Oxnard, Calif., card fraud losses in the United States totaled $3.82 billion last year, including $2.65 billion from fraudulent bankruptcies by cardholders.

The newsletter said that bank card issuers lost $572 million from card fraud, including stolen cards and account numbers, counterfeit cards, and fraudulent applications.

Two-Pronged Attack

It is these types of fraud that PINs and holomagnetic technology are designed to stop.

Card thieves would be unable to use stolen cards because they would not know the PINs.

Holomagnetics could stop the remaining counterfeiting problem. Concern over the counterfeiting of cards protected by PINs peaked earlier this year when thieves apparently put an ATM in a Connecticut mall and used the machine to record PINs and account numbers as consumers tried to withdraw cash. Holomagnetic cards could stop this type of fraud because there is no known way to copy them even if PINs are obtained, Mr. Lisker said.

The holomagnetic technology MasterCard and Visa U.S.A. are evaluating was developed by American Bank Note Holographics Inc. of Elmsford, N.Y., along with Kurz Co. of Furth, Germany, and Control Module Inc. of Enfield, Conn.

Mr. Lisker said that the holomagnetic cards would probably be at most only slightly more expensive to make than current cards.

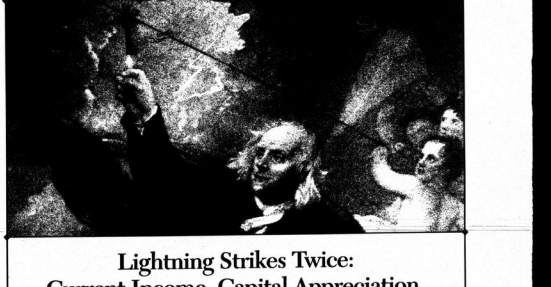
But, he noted, ATMs and point of sale authorization devices would have to be retrofitted to be able to read the data-holograms.

He said the ∠expense might limit installation to merchants at high risk.

Value Is Doubted

Jerome Svigals, an independent consultant and bank card security expert in Redwood City, Calif., said he thought the holomagnetic technology is of dubious value.

Mr. Svigals said thieves would very quickly turn to merchants without the enhanced point of sale terminals. ❑



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Recession Blahs Linger For N. Carolina Banks

By KENNETH CLINE

From the Regions

WHEN IT COMES to state economies, North Carolina's banks have it better than most.

The Tarheel State escaped the worst of the 1990-91 recession and is now showing solid gains, with a surge in manufacturing employment.

A recent Conference Board report predicted that "public and private investment, as well as a favorable business environment, should be helpful in continuing to attract new businesses" to the Carolinas.

But even in the home of such banking stalwarts as NationsBank Corp., First Union Corp., and Wachovia Corp., the recovery seems more sluggish than is typical of post-recession economies.

"Relative to what's happening across the country, I would say we're going a little better," said Richard B. Roberts, executive vice president and treasurer at Wachovia, the third-largest bank company based in the state. "But relative to where in this stage of a recovery one would expect to be, we're probably trailing."

Ted Matney, chairman and CEO of Bankers Trust of North Carolina, an $83 million-asset bank in Greensboro unrelated to Bankers Trust New York Corp., said customers are still nervous and restrained in their borrowing, despite the area's very low unemployment rate of 3%.

"Business hasn't been as good as it could be because of that fear," he said.

Business activity in North Carolina rose 0.8% in the second quarter, for the eighth consecutive quarterly gain since the mid-1991, according to an index compiled by Wachovia. Over the past 12 months, its North Carolina business index has advanced 5%.

Tarheels in the Lead
Employment gains and losses between May 1991 and May 1993

North Carolina	21,700
Tennessee	17,100
Indiana	12,200
Wisconsin	6,100
Georgia	5,700
Michigan	2,500
South Carolina	1,200
Alabama	900
Texas	900
Minnesota	(900)
New York	(81,500)
California	(170,800)

Source: First Union Corp.

Manufacturing led in nonfarm job growth, with a gain of 6.7% for the quarter – compared with a 0.3% decline for the nation as a whole. Year-ago comparisons are similar: Manufacturing employment was up 1.6% in North Carolina but down 2.1% in the rest of the country.

North Carolina "has always enjoyed a very good business climate," said Mark Vitner, economist at First Union Corp., the state's second-largest bank company. "The partnership between government and business is very, very strong, while in other parts of the country that's been lacking."

Indeed, North Carolina's relentless solicitation of new business, particular foreign-based companies, is credited with weaning the state from its traditional dependence on textile and furniture manufacturing.

Between May 1991 and May 1993, North Carolina led the nation in adding factory jobs. While California lost 170,800 and New York 81,500, North Carolina gained 21,700.

Keycorp, with Eye on Expansion, Centralizes Insurance Operations

By KAREN GULLO

Keycorp is making a push to expand its insurance business.

The Albany, N.Y.-based bank announced Monday it has centralized its credit, property, and life insurance operations under one unit.

Stephen K. Heine, general manager of Keycorp's life insurance subsidiary, was named chief executive officer of the unit, called Keycorp Insurance Management Group.

Aiming High

Mr. Heine said Keycorp will seek 20% annual growth for its insurance businesses, which now generate $1.4 million in revenues a month.

The new group is charged with developing business strategies and stepping up sales and marketing efforts across Keycorp's far-flung branch network.

Keycorp sells life insurance to consumers through branches and mortgage lending offices in the nine states in which it operates. The policies are underwritten by life insurance companies, and some are reinsured through a subsidiary, Key Bank Life Insurance Ltd.

The target for Keycorp's insurance businesses: 20% annual growth.

Keycorp also offers property and casualty and life insurance to consumers and small businesses in five Western states through Keycorp-owned agencies. The states – Washington, Oregon, Idaho, Wyoming and Utah – bar state-chartered institutions from directly selling insurance, but allow the banks to sell policies through agencies.

Scouting for Opportunities

"We are investigating what other options exist for offering insurance," said Mr. Heine. "We will be looking at the areas where we are not currently selling insurance to see what we can do to expand the business."

Keycorp will begin targeting customers for its life insurance products through a dedicated sales force, and will step up telemarketing and direct mail campaigns for its property and casualty products. The insurance group currently has 90 employees. Mr. Heine declined to say how many staffers Keycorp plans to add.

The bank is also looking at forging alliances with insurance companies to offer other types of policies to consumers and businesses. ❑

Chicago's Boulevard Puts Itself Up for Sale And Hires Goldman Sachs to Find a Buyer

By ROBERT B. COX

CHICAGO — Boulevard Bancorp, a $1.5 billion-asset bank company based here, put itself up for sale Monday.

The company, which has been dragged down by commercial realty loans, said it had hired Goldman, Sachs & Co. to help it find a buyer.

"We expect to be working with Goldman Sachs throughout the remainder of the summer in evaluating various alternatives," chairman Charles E. Schroeder said in a news release.

Possible Suitors

Boulevard's shares were up $1.50, or 7%, in afternoon trading Monday, to $23.25, a 52-week high. That lifted its market value to $166 million. Its book value was $96 million on June 30.

Analysts cited a number of possible suitors for Boulevard, the 11th-largest bank company in the Chicago metropolitan area.

Four out-of-state regionals already in the Chicago market have previously expressed interest in expanding their market shares: Banc One Corp., Columbus; NBD Bancorp and Comerica Inc., both of Detroit; and Old Kent Financial Corp., Kalamazoo, Mich.

The company has been dragged down by commercial realty loans.

Other suitors might include two local banks, First Chicago Corp. and Harris Bankcorp.

And several players are reportedly interested in entering the market, including Cleveland-based Society Corp. as well as First Bank System Inc. and Norwest Corp., both of Minneapolis.

"Any number of banks are looking to expand in this market, but I don't know if Boulevard would be their first choice," said Kenneth Puglisi, bank analyst at The Chicago Corp.

Nonperforming Assets Hurt

Boulevard has been hampered with nonperforming assets that totaled 5.3% of gross loans at midyear.

That compares with 4.22% for all Chicago banks.

The problem assets have kept profitability low, with return on average assets of 0.47% in the first half of this year. The average ROA for all Chicago banks was 1.28%.



Challenges Confronting the Industry Go Beyond Keeping Asset Quality High

By THOMAS C. THEOBALD
Chairman
Continental Bank Corp.

The following was excerpted from remarks made earlier this year at the corporate banking forum of the American Bankers Association.

Bankers are often seen as incapable of telling a good loan from the next writeoff.

In most market cycles, corporate banking is likely to be viewed as less desirable than mass-market consumer banking. The risks are greater, the vulnerability to economic cycles higher, and the returns more volatile. That's not a combination designed to win over a perpetually skeptical marketplace.

Yet this backward business has recently been able to win investor converts and attract more volume and better terms, but let me cite two related factors.

Verbatim

• Consolidation has put a big dent in the industry's overcapacity, which has long been our single biggest barrier to running a competitive, profitable business.

• Prices, which have never accurately reflected risk, have climbed to more realistic levels.

Creditable Performance

After a disastrous decade, we seem finally to be doing something right. The industry as a whole turned in a record earnings performance in last year. Stock prices boomed, and cynics have stopped comparing us to the S&Ls.

But don't misunderstand me. There are plenty of problems we have yet to face.

The real problem is that we have done such a miserable job of pricing risk.

Asset quality certainly leads the list, if only because it's so visible, so dramatic, and, lamentably, so familiar to regulators and rating agencies. But it's far from the only predator lurking in the woods.

Strategy, expense management, and marketing every may not sound as impressive or even as important, but ultimately they will probably contribute more to our long-term health than the condition of our loan portfolios.

Fighting the Good Fight

Since asset quality will continue to be an important standard by which we are judged, we have no choice but to continue fighting the good fight. Even so, let's not lose sight that what we do for a living involves the evaluation and underwriting of risk.

Inevitably, some of that risk will go bad, but we cannot afford to accept the view that we have automatically done wrong if there is a troubled loan, a loss, or a restructuring.

The real problem is not that we accepted risk in the first place, but that we did such a miserable job of pricing it.

I won't drone on about the fundamentals of credit analysis, internal monitoring systems, and the need to act when assets begin to deteriorate. However, there are things we can address that are more universal – and strategic is one of them.

Know Your Customer

How well you know your customers, their industries, and their specific requirements has a direct bearing on how those assets, and your profits, will respond.

While it's obvious that you should know more about your customers, that's very difficult when your customer base is virtually unlimited by type or size. Achieving real customer focus has not traditionally been well practiced in banking because we have often been geographically driven.

It's also easy to forget the millstone of operating expenses. The problem isn't that credit costs occur – after all, they're a normal part of doing business. It's just that there often isn't a sufficient margin between revenues and expenses to absorb these periodic spikes.

Market Discipline Lacking

Last year, noninterest expense in banking reached $131 billion, five times the amount of chargeoffs. That's a staggering sum, and it's symptomatic of a bigger overhanging problem: Banking evolved in a closed system, without the rigors of true market discipline. As a result, there wasn't the brutal incentive to improve efficiency.

Look at measures of productivity improvement. In manufacturing, productivity grew by 2.7% in 1992, the single biggest increase in 6 years, and approached 5% in last year's fourth quarter.

In stark contrast, productivity improvements in the total services sector increased by a minuscule 0.1% a year for the last decade.

That's not to say we haven't made progress in the last few years – but even after 700 mergers and all the efforts to prune the corporate business back to profitability, we're still overburdened with surplus capacity and excessive costs. And that big into profits will continue to widen the impact of credit costs.

Comparisons Unfavorable

There's no question that if you judge banking by the standards of our best-performing customers, we come up short in terms of strategic differentiation, customer focus, productivity, and marketing savvy. As a result, we are unable to operate at the peak of competitive advantage, quality of service, or efficiency of delivery.

If that's the case, then it's time to learn more from our customers. Without a doubt, the most important lesson concerns the connection between strategy and comparative advantage.

Over the past decade, successful consumer and industrial marketers figured out that by knowing what they do best and then investing their resources accordingly, they're able to deliver quality products to meet real customer needs and do so in a cost-efficient manner.

Some banks have matched best industrial practices, but we all know that many banks haven't.

Knowing Your Strengths

From personal experience, I can assure you it's nearly impossible to make smart resource allocations without first knowing where you have a real comparative advantage. So it follows you cannot optimize efficiency without a clear strategic focus.


Thomas C. Theobald

This isn't a new idea, of course. Some banks, like Bank One, have essentially abandoned corporate banking. Others, like Bankers Trust and Continental, have made it their single focus.

But specialization can be a lot more subtle than these sweeping strategic choices. For example, some have carved out profitable markets by targeting specialized industries: Chemical Bank with transportation companies, the Bank of New York in communications, Mellon with cable TV, BankAmerica with Hollywood, and so on.

One of Continental's targets is the insurance industry: We've found that our specialized insight into their requirements is a competitive advantage in that we can respond faster and more knowledgeably than many others.

Don't Bet the Farm

Don't get me wrong. I'm not advocating that we all bet the farm on one or two industries and hope for the best. But an informed industry focus can be a profitable strategy from both the revenue and expense perspectives.

Industry specialization is only one way to find comparative advantage. Others have targeted sales size or specific products.

The bottom line is that there are huge cost efficiencies to be had by knowing who your customers are and matching your product mix and capacity to those needs. You're spared having to waste resources trying to deliver a full menu of products to customers who may be outside your effective market.

Of course, this is easier to recommend than to do. We have to admit that banks by and large evolved without the discovered need for this kind of focus. Indeed, some argue that it is imprudent not to be widely diversified.

Getting the Facts

But ask your best customers, and they'll be able to give you precise data about principal competitors' profit margins, market penetration, and cost structures. We often can't, mainly because we've had to deal with these questions in more than an approximate way.

Marketing success doesn't come cheap. I've been at this a long time, and I think one of our greatest management weaknesses is a lack of appreciation of how great marketing costs are.

We all know exactly what it costs to process a customer or a stock transfer, but are pretty vague about the costs of identifying target markets, building marketing programs, and implementing them successfully.

For example, an average customer call costs about $2,000, and it takes 18 to 24 months to convert a cold prospect into a customer. Given the costs and time involved, you'd better have a good idea of whom you are targeting! ❑

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Kansas Bank Uses Agents to Drum Up Business

By BILL ATKINSON

WICHITA, Kan. — Between Hutchinson and Kingman, Kan., Gary L. Baugh, president of Railroad Savings Bank, powers his 1992 Bonneville on a stretch of highway that's as flat as a tabletop.

Three times a year, the 52-year-old Mr. Baugh burns up the roadways to check in with Railroad's 80 "agents." They are paid a commission by the thrift to scour the state's smallest towns for deposits and loans, allowing Railroad to avoid setting up branches.

"I think I've met them all," said Mr. Baugh, as a cattle truck blasts by with a whoosh. "Nobody has an operation to the extent that Railroad does. That's our niche."

Railroad, which is based in Wichita, has six branches. It is one of a handful of thrifts in the country that use agents, and it

The 80 agents, who get commissions, take the place of branches.

boasts the largest network. Railroad's agents operate in small, dusty towns like Moline (population 900), Norton (3,500), and Dodge City (20,000).

They typically run their own businesses selling real estate and insurance. But for the $421 million-asset Railroad, they act like a statewide branching system offering certificates of deposit, annuities, and home loans.

"Many of these towns couldn't support a full-service branch office," Mr. Baugh said. "That's where the agent really fits in."


ON TRACK: Gary L. Baugh, president of Railroad Savings Bank in Wichita, checks in three times a year with his 80 agents, who sell the bank's products throughout Kansas. Stanley "Bud" Benson, inset, the agent in Kingman, says he knows 90% of the townspeople.

Bill Atkinson/American Banker

60% of Deposits

The agents have worked the small towns so effectively that they have gathered 60% of Railroad's $323.8 million of deposits. And they have originated about 30% of the thrift's $153 million in mortgage loans generated in Kansas.

To boost productivity, some agents are using laptop computers so they can originate loan applications on the road and zap them to headquarters for quick approval.

Low interest rates and the refinancing boom have helped agents generate hefty commissions. Last year, Railroad paid agents a record $1.4 million in commissions for deposit, loan, and annuity originations, up from $865,000 in 1991.

"It's been busy," said Stanley "Bud" Benson, who owns Benson Insurance and Real Estate in Kingman (population 3,200).

$1 Million in Annuities Sales

Mr. Benson claims to know about 90% of the people in town. He isn't a big lender, but he and his two-person staff have drummed up $15 million in deposits in Kingman and Cheney, a smaller neighboring town. Last year, Mr. Benson generated $1 million in sales of annuities for Railroad.

He said the Railroad business brings in $68,000 in commissions last year, well above the $2,000 it generated in 1976 when he bought the business.

D. Cliff Goggans, an agent in Arkansas City, is originating loans at record pace. So far this year he's closed about 100 loans, compared with 90 last year.

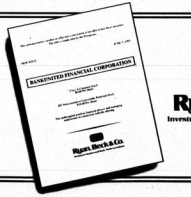
"We are well ahead of last year, and we thought last year was a phenomenal year," said Mr. Goggans, who uses a laptop to make house calls.

Agents like Mr. Benson and Mr. Goggans are formidable competitors to local banks.

"They have kind of roughed us up in the last year or so," said John Nye, executive vice president and cashier with First National Bank of Kingman. "We've seen a lot of deposits move from here to, say, Railroad. It's been substantial enough that it has got our at-

See next page

Accomplishments Through Creativity



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Continued from *page 6*

tention."

Railroad depends on the agents as part of a twofold strategy: Agents generate a stable core of deposits – mainly CDs – while the thrift builds fee income by originating home loans in Kansas, California, and Colorado. Most adjustable-rate loans originated in Kansas are kept on the books, and fixed-rate loans are sold into the secondary market. Railroad retains the servicing rights.

"That takes the reliance off the spread," Mr. Baugh said.

Last year, Railroad's RSL Mortgage Corp. in Orange County, Calif., originated $915 million in loans, which were sold into the secondary market. Loan servicing for the year rose to $680 million, up 46% from the prior year.

Respectable Returns

Railroad earned $1.2 million in the second quarter, up 46% from the year-earlier period. It also turned in a respectable 0.94% return on average assets, and a return on average equity of 18.74%.

Agents have worked for the thrift since it was founded in 1896 by a group of railroadmen in nearby Newton. They've stuck by Railroad during good times and bad. Problems surfaced in the late 1980s when several out-of-state commercial real estate loans soured. Mr. Baugh, who was chief financial officer, was named president, replacing Larry Kirchoff in 1988.

Last year, Railroad paid agents a record $1.4 million in commissions.

That year, he boosted Railroad's provision for loan losses, and the thrift lost money two years in a row.

In 1989, the thrift didn't meet its risk-based capital requirements and was forced to file a capital plan with the Office of Thrift Supervision in July 1990.

In January 1991, Railroad raised $6.9 million in a secondary offering and was released from the order. Now, it's considered a "well-capitalized" institution.

Cleansed of Nonperformers

"It's a pretty solid organization," said Raymond Gilmartin, a research analyst with Piper Jaffray Inc., Minneapolis, who is recommending Railroad's stock. "They did a pretty good job of cleansing their portfolio of nonperformers."

Mr. Baugh said Railroad may expand its mortgage banking operations and could start hunting for acquisitions of healthy thrifts. But no matter how big Railroad grows, the agents won't be forgotten.

"They are very important," Mr. Baugh said. "We have always been committed to the agents."

Railroad Fought Hard to Prevent a Ban on Agents

By BILL ATKINSON

During the thrift crisis, the bank worried that agents would be outlawed.

Railroad Savings Bank executives fought with a vengeance to save their network of 80 agents in 1989.

They were worried that federal lawmakers were going to outlaw the agents because many state-chartered thrifts across the country were in trouble.

"It would have been a blow to the rural communities in Kansas," said Gary L. Baugh, president of Railroad.

Railroad executives used that argument to lobby the senators from Kansas: Bob Dole, the Republican minority leader, and Nancy Kassebaum, also a republican. And the thrift converted to a federal charter.

The effort paid off: Federal law went unchanged, saving the livelihoods of agents like Evelyn Freede.

At the ripe age of 72, Ms. Freede is Railroad's most successful deposit-gatherer. She operates out of Norton, Kan.

"I've watched it grow from the days when maybe we had five accounts and maybe three or four loans," said Ms. Freede, who started working for Railroad when she was 28 years old.

"We've got an awful lot of accounts," she continued. "We are ahead of the credit union and one of the banks."

Ms. Freede said the portfolio has held steady over the years, but lately she sees more competition from annuities. She said she's been able to maintain customers because people trust her.

"I don't want to brag, but I try to treat everybody fairly. If you are honest and aboveboard, one customer is going to tell another," she said.

Norton is in northern Kansas, near the Nebraska and Colorado borders. Ms. Freede's customers come from several counties as well as Nebraska to do business with her.

"I've always said the reason we can generate savings is we live in a place where there is no place to spend your money," Ms. Freede said. "It's a small community. They are basically levelheaded savings people."

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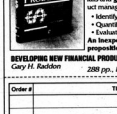

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PIPELINE / By Ed Kulkowsky

Tax Victory on Servicing Still Painful for Sellers

PMSRs sound like a health problem. And for some participants in the mortgage business, that indeed may prove to be the case.

The new federal budget law requires that the cost of PMSRs, or purchased mortgage servicing rights, be amortized over nine years.

That's far longer than the lifespan of most mortgages. But it could have been worse, most executives say, because other intangible assets will have to be amortized over 20 years.

Bad News for RTC?

Still, it's hardly good news: The nine-year schedule seems likely to reduce the value of servicing rights because of the smaller tax deductions available each year.

This reduced value would affect the revenues of those selling loans with the rights attached. That includes large numbers of banks and thrifts.

It also appears to be bad news for the Resolution Trust Corp., which has some big servicing portfolios that it plans to sell – most notably those of Standard Federal of Gaithersburg, Md., and Homefed of San Diego.

15-Year Amortization

The RTC's problem could be especially knotty. James O'Connor, tax counsel for the Savings and Community Bankers Association, says the law requires 15-year amortization of any servicing rights acquired through the acquisition of a whole company.

The idea is to require uniform amortization of acquired intangibles in order to prevent acquirers from assigning excessive values to shorter-lived assets.

The RTC had been planning to market Standard Federal and other properties as complete businesses, and that would presumably trigger the 15-year schedule. But because Standard's portfolio includes much subservicing, which is not affected by the changes, the severity of the impact is unclear.

* * *

That's the cloud. The silver lining: another provision of the budget measure will keep many lenders in the business of originating mortgages for low-income families and selling the loans into the secondary market.

The budget permanently authorizes tax exemptions for mortgage revenue bonds, which are issued by state agencies and other municipal bodies to fund inexpensive mortgages for low-income households. The mortgages, which exceed $1 billion a year, are originated by lenders of all kinds.

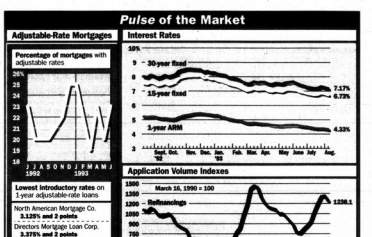
'Significant and Positive Development'

Fannie Mae is especially enthusiastic about the permanent authorization. "It's a very significant and positive development," said Larry Dale, executive director of Fannie's national housing impact division.

Fannie has bought about $3.8 billion in such revenue bonds over the last five years.

Freddie Mac said it was also "aggressively" involved in revenue bond programs, but no figures were immediately available.

Pulse of the Market



Sources: HSH Associates, Mortgage Bankers Association of America, Federal Housing Finance Board

Adjustable Rates Still Unpopular Despite the Fall in Interest Rates

By CHRISTOPHER KOBLE

Despite the lowest rates ever on adjustable-rate mortgages, the loans remain stubbornly unpopular – and lenders can't figure out how to write more of them.

"It's incredible," said Joe McNally, Mid-Atlantic region manager for NationsBanc Mortgage Corp., based in Dallas, Tex. "We can do adjustables in the 3% area, but fixed rates are so low that people are still leaning toward them."

Last week, lenders were offering one-year adjustables at an average of 4.33%, down from 4.38% the previous week, according to HSH Associates, Butler, N.J.

Tantalizing Rates

The rates are at their lowest levels since the loans were introduced in the early 1980s.

A number of lenders are even offering adjustables at less than 4%. For instance, North American Mortgage Co., Santa Rosa, Calif., offers ARMs at 3.125% and two points, according to HSH.

Borrowers are opting for the certainty of fixed mortgages.

Despite such tantalizing rates, borrowers are overwhelming opting for the certainty of fixed mortgages, which were offered last week at an average of 7.17%.

In June, the latest month for which data is available, only 23% of new mortgages were adjustable, according to the Federal Housing Finance Board. And the share has not risen above 25% in more than a year.

Reluctant to Gamble

As recently as 1988, when interest rates were much higher, adjustables made up nearly 60% of the market.

In those days, with home prices rising, many homebuyers were drawn to adjustables because they knew they could sell their homes at a profit before the rate moved up. But that is no longer true, lenders say.

"I think the world is still conservative," said Mark Lynch head of retail originations with Centerbanc Mortgage Co. in Waterbury, Conn. "People learned the lessons of the '80s and are reluctant to gamble." □

Sadly for you, politicians in D.C. agree on one thing.

People who've made careers out of being contrary are declaring that the government's relationship with the secondary mortgage market is going to change drastically. They all know about HUD plans to toughen enforcement, new pressures on Fannie and Freddie, and the revival of Ginnie Mae as a major player. And if you want more evidence, look to Capitol Hill, where Congress is toying with mortgage bankers subject to the same regs as commercial banks.

How to react? You could wax nostalgic—and get clobbered by the government and your competitors. Or you could read *The Mortgage Marketplace.*

Every Monday, in less time than it takes to finish your morning coffee, *The Mortgage Marketplace* tells you about the new rules and ideas that could keep haul your secondary operations. It names the biggest mortgage company participants in Ginnie, Fannie and Freddie issues. And it scans the horizon to determine what types of loans, and borrowers, that now are considered exotic could soon enter the pipeline of conforming loans.

There's no debate—new regs are coming. What's still at issue is whether you'll be ready for them.

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Insurance Start-Up Aims to Capture Share with Low Costs

By JAMES H. SAFT

As Stuart Braman sees it, field representatives of mortgage insurance companies spend too much time in frivolous attempts to win business.

"A lot of them show up in the morning with doughnuts so that mortgage agents remember them," said Mr. Brafman, president of Amerin Guaranty Corp.

Amerin, a start-up operation in Chicago, fields no representatives at all. As a result of the costs savings, Amerin can then offer less expensive insurance.

Leaders Signing Up

The idea seems to be catching on. Mr. Brafman says eight lenders are scheduled to start using the product in the next few weeks, joining Norwest Mortgage, which began offering Amerin insurance in April.

Forty-five other lenders are seeking Amerin's approval to offer the product, he said.

Amerin, headquartered in Chicago, operates on the premise that it can capture a portion of the market by delegating underwriting authority to mortgage lenders.

Its insurance is "lender-paid," meaning the lender pays for mortgage insurance and passes the cost along to the homeowner through a higher mortgage rate.

Independent Underwriting

Mortgage lenders, using underwriting guidelines approved by Amerin, will make underwriting decisions independently.

Mr. Brafman says that the economies engendered by not having a corps of field agents, as well as a streamlined processing and payment process, will allow Amerin to undercut its competition's premiums by roughly 15% to 20%.

Lenders, of course, will have a choice. They can use this as a source of income or, if they want to go after market share, can pass the savings along to the consumer. From the consumers' standpoint, since the insurance is added to the interest rate, it will represent a tax benefit.

A Key to Success

Lender-paid insurance also offers consumers the advantage of lowering the out-of-pocket expense, a point especially important to first-time homebuyers.

Crucial to Amerin's success will be its ability to identify and do business with mortgage lenders, which will turn around higher-than-average quality insurance candidates.

Amerin Guaranty Corp. of Chicago fields no representatives. One analyst thinks it will force the industry to examine its margins.

Amerin is "seeking out lenders with low default rates which do national business and generate volume of good-quality business," according to Mr. Brafman.

Amerin offers its customers two basic types of working agreements.

Under one, mortgage lenders will be be charged under a fixed schedule of rates. The other program will have a lower starting point in premiums, but the lender's loss experience will be examined after four years. Depending on the results, premiums may fall or rise.

Though all agree that it is too early to judge Amerin's success, James Schmidbauer, a mortgage insurance analyst at Moody's, thinks that, at the least, Amerin will force the industry to examine its margins and the way it reaches the customer. □

National City's Portfolio Soars

National City Mortgage Co., Miamisburg, Ohio, is growing rapidly in both originations and servicing, says Dale A. Branham, the company's new chief financial officer.

The unit of National City Corp. produced $2.1 billion of mortgages in the first half of 1993, more than double the volume of a year earlier, Mr. Branham said in an interview.

The company, which services $10.7 billion of loans, plans to expand its servicing to as much as $20 billion by the end of 1996, he said.

Mr. Branham recently was promoted from vice president and controller of the company, which as 25 offices in 11 states.

In his new post, he will be responsible for mergers and acquisitions, compliance, corporate accounting, administrative support, and human resources.

Mr. Branham replaces John W. Mann II, who left to become executive vice president and chief financial officer of Keycorp Mortgage Inc., Albany, N.Y.

— James H. Saft

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TEL REV BDS
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Sale Date: 08/24/83 — *Dated Date: 09/01/83*

Cusip	Coupon	Maturity	Redeemed Amount	Type	Date	Price
033267B53	10.250	09/01/99	$1,050,000	Prerefunded	09/01/93	102.00
033267J7	9.700	09/01/94	$260,000	Prerefunded	09/01/93	102.00
033267J64	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
033267J1.2	9.700	09/01/96	$315,000	Prerefunded	09/01/93	102.00
033267J80	10.100	09/01/97	$740,000	Prerefunded	09/01/93	102.00

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Change in Trust Conversion Law Still Hanging Fire on Capitol Hill

By KAREN TALLEY

Banks will have to wait at least a while longer for a federal law that could boost their mutual fund assets by billions.

The proposed legislation would allow the conversion of common trust funds into mutual funds without exposing trust customers to a big tax bite.

As the law now stands, common trust customers would have to pay taxes on any gains in their portfolios at the time of conversions into mutual funds. The pending measure would change the law so that customers would be taxed only when they sold, at a gain, shares in a mutual fund formed from a trust.



Kathy Anderson
Says Clinton isn't opposed

Common Trust Funds Targeted

The measure targets common trust funds, like those set up for estates and minors.

Some 473 financial institutions oversee 1,770 common trust funds with $136.7 billion in assets, according to the Federal Financial Institutions Examination Council.

James McLaughlin, director for trusts and securities at the American Bankers Association, said that perhaps a third of these funds would convert to mutual funds if the law were passed. But others think the conversion rate could be much higher.

Victim of Circumstances

The measure has drawn little or no opposition since first proposed in 1991 but has repeatedly fallen victim to circumstances.

It was included in a tax plan President Bush twice vetoed for other reasons last year. This year, the measure was part of HR 13, a tax simplification bill introduced in January by Rep. Dan Rostenkowski, D-Ill., chairman of the House Ways and Means Committee.

Could Ride on Tax Bill

But Congress shelved that initiative while working on President Clinton's economic package. The way things stand now, banks and other supporters of the measure probably will have to wait until next year.

"My guess is Congress won't be able to tackle that this year," said Pat Jones, a spokesman for Rep. Rostenkowski.

Some supporters hold out hope for the measure to be attached to a miscellaneous tax bill that Congress may consider before breaking for the year.

This could allow time for a modification sought by smaller banks. They want the proposal broadened to allow common trust conversions into one or more mutual funds; the current bill limits them to one fund.

Customers would be taxed only when they sold fund shares at a gain.

More Choices for Customers

But Mr. Jones isn't optimistic the measure will pass in any form before yearend because Congress will be "consumed" by matters like health care reform and the North American Free Trade Agreement once it returns from summer recess.

Still, many believe it's just a matter of time. The current administration does not oppose conversion, said Kathy Anderson, product manager for the services for mutual funds at KPMG Peat Marwick. "They just have to get it into a less controversial bill."

Bank trade groups say the bill would benefit trust customers by giving them additional investment choices and will help banks hold onto customers who are asking for mutual funds.

Big banks appear to be the biggest beneficiaries, earmarking the assets for mutual funds they already manage. Many of these were started by converting employee benefit, IRA, and 401(k) accounts, which are not subject to immediate tax consequences.

Banks Must Tread Softly

Other banks could use the assets as seed money to help launch their own funds, or to arrange a private label agreement with an outside fund company.

But banks have to tread softly to avoid trampling on their fiduciary duty to customers.

Banks will need customers' permission to convert the accounts and must also make sure that customers know the funds are managed by the bank.

"Banks have to be very careful about this," said Lee Cross, a spokeswoman for the Office of the Comptroller of the Currency. "There's a real potential for customers who don't feel banks have been acting in their best interest to sue them."

OCC Permission Unnecessary

Banks apparently would not need Comptroller's office permission for the conversion.

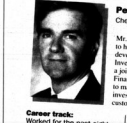
First Chicago Corp. is among the banks planning to go the conversion route while keeping their responsibilities to customers in mind, said Michael Traba, vice president for mutual funds.

First Chicago expects the measure to pass, and has already filed with the Securities and Exchange Commission to convert its 16 common trust funds into bank-managed mutual funds.

Other banks will seriously consider diving in if the proposal becomes law.

"We would absolutely take a very hard look," said Judy Rudnick, product manager for the Harris Insight funds offered by Chicago's Harris Bankcorp. □

DOSSIER/ by MICHAEL O'D. MOORE



Peter M.Wall
Chemical Investment Services

Mr. Wall was recruited last month to head investment research and development at Chemical Investment Services. The company, a joint venture with Liberty Financial Services, has been formed to market mutual funds and other investment products to Chemical customers.

Career track: Worked for the past eight years at Citibank in both credit and investment services. Four years working on strategic planning and financial analysis at Sony Corporation of America.

Vital statistics:
Age: 40

Education: BA, business administration, Rutgers College
MBA, finance, Fordham University

Family: Wife, Patricia, and son Christopher, 6

Home: Huntington, N.Y.

Hobbies: Scuba diving, sailing, reading, and home repair

Recent dives: Two miles off Brooklyn, explored a turn-of-the-century merchant wreck in about 60 feet of water. Visibility was poor because other divers were kicking up silt – not, Mr. Wall hastened to add, because of Brooklyn's water quality.

Current reading: "The World Turned Upside Down" by Christopher Hill and a book on mortgage-backed securities

Chemical Investment Subsidiary Hires a Marketer from Citibank

By MICHAEL O'D. MOORE

Chemical Investment Inc. has hired Peter M. Wall away from Citibank to direct the selection of investments products.

The joint venture between Chemical Bank and Boston-based Liberty Financial Services is starting from square one in developing a list of products.

Mr. Wall, formerly in charge of packaged product research with Citicorp Investment Services, will screen thousands of products before settling on the lineup.

Criteria Must Be Met

"The sole basis for the funds making the preferred product list will be the criteria I and my marketing group set forth," he said.

The first task is to select the mutual fund offerings, said Mr. Wall, who started working on July 14.

The preferred fund families will be selected using 18 to 20 product categories and analyzing for total return, volatility, financial stability, overall risk and other factors. There will be more than three or four families selected, he said.

A product Mr. Wall is developing is an asset-allocation account to diversify customer portfolios.

For asset allocation, Mr. Wall wants to focus on a "buy" and "hold" strategy, not on an aggressive market-timing approach.

"It's a long-term investment strategy," he said. □

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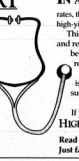

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The Upside and Downside of Selling Mutual Funds

As mutual funds become a bigger part of banks' retail strategies, they are attracting attention from policymakers.

The following article on that trend – written by Michelle A. Clark, an economist at the Federal Reserve Bank of St. Louis – appeared in the summer edition of the Central Banker, *the bank's quarterly newsletter.*

A more detailed analysis will be published in the October issue of the bank's Regional Economist.

Every banking industry trade group seems to be organizing conferences and running stories on mutual funds in its trade publications these days.

Why all the interest? A number of bankers and industry analysts view the provision of mutual funds as a way to stem the flow of deposits – and more important, customers – out of banks and into brokerage and investment houses in this low-interest-rate environment.

Comment

In addition, banks can earn nominal fees by selling third-party mutual funds or more substantial income by offering their own funds.

12% of Outstanding Shares

Although hard numbers on the extent of banks' involvement in the mutual fund business are lacking, a number of estimates exist.

Exercise caution in selling to novice investors.

A recent study by the Investment Company Institute, the mutual fund industry's trade group, found that banks accounted for about one-third of new sales of money market mutual funds and about 14% of new sales of bond and equity funds in the first half of 1993.

That was enough to push banks' share of the business to $175.5 billion, or 12% of the $1.5 trillion in mutual fund shares outstanding in mid-1992. Since then, banks' share of a growing market has probably risen even further.

While mutual funds sales look like a win-win situation from the banking industry's perspective, some observers aren't so sure. Their major concern is that customers may mistakenly believe their investments are FDIC-insured, like deposits.

Guidelines from Regulators

To ensure that customers aren't confused, the regulatory agencies have begun advising banks to produce clear disclosures and to be sure that deposit and investment activities are physically separate.

It's not just regulators who are concerned. Congressional leaders have asked the General Accounting Office to conduct a study on the adequacy of banks' mutual fund disclosures and regulatory supervision, and have urged the Securities and Exchange Commission and the National Association of Securities Dealers to take a closer look at banks' sales practices.

First-time investors are of special interest. The ICI has estimated that 10% of households that own mutual funds began purchasing them in January 1991 or later. No one knows what proportion of those funds was bought through banks, but some believe it is substantial.

Market Fluctuations

The first-timers may not fully understand the risks associated with investments in equity and bond funds.

If the stock market turns down, equity funds will go down in value and if interest rates go up, bond funds will – and equity funds could – decline in value.

Credit risk is also a factor with bond funds, whose market value declines if the credit ratings of bonds in the portfolio are downgraded.

The Backlash Factor

Bank customers accustomed to fixed CD yields could be in for a rude shock if the value of their mutual fund investments – their principal – goes down.

And the more closely associated banks are to mutual funds, especially though a private-label or proprietary relationship, the more likely they are to suffer customer backlash if market prices take a big plunge.

Because the value of a bank's franchise is largely related to its reputation for safety and soundness, it's in banks' interest to exercise caution in selling mutual funds to novice investors.

The bottom line: Banks' entry into the mutual fund business – like any new business – presents risks as well as rewards. □



Michelle A. Clark
St. Louis Fed economist

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False Fears Cripple Collection Efforts, Expert Says

By MICKEY MEECE

William R. Mapother has made it his business to stem the tide of bankruptcies that has been a major concern of credit card bankers and other consumer lenders in recent years.

The Louisville, Ky.-based attorney, president of the Mapother & Mapother law firm, has made a big business out of representing creditors and gives frequent speeches on how to mitigate losses.

In 1979, he opened the Creditors Law Center as a clearing house on bankruptcy information. Mr. Mapother also writes a monthly newsletter and has written a number of books about bankruptcy, fraud, and collections.

In an interview with American Banker *reporter Mickey Meece, he focused on cardholder bankruptcies.*

Q: Why have you specialized in bankruptcies?

MAPOTHER: I have developed a niche for myself in consumer bankruptcy consulting because my consulting and my training seminars save bankers so much money.

The reason they save them so much money is because the bankers are not doing what they need to do to cut their losses.

The fact is they are unaware of what their rights are, and therefore they fail to take advantage of the rights they have.

Q: How can bankers cut their losses?

MAPOTHER: One of the things I promote is trying to encourage your good credit card customers to voluntarily repay in spite of their filing [for bankruptcy protection]. It's a marketing strategy that I use. I've got letters that I have drafted for banks to send to their good customers.

A lot of banks are not doing this, usually because they think that legally they cannot do it, or they think it will not work.

Q: And what have you found?

MAPOTHER: If it's done correctly, it is legal – and the recovery is unreal. I have one bank in this country that is recovering over $100,000 a month on Chapter 7 bankrupts – strictly credit card accounts – by using my four letters.

Q.: So what does this say about consumers – that they are earnest about paying back their debts?

MAPOTHER: What it says about the consumer is:

A) Bankrupts do not change their lifestyle by filing bankruptcy. They still want credit.

B) Credit is difficult to obtain if you have filed bankruptcy, and therefore

C) If you offer future credit to your customer if they repay you, they will repay.

Those three things are the key to my marketing strategy.

Q: Are these letters legal?

MAPOTHER: I've got two court decisions now specifically upholding these letters. One is a circuit court decision, one of them is a very recent bankruptcy decision.

Q: What is the rule of law they are concerned with?

MAPOTHER: The rule of law is called the automatic stay.

When someone files bankruptcy, the creditors are enjoined from trying to collect their debts. So some lawyers say: If you write a letter to the customer saying, "Pay me my debt and I will give you future credit," that's trying to collect – and that's prohibited. That's what they're concerned about.

Banks don't know their own rights, lawyer William Mapother says.

My answer is that my letters are mild letters, not offensive.

Q.: How else can bankers cut their losses?

MAPOTHER: Another thing I talk about is how to offset credit card debt with a checking or savings account. That means the debtor owes on a credit card, he defaults, and the bank takes the money out of the checking or savings account and applies it to the debt.

Basically, that has been ruled illegal by Congress in the Truth-in-Lending laws. There is a way to get around that prohibition. and I teach them how to do it. There is a way of putting a provision in your credit card agreement to avoid the prohibition.

Another thing that I talk about is how to win lawsuits economically. Banks are being defrauded on their credit card accounts, and they are failing to seek to recover. And the reason they are failing to fight back is because of the legal expense.

I have had an ongoing battle with the Visa bankruptcy-reduction program. The program in theory is fine, but in practice it is not working.

It's not working because it is structured in such a way as to be too costly to banks, and therefore banks are reluctant to fight back except in the most egregious cases. By egregious I mean outrageous fraud, usually involving amounts in four or five figures.

I want banks to fight back on $3,000 to $5,000 losses. In the Visa program, the legal fees are so much that banks are reluctant.



Q.: How does the Visa program work?

MAPOTHER: Visa has selected one or more law firms in each state on recommendations from banks. The problem is that these law firms know how to fight fraud, but they do not know how to fight it economically.

I am involved in a case where a law firm in New England has already charged a lot more than the balance on the account. The bank might as well charge the account off. And that's exactly what's happening, and that's why the system is not working.

A creditor gets burned like that once or twice, and you know what happens? Some senior vice president says: Stop fighting fraud.

The answer is obvious – learn to fight it economically.

My rule of thumb is a bank cannot afford to spend in legal fees more than 40% to 50% of the balance – if they have a good likelihood of winning.

Obviously, if there's little chance of winning they're not going to spend 50 cents.

This is common sense to me. The problem with these Visa lawyers is they know how to handle large bank litigation, but they don't know how to handle consumer fraud.

Q.: What's to stop a bank from finding its own lawyers?

MAPOTHER: That's one of the things that I talk to them about. They can find their own attorney.

We're not talking about fighting fraud in your hometown. That's not the problem. The problem is when you have a one-time case in Albuquerque. And that is where the Visa program was designed to help. But the chosen firms are typically not right.

There's work involved in finding the right lawyer. In Louisville, for example, we probably have 1,000 lawyers. There are probably 10 that are good that are fighting fraud, and maybe half of those will work to fight it economically.

You can't just tell a law firm "Do your thing." You can't do that in a $3,000 fraud case.

Q.: What are the bankers' concerns. about credit card fraud? Will they be changing over the next 10 years?

MAPOTHER: What's happened in this country in the past two decades has been a great shift in consumer lending from small loans to credit cards.

In the past, if you needed to buy a refrigerator, you went into a bank or finance company for a loan of $1,000 or $1,500. Today we don't have loans like that. You charge it on a credit card. The consumers are still getting the credit, but we have this enormous credit card debt that we didn't have 20 years ago.

Credit cards are very profitable, but they also bring a lot of losses. My job is to teach people how to cut their losses.

Q.: If these ideas are based on common sense, why aren't more people using them?

MAPOTHER: They [bankers] don't see themselves as needing any help. We're all that way. We frequently don't react to things unless there's a crisis.

The second problem is they think there's nothing else that can be done. That attitude is frequently reinforced by lawyers. The lawyers are not aware of all the things that can be done. □

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Nabanco to Process Macy's Point of Sale Transactions

By JEFFREY KUTLER

Merchants

Nabanco has snared another sizable merchant processing contract.

Only weeks after closing the deal to process MasterCard and Visa transactions for Sears, Roebuck and Co., Nabanco said it has signed Macy's, the flagship division of R.H. Macy & Co.

Macy's was the last of the New York-based retailer's divisions not to be using Nabanco for point of sale processing support.

"Nabanco previously processed transactions for the Bullock's and I. Magnin divisions," said Patrick H. Thomas, chairman, president, and chief executive officer of Nabanco's parent, First Financial Management Corp. of Atlanta.

$1 Billion in Volume

"With this multiyear agreement, Nabanco will provide point of sale processing for all Macy's divisions, a contract covering an estimated $1 billion in credit card sales volume," Mr. Thomas said.

R.H. Macy & Co. did $6.4 billion in total sales last year. The company operates 110 Macy's and Bullock's stores, 13 I. Magnin stores, 15 Macy's Closeout outlets, and 72 Aero Postale stores.

Macy has been restructuring after running up a heavy debt load in the 1980s. Like most major retailers trying to boost sales, it gradually came around to accepting American Express cards, and later bank credit cards, in addition to its long-standing proprietary card.

As part of the restructuring, Macy sold its in-house credit card receivables in 1991, then totaling $1.8 billion, to General Electric Co.'s GE Capital unit.

The anticipated $1 billion in Macy credit card sales brings Nabanco's new-contract volume this year to $9 billion, the bulk of it coming from the 1,800 Sears stores and affiliates that began accepting MasterCard and Visa this month.

Nabanco, based in Fort Lauderdale, Fla., is apparently widening the gap over its closest rival, National City Processing Co., a subsidiary of National City Corp. of Cleveland. According to *The Nilson Report*, Nabanco led its industry by handling about $36 billion in merchant credit card sales last year, $2 billion more than Louisville-based National City Processing.

Nabanco has been selling its ability to customize and to combine with other First Financial Management units – including Microbilt, and TeleCheck – to provide value-added point of sale services to merchants.

Rival Wins One

National City Processing did come out a winner in another retailer's credit card decision.

Kaufmann's, a Pittsburgh division of St. Louis-based May Department Stores Co., began accepting MasterCard, Visa, and Discover cards on Monday. National City will provide authorization and settlement services.

Kaufmann's 40 stores previously had been taking only a proprietary card. May, whose other subsidiaries include Filene's, Lord & Taylor, and Robinson's, maintains an aggressive in-house credit program. *The Nilson Report* ranks May third among retailers, behind Sears and J.C. Penney Co., with $2.4 billion in receivables. □

The anticipated $1 billion in Macy credit card sales brings Nabanco's new-contract volume this year to $9 billion, the bulk of it coming from 1,800 Sears stores and affiliates.

Now all of R.H. Macy's divisions will use Nabanco.

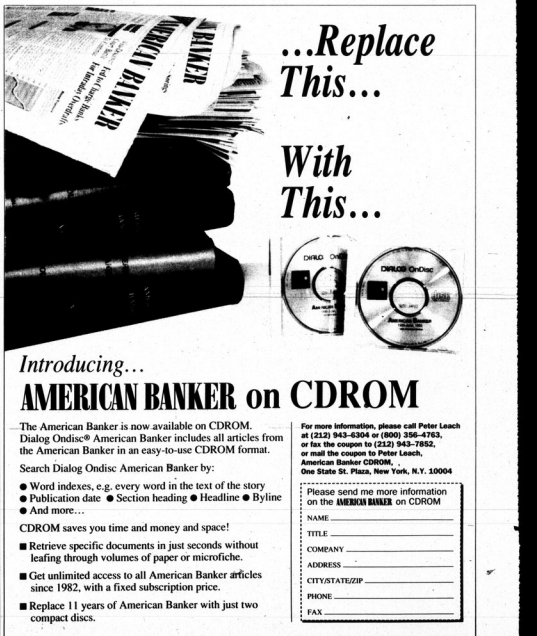
American Express Unit Hires an IDS Executive

MINNEAPOLIS — David R. Hubers, senior vice president of finance and chief financial officer at IDS Financial Services, has been named president and chief executive of the American Express Co. affiliate.

The appointment is effective Aug. 1. Mr. Hubers succeeds Jeffrey E. Stiefler, who, as previously announced, becomes president and a director of American Express on Aug. 1.

Mr. Hubers, 50, has been with IDS for 28 years. He will remain in Minneapolis and report to Mr. Stiefler.

Mr. Stiefler will be joining the office of the chairman at American Express in New York. The company's chairman and chief executive, Harvey Golub, formerly headed IDS. □



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Comment

By Bruce W. Margon

Customer Relationships Represent Invested Capital

Do we have a new Tower of Babel?

Bankers' "acquisition premiums" are "franchise values" to Wall Street.

To accountants and regulators, they are "intangibles" that appear or disappear according to accounting convention.

To Sanford Rose in one of his "Random Thoughts" columns, they are "customer relationships," with no mention of "intangibles." ("Customer relationships" seemingly suggests more respectability than "intangibles.")

All of these terms, which refer to the same underlying business reality, bring to mind the story of the blind men attempting to describe an elephant.

Image Problem

The earliest valuation studies of bank customer relationships actually adopted the term "customer deposit relationships."

As these valuations were mostly to support tax positions, accountants ultimately prevailed with their own "intangibles" terminology.

Relationship valuations thus seemed to represent accounting and tax "gimmickry" – a perception reinforced by Federal Home Loan Bank Board "smoke and mirrors" accounting.

The accounting and tax applications actually are of only secondary importance. Yet bankers regard precisely the same economic phenomena to be of enormous significance in the guise of "customer relationships" and "relationship banking."

We do seem to have some misunderstanding.

A Crucial Observation

Mr. Rose's main point – that the significance of customers and customer relationships lies in their value characteristics – is enormously important.

Much of the value of a banking enterprise is in relationships. Understanding and measuring those values are therefore fundamental to planning and decision-making. Managing those values addresses the "what" and "for whom" dimensions of economic activity, much as business process engineering addresses the "how "dimension.

It is high time we bring relationship values out of the "intangibles" closet.

Costly Indifference

Valuing banking relationships for tax purposes dates back to the 1970s.

Mr. Morgan is vice chairman of Ferguson & Co., a bank and thrift consulting firm. He is based in Washington.

The tax authorities require valuation reports, but those reports are normally proprietary and often merely "opinion letters." Bankers often seem unaware even of their existence.

Whatever their purpose, analyses of customer relationship values must rely on the same conceptual foundations. Yet bankers commonly dismiss intangibles valuations as an arcane and irrelevant specialty of tax professionals and a handful of valuation consultants.

Banker indifference detracts from the banking context of these valuations while depriving bankers themselves of an important resource for management decisions.

'Franchise Value'

Valuation consulting also tends to be isolated from investment banking and securities analysis. Generally accepted accounting principles, which exclude most intangibles, constrain most financial analysis.

Investment bankers nevertheless must address the market reality of significant premiums that are common in acquisitions of service enterprises.

"Franchise value" is their recognition that premiums represent earnings beyond those attributable to reported assets and capital. It thus represents what valuation consultants measure more precisely as intangibles.

Basic Considerations

A comprehensive values-based decision framework represents a synthesis of several ideas, including some familiar business fundamentals:

• To attract and retain capital essential to long-term survival, the paramount objective of a corporate enterprise must be to maximize shareholder value.

• That objective requires management decision criteria and performance measures that relate directly to shareholder value. Traditional capital budgeting criteria for plant and equipment investment – formulating those decisions in terms of present values of future cash flows – reflect this requirement.

• Any decision affecting future cash flows is an investment decision. Because most management decisions, including those involving customer relationships, are investment decisions, they require application of capital budgeting principles.

• The value of an enterprise always tends toward the net market value of its tangible and intangible assets and liabilities, including customer relationships. Share prices significantly higher than this "true net worth" are a signal to acquire more assets. A converse pattern indicates that new management or asset divestitures would increase shareholder value.

• The net asset value of the enterprise and its dividend value as a going concern must similarly converge. Both represent discounted (present) values of future cash flows. They differ in that the latter includes both the outlays on replacing and perhaps expanding assets and the cash inflows that result from those outlays.

• Concepts and methods for valuing customer relationships have been available for some time. There remains the adoption of familiar statistical techniques to identify the relationships between decision alternatives and relationship value contributions.

• Finally, analyses of customer relationship values require customer information files with levels of sophistication and detail that have become available only in very recent years.

Misleading Yardstick

We are accustomed to enterprise valuations based on ratios of share or acquisition prices to earnings and capital as measured by generally accepted accounting principles.

In services such as banking these measures are particularly misleading, as they record investment in customer relationships as current expense, excluding from recorded assets the capital thus developed.

Corresponding distortions in value conclusions drawn from those measures are unavoidable. They are merely crude approximations, necessitated by deficient measurement standards.

BY DISMISSING *intangibles valuations as arcane and irrelevant, bankers deprive themselves of an important resource for management decisions.*

MUCH OF THE *value of a banking enterprise is in relationships. It is high time we bring relationship values out of the "intangibles" closet.*



The consequent short-term distortions to share prices are a poor basis for longer-term investment and management decisions.

Nevertheless, earnings eventually converge with cash flows and dividend capacity, and thus with the underlying net asset values.

Basing decisions on relationship value concepts and value contribution analysis is only an incipient trend at the present time. Its compelling logic nevertheless suggests growing momentum as competition intensifies.

Without a value-contribution approach to customer relationships, "relationship banking" is mostly a slogan with little substance.

Abandonment of conventional reliance on profit criteria and corresponding performance measures is an essential first step.

THE VALUE *of a bank is greatly distorted when investments in customer relationships are recorded as current expenses.*

Whatever the attributes of generally accepted accounting principles that recommend their use for public financial reporting, they are misleading and potentially pernicious for internal use.

Commenting on the insidious effects, Mr. Rose observed that while 40% to 60% of bank customers are typically unprofitable on the basis of generally accepted accounting principles, and that 70% may represent negative value on a present-value basis.

Thus, seemingly "profitable" customers and services may be eroding shareholder value.

The focus on customers is important. Even value-contribution analysis falls short if applied only to services.

Looking More Deeply

The reality is actually more complicated than this observation suggests:

• Many "unprofitable" customers actually contribute value to the enterprise. Initial losses may simply be part of the investment in developing valuable customer relationships. This pattern is common for credit cards and trust services, for example.

Moreover, because of uncertainties, some relationships with

See next page

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Comment

By Bruce W. Margon

Customer Relationships: 'Intangible' but Valuable

Continued from page 14

negative value contributions are unavoidable byproducts of developing relationship values.

• Many "profitable" customers represent negative value contributions. Customers, and particularly those that fail to develop significant balances, are often in this category. The volume of business generated may simply be insufficient to recover prior investment in developing it.

A further complication is that many individual customer relationships require services that contribute value, such as deposits, as well as services that often do not.

Many loans, for example, contribute value to the enterprise only indirectly – by attracting and retaining customers for other services, which contribute value directly.

Yet those same types of loans, perhaps priced differently, may be direct value contributors for other customers.

MANY *"unprofitable" customers actually contribute value. Initial losses may simply be part of the investment in developing valuable customer relationships.*

For the most part, banks have scarcely scratched the surface of adapting prices, service offerings, and promotional practices to different customer characteristics.

A "value engineering" decision framework would involve market research and analysis directed to developing more focused approaches to the marketplace.

More effective and creative use of available customer information makes it possible to increase the value of current customer relationships, both by selling more value-contributing services and by increasing the duration of relationships. It also provides guidance in developing programs to attract new customers.

Moreover, for identical reasons, the value criteria that should guide product, pricing, and marketing decisions should also be the bases for assessing entries into new markets – whether de novo or by acquisition – and for assessing and restructuring current programs and activities.

In the Meantime

Few banking organizations are likely to seriously consider wholesale adoption of a values-based decision framework, irrespective of the perverse consequences of the alternatives.

With the recent recovery in bank earnings, there may be little apparent urgency for any substantial change.

Therefore, if only for illustration, here are a few more modest applications of value principles:

In mergers, acquisitions, and divestitures. The premium values exchanged in bank mergers and acquisitions consist predominantly of customer relationships. Nevertheless, acquisition analyses and purchase investigations ("due diligence") rarely consider these values directly. A low-quality depositor base may cause more problems in the long run than deficiencies in a loan portfolio.

Disclosing intangible asset values in annual reports. Whatever the skepticism about the usefulness of information reportable under financial accounting standard 107, an important early step in rationalizing decisions is to develop an understanding of the value characteristics of customer relationships.

In performance assessment of business units and branches. The values suggested by earnings and cash flows should be commensurate with the values of the underlying assets, including particularly the customer relationships. Those values should also be consistent with the value potential of the marketplace.

In identification of customer values. A first step in reformulating product, pricing, and other decisions and strategies is to distinguish between customers who contribute value to the enterprise and those who do not, thus identifying their respective characteristics.

A modest second step is to reprice services or alter service offerings so as to induce customers in the latter group to contribute value or to terminate their relationships.

Banks, like other corporate enterprises, face an investment community that is increasingly cynical about reported financial performance, commitments to building shareholder values, and management ability to follow through on those commitments.

American enterprise must reverse this if it is to realign itself with modern technologies and international market realities. New information technologies already are undermining much of the traditional business of banking. □

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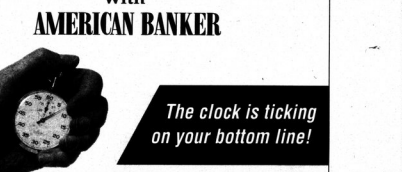

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Chinese Talk Of Emulating Federal Reserve

Reuters

HONG KONG — China is considering modeling its central banking system on the U.S. Federal Reserve, with reform focusing on the troubled financial sector for the rest of the century, said Zhu Xiaohua, a vice governor of the People's Bank of China.

He said Beijing aimed to limit inflation but could not eliminate it and still achieve high growth.

Mr. Zhu, who was recently recruited to the central bank by Vice Premier Zhu Rongji, was speaking at a closed-door seminar in Hong Kong. A transcript of his speech was published in the Chinese-language *Hong Kong Economic Times*.

"Reform of the financial system will become the core of China's restructuring in the last years of the century," Mr. Zhu told those attending the seminar at Hong Kong Polytechnic.

Austerity Drive

Vice Premier Zhu, who recently took control the central bank governorship, launched an austerity drive earlier this year to cool economic overheating that has brought roaring inflation and chaos in the banking system.

Mr. Zhu, the vice governor, said he was speaking personally, but his remarks indicate that Beijing believes the long-term solution lies not in central directives but in the reform of a financial system that has fallen far behind the fast-developing economy.

He listed a number areas for improving the central banking system. These included "setting up a comparatively independent system for implementing monetary policy to avoid administrative interference."

"If a monetary reform committee is set up, it could use the Open Market Committee of the U.S. Federal Reserve as a model," he said.

Under the U.S. system, governors of 12 regional Federal Reserve Banks meet in the Open Market Committee to decide monetary policy.

The vice governor said China could be divided into several economic zones, but did not specify a number.

People's Bank of China governors from each zone would sit on the committee to direct regional differences on economic policy, Mr. Zhu added.

Beijing faces major problems in forcing numerous provincial authorities to follow central government orders to calm economic development.

Mr. Zhu indicated that dealing with only a limited number of regional central bank governors would strengthen the central bank's financial control over the economy. The vice governor also said China should introduce an interest-rate setting system similar to those in developed nations.

Commercial banks should adapt to the demands of international competition by meeting, in three to five years, basic capital adequacy ratios laid down by the Bank for International Settlements, he added. □

FDIC to Reduce Swollen New Staff

Continued from page 1

Washington staffers, but in mid-1991 the FDIC added the seven-story, 350,000-square-foot Seidman Center at a cost of $129 million.

No Pirn Numbers

FDIC officials said in interviews that they do not know exactly how much the agency needs to be trimmed.

"FDIC today does not have specific targets," said Carmen J. Sullivan, who as the FDIC's director of information resources management is involved in managing the downsizing. "Projecting what your total organizational staffing is going to be cannot be done with much certainty between a year and 18 months out."

The FDIC is working up staffsize estimates on a division-by-division basis. The liquidation division, which will be hardest hit, is due to deliver its reduction estimates this month.

As the FDIC took over more assets from failed banks, the liquidation division mushroomed from 779 people in 1982 to about 6,600 people, or 44% of all FDIC employees.

Largely Contract Workers

Of that total, about 5,250 are contract employees, and 1,000 of these temporary staffers will be let go by yearend, said liquidation director John Bovenzi. Three of liquidation's 22 field offices already have been closed this year.

"The serious downsizing is just starting now for the division," he said. "The decline is clearly going to continue through '94; there will be more office closings and a decline in number of employees. We haven't worked out the specifics."

Not only does the FDIC have too many people, but nearly 1,700 employees at the Resolution Trust Corp. will be transferring to the FDIC, many of them liquidators. The two agencies agreed in February 1992 that the 2,400 people working at the RTC at that time had the right to a job at FDIC when the thrift-bailout agency closes in 1996. So far, 667 RTC staffers have made the jump to the FDIC.

The resolutions division, the agency's newest, will also feel the ax. The division has bulged from 105 in 1991 to 350 today, and there just is not enough work for everyone. By the end of 1994, the resolutions division aims to employ 320 people, but more than 30 people will have to go because room must be made for returning RTC staffers.

The agency has too many lawyers as well. Today, lawyers in their support staff total 2,077; that's up from 105 in 1982. But general counsel Alfred Byrne said he does not expect any cutbacks because his division is doing more work in-house, relying less on private law firms.

At the end of 1990, the FDIC did just 39% of its legal work inhouse. By this May, that figure was up to 58%, Mr. Byrne said.

As major RTC decisions emerge, support areas within the agency will have to cut back as well. For example, Ms. Sullivan's division has 370 workers to provide computer and other support services to a staff of 15,000.

"If that work force were reduced by a third, then do I need 370 employees?" she said. Later in the interview, when asked if she thought the FDIC might indeed be reduced by a third, Ms. Sullivan said, "I just pulled that out of the air."

But a third may not be that far off.

If the early retirement program covers 1,100 people and the liquidation division sheds most of its temporary employees, that's more than a third of the staff.

The division of supervision, home to 1,996 employees, is expected to shrink much, because the RTC will retain responsibility for its banks once a year.

Examination Overkill?

But some people think the FDIC has too many examiners as well.

Kenneth A. Guenther, executive vice president of the Independent Bankers Association of America, said the FDIC is needlessly tying up small banks by sending in eight examiners for three weeks.

"They are parking excess employees in banks via the examination function," he said.

Paul G. Fritts, the FDIC's executive director, denied the parking charge but agreed that banks often get extra examiners because some of them are being trained.

OTS Will Continue to Cut Jobs As Its Personnel Needs Decline

WASHINGTON — Thrift regulators have been downsizing their work force for several years, reflecting the decrease in the number of savings and loans.

The Office of Thrift Supervision employs 2,162 people, down from 3,400 in 1989. The target staff size is 2,119, according to William R. Casey, deputy assistant director for resources management at the OTS.

But while the OTS is just 43 people away from that goal, Mr. Casey said many more staffers will have to leave because the OTS has more people than it needs.

Using Early Retirement to Cut Banks

"Even if we got to 2,119 tomorrow, we would still have to cut Washington staff to get rid of unnecessary positions," he said. "The more you shrink, the more you have a problem fitting the work that needs to be done with the skills that people have." The OTS is using early retirement to reduce its ranks. Under an early out, agency employees can retire at any age with 25 years of service or at age 50 with 20 years of service.

If the OTS's early retirement program does not cull the needed number of staffers, a reduction in force is expected. — Barbara A. Rehm

This announcement appears as a matter of record only.
JULY 9, 1993

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for

$71,000,000 Senior Notes and Warrants to Purchase 4,750,000 Common Shares at $0.01 per share

and thereby eliminated

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DEALS

Bankers Trust Will Manage Wickes Recap

By WILLIAM GOODWIN

Bankers Trust New York Corp. is managing a then-giant recapitalization of Wickes Lumber Co., one of the nation's biggest retailers of building materials.

In a regulatory filing on Monday, Wickes said Bankers Trust's securities subsidiary will lead public stock and note offerings, while BT Commercial Corp. is expected to lead a $135 million revolving credit.

Bankers Trust is a major Wickes shareholder through its investment in a 1988 leveraged buyout of the company.

Raising $42 Million

Wickes filed to offer $100 million of senior subordinated notes and 2.8 million common shares. The stock-and-note offering of stock is expected to raise about $42 million.

Proceeds from the offerings, along with $88 million of the new revolving credit, will be used to retire buyout debt.

Most of the debt consists of loans owed to Citicorp Electric Capital Corp. An existing term loan from GE is priced at two percentage points above the prime rate, and a revolver at 1.5 percentage points above prime.

Terms of the new revolver have not been completed, but pricing is expected to be set at 1.5 percentage points above prime or 3.25 points over the London interbank offered rate. The spread over Libor would fall to 2.5 points after the first year of the three-year credit.

Highlights for Monday, August 16

TOP 10 GAINERS ⅞

Boulevard Bancorp, Inc.	6.9
First United Corporation	6.1
First Colonial Bankshares	4.2
Hooper Holmes	4.0
First Commercial Corporation	3.9
First Commonwealth Financial	3.3
GBC Bancorp	3.1
Allied Bankshares, Inc.	2.9
Associated Banc-Corp.	2.9
Trans Financial Bancorp, Inc.	2.8

TOP 10 LOSERS ⅞

Omega Financial Corporation	-4.6
Society Corp.	-4.2
Community First Bankshares	-3.5
Farmers Capital Bank Corp.	-3.4
CCB Financial Corporation	-3.4
Pacific Capital Bancshares	-3.0
CVB Financial Corp.	-2.9
First Bell Bancorp, Inc.	-2.8
UB Financial Corp.	-2.8
Whitney Holding Corp.	-2.7

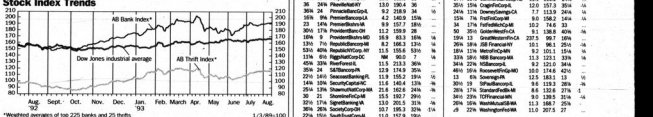
MOST SHARES TRADED

Chemical Banking Corp.	1143200
Citicorp	900900
PNC Bank Corp.	839500
Chase Manhattan Corporation	816300
NationsBank Corporation	753700

VOLUME AS ⅞ OF AVERAGE

Boulevard Bancorp, Inc.	1501.3
First Fidelity Bancorp	1007.0
United Carolina Bancshares	871.3
First Commonwealth Financial	594.2
First Colonial Bankshares	573.6

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

1/1/89=100

Percentage Changes

Computed from the previous reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.27	0.09	1.44	-0.78	0.51	3.02	0.39	0.80	1.98

Top 225 Banks

52 Wk.		Name	Pct	Mkt	Cha.	Chg.
Hi	Lo			to-to		
26¾	20	1stSource Corp.h	11.5	156.9	25	--
27¾	18¾	1stBancorp Fla.	12.6	127.0	2¾	--
17½	8½	Allied Bnkrs Ga	13.8	264.2	16½	--
35¾	29¾	AmSouth Bncp	11.6	145.3	3¾	--
36	27¼	AssociatedBanc-W	13.1	191.0	36	1
36¾	28¾	BB&T Financial	11.8	133.8	34	--
27¾	12	BOK Financial Ok	11.8	233.2	20½	--
33	21¾	BT Corp Pa	11.1	136.4	30½	--
12	6	BaltimoreBncp MD	14.5	122.3	11¾	--
30¾	23¾	BancFirst Corp Ok	13.1	124.8	29½	--
61	42¾	BancOne Corp Oh	14.1	234.8	57¾	--
53¾	40¾	BancorpHawaii Hi	9.2	136.8	42¼	--
49¾	27¾	BankAmerica Corp	12.2	1,140.5	37	--
54¾	41	BankBoston Corp Ch	9.5	130.6	49¾	--
30¾	26	BankNY Corp Inc	10.6	89.7	29¾	--
14¾	9¾	BankSouth Corp Ga	11.3	167.7	14¾	--
60	59	BankersTrust NY	10.2	173.8	59¾	--
19½	12¾	BanknorthGroup Vt	25.3	99.5	18¾	--
28¾	18¾	BarnettBanks Fl	11.8	118.6	24¾	--
61¾	39¾	BarnettWt Fl	10.8	133.5	53¾	--
50¾	34¾	BarnettBanksInc FL	10.1	175.0	46¾	--
52¾	28¾	BayBanks Ma	13.7	143.1	52¼	--
64¼	49¾	BeaverCountyBncp PA	11.8	104.7	62¼	--
23¾	13½	BoulevardBanc IL	31.9	180.9	23¾	--
30¼	24¾	BremerFinCorp Mn	15.1	121.9	28	--
35¼	30¼	CBT Corporation Ct	11.4	139.0	33	--
34¾	23¾	CCB Financial Hi	11.4	106.1	33¾	1¼
23¾	22¾	CNB Bancshs IN	10.8	168.1	23¾	¼
29¾	22¾	CPB Inc. HI	8.5	123.4	29¼	¼
31¾	19	CalFed Inc	9.2	151.3	19¾	--
14	9¾	CaliforniaBncpCa CA	14.4	109.1	12¾	--
20¾	16¾	CentralBancshs AL	10.7	141.5	14¾	--
26¾	19¾	CentralBancshs KL	11.1	175.7	24¾	--
21¾	16¾	CentralFidelity Nt	11.7	170.5	19	--
24¾	16¾	CentralJersey NJ	18.1	163.3	22¾	¼
24¾	16¾	CentralJersey NJ	11.0	152.0	20¾	--
37¾	21	ChaseManhattan NY	9.2	104.6	34¾	--
44	30¾	ChemicalBnkg NY	8.5	618.2	40¾	--
47¾	35¾	ChemicalFincg MI	14.2	179.8	47¼	--
12¾	12¾	CitizensBancorp Va	11.3	111.2	20¾	--
33¾	14½	Citizens NY	11.8	126.6	32¼	--
28¾	19¾	CitizensBancorp MD	14.6	122.5	25½	--
28¾	19½	CitizensBanking MI	14.7	161.9	28	¼
31	17¾	CityNational Ca	11.3	97.1	29¾	--
30	17¾	CityTrust Bncp Ct	14.8	117.7	27	--
11¼	4¾	CityNatCorp Ca	NM	106.6	6¾	--
11¾	7¾	CoastFedCorp CA	9.5	146.6	11¾	--
34¾	27¾	ComercBnc MI	10.6	164.4	29¼	--
34¾	24¾	CommerceBncp NJ	13.3	189.8	26¼	--
17¾	11¼	CommercialBncp NJ	11.2	156.4	17¾	--
17¾	11¼	CommercialBncp MD	13.8	127.2	16¾	--
45¾	25¾	Commonwealth PA	14.5	215.3	45¼	¼
15¾	11¼	CommunityBncp NJ	10.2	144.8	13¾	--
10¾	3¾	Constellation NJ	NM	185.3	10¾	--
28	15¾	CoreStates PA	4.7	68.8	24¾	--
60¾	41¾	CoreStatesFinCp PA	10.7	174.4	53¾	--
46¼	25¾	CrestarFinCorp VA	13.9	160.4	43¾	--
40¾	21	CullenFrost TX	9.8	169.4	37¾	--
27¾	20¾	DeposBancshs IA	12.6	169.6	25¾	--
25¾	20¾	DepositGuaranty MS	9.6	144.3	20¾	¼
31¾	22¾	DimeBncp NY	8.6	140.3	30¾	--
27	17¾	F&MBancorp MD	10.3	163.3	21	--
16¾	9¾	FNB Corp PA	18.2	114.5	14¾	--
29	24	FarmersCapital KY	14.2	119.9	28	1
58¼	46¾	FifthThirdBncp OH	17.9	300.8	53¾	--
49¾	28¾	FinancialTrust MS	14.7	218.1	41¾	--
53¾	39¾	FirstTennNB TN	13.1	208.2	50¾	1¼
36¾	27¾	FirstAlabamaBk AL	11.0	188.8	31¾	¼

52 Wk.		Name	Pct	Mkt	Cha.	Chg.
Hi	Lo			to-to		
26¼	11	FirstAmericBc TN	8.1	200.1	25¾	-¼
30¾	20¾	FirstBancorpCo PR	11.3	185.6	30¼	¼
50¾	39¾	FirstBancorp OH	11.6	163.5	47¾	--
30¾	23¾	FirstBancorp Pa	10.2	182.1	30¼	--
46¾	29¾	FirstChicagoB.	135.1	125.8	45¾	-¾
24¾	14¾	FirstCitizBc SC	14.4	128.3	24¾	--
18¾	14¾	FirstColonialB.	17.3	140.5	18¾	--
27¾	20¾	FirstCommerceLA	9.0	186.2	27¾	--
75	43¾	FirstCommerce NE	9.9	151.9	73	--
30¾	21¾	FirstCommerce TN	11.5	213.3	30¾	--
30¾	24¾	FirstCommwlth PA	12.4	183.2	30¾	--
25¾	9¾	FirstEastern PA	10.1	182.5	24¾	--
51½	34	FirstEssex MA	10.2	152.1	50¾	--
51¾	34	FirstFidelity NJ	11.0	163.8	47¾	-¾
18¾	11¾	FirstFinCp DE	10.4	218.5	18¾	--
56	36¾	FirstFinCp IN	11.6	148.6	55¼	--
30¾	23¾	FirstHawaiianH	10.2	152.1	27¾	--
65¾	36¾	FirstInterstateCa	8.9	159.4	63¾	--
27¾	19¾	FirstMarblehdCp	12.7	176.0	25¾	¼
27¾	18	FirstMidwest IL	17.2	168.4	26¾	--
22¾	16¾	FirstNiagaraNY	13.1	188.8	20¾	--
30¾	21¾	FirstSecurity UT	11.4	163.0	28¼	--
47	32¾	FirstTennBnk TN	11.7	182.1	44¼	--
51¾	30¾	FirstUnionCorp NC	12.9	185.5	49¾	--
28¾	17	FirstVaBnkrs VA	8.6	138.8	28¾	--
26	17	FirstWestNE	16.3	214.2	26	1¼
30¾	20¾	FirstWisconsin WI	11.0	184.4	30¾	--
30¾	20¾	FirstbankPR	11.5	189.3	30¾	--
30	24	FirstbankCO	11.5	185.3	30¼	--
34¾	23¾	FirstBancorpNe NE	11.0	164.4	39	-¼
27¾	20¾	FlagshipBanc FL	11.0	151.7	27¾	--
44¾	32¾	FortWayneNatCp IN	13.6	174.5	42	--
31¾	24	FourthFinCorp KS	11.2	151.6	29	--
28	20¾	FranklinCorp Mn	10.8	159.7	27¼	--
30¾	26	FreiBancorp CA	11.8	147.1	29	--
31¾	24¾	FultonBancshrsPA	11.8	163.8	29¾	-¼
24¾	18¾	FultonFinCorp PA	14.3	176.5	24¾	--
17¾	13¾	GBC Bancorp CA	8.5	133.3	16½	--
30¾	20¾	GeorgiaBancorp GA	10.1	139.7	24	--
35¾	24¾	HancockHldgCo Ms	9.5	154.8	30¾	--
39½	34¼	HarleysvilleNtl PA	11.8	187.1	39	--
39¾	23¾	HawkeyeBancorp IA	11.4	161.3	38¾	-¼
30¾	24¾	HeritageBncp PA	11.2	151.3	30¾	--
30¾	19¾	HibernaCorp LA	NM	148.2	30¾	--
25	11½	Hubco NJ	13.8	235.2	25	--
27¾	16¾	HuntingtonBncshs OH	12.3	217.4	25¾	--
21¾	16	ImperialBancorp CA	17.3	81.9	13	--
27¾	21¾	IndependentBk MI	39.7	157.7	26¾	--
49¾	32½	IntegraNetCp IN	10.5	193.7	48¾	¼
18	12¾	InterstateBancsh.	11.4	149.0	17	--
47	38	IowaNtlBnkrsvsIA	10.7	122.2	45¾	--
50¾	29¾	JeffersonBncp FL	10.6	152.8	47¾	--
74¾	58¾	J.P. MorganNY	10.5	189.2	74	--
23	13½	KeyCorp Mt Vernon IA	12.4	164.2	20¾	--
33	21¾	KeyCorp NY	11.3	193.8	29¾	-¼
24½	24½	KeystoneFinPA	12.4	165.1	24½	--
24¾	19¾	LakeShoreBc IL	13.4	164.1	22¾	--
35	22¾	LibertyBancorp OK	9.6	151.8	29¾	--
27¾	16¾	LincolnBancorp IN	14.3	153.2	25¾	--
36¾	30¾	MBNACorp DE	17.1	456.7	31¾	--
18¾	10¾	MNC Financial MD	11.5	124.4	18¾	--
18¾	13¾	MagnaGroup MO	11.5	118.1	18¾	--
24¾	19¾	MahoningNtlBc OH	14.3	154.5	24¾	--
25¾	20¾	MarshallMcNay IN	13.5	193.2	22¾	--
66¾	40	MellonBankCorp PA	10.0	143.8	57¾	--
56¾	38¼	MercantileBncr MO	11.9	146.3	48¼	--
35¾	27	MercantileBncshr MD	12.0	151.6	35¾	--
62	44¾	MerchantsBncp NY	10.5	180.2	54	--
24¾	16¾	MeridianBancorp IN	11.6	154.4	22	--

52 Wk.		Name	Pct	Mkt	Cha.	Chg.
Hi	Lo			to-to		
34¾	18¾	MetroBancshrs NC	11.0	146.4	34¼	¼
69	72	MidlandCoBnc KY	8.1	123.8	85	--
40¾	30¼	MidlothianBncp IL	14.0	124.3	38¾	--
33¾	17½	UnitedBkgGrp MI	11.8	144.4	33¾	--
14¾	13	UnitedBncp IL	13.3	175.8	44¼	--
28	19¾	ValleyNatBnc RI	12.6	251.0	25¾	¼
25¾	20¾	VirginiaBancshrs VA	12.7	127	25	--
40¾	29	WachoviaCorp NC	13.8	215.3	38¾	¼
31¾	21¾	WashingtonFed	21.9	188.0	31¾	--
33¾	21¾	WesBancorp WI	15.8	181.2	33¾	--
30¾	23¾	WestBancshares ID	13.0	175.9	28¾	--
28¾	18¾	WestamericaBnCa CA	18.9	149.4	26¾	--
30¾	24¾	WestcoastBncp OR	11.2	146.7	30¾	--
30¾	24¾	WestcoastBncp OR	11.2	146.7	30¾	--
31	23	WilmingtonTrustDE	13.3	275.0	29¾	--
30¾	24¾	WintrustAnnFin IL	10.4	190.0	30¾	--
49	37	ZionsBancorp UT	10.4	199.0	42¼	--

Top 25 Thrifts

52 Wk.		Name	Pct	Mkt	Cha.	Chg.
Hi	Lo			to-to		
18¾	12¼	ALBANYFinancial NY	10.9	79.8	17¾	--
19¾	13¾	AmFedBncpMD MD	9.8	100.1	19¾	--
23¾	6¾	CalFedBancFSB CA	NM	32.6	11¾	--
22¾	15¾	CharterOneFed OH	12.2	196.1	34¼	--
18¾	9¼	CoastSavingsFn CA	15.4	71.4	14½	--
19¾	13¾	CommunityFed MD	11.2	84.2	19¾	--
20¾	15¾	EmigrantFinCp NY	13.8	102.8	19¾	--
22¾	12¾	FirstCapCorpIL IL	12.0	157.3	20¼	--
30¾	24	FirstFedFinancial	9.7	218.9	30¾	--
15¾	9¾	FirstFinCp MI	9.0	156.2	14¾	--
19¾	8¾	FirstFinancial IN	10.2	144.9	19¾	--
20¾	15¾	GoldenWestFn CA	9.1	138.8	40¾	--
27¾	17¾	GreatWesternFn CA	237.5	187.7	26¾	--
26¾	18¾	ISB FinancialWI	10.1	96.1	25½	--
19¾	13¾	NorthSideFinl IN	9.3	101.1	15¼	--
14¾	11¾	NBB Bancorp MA	11.3	123.1	13¾	--
14¾	9¾	PeoplesHF CT	9.2	121.0	14¾	--
46½	30¼	RooseveltEdqMO	10.0	174.6	42½	--
17¾	12¾	SIS Bancorp MA	10.1	109.2	17¾	--
19¾	9¾	SPSBancorp IL	9.6	119.3	19¾	--
19¾	13¾	SecondFinancial IN	9.8	113.7	19¾	--
19¾	13¾	SecondFinCp MI	10.1	187.2	19¾	--
36¾	15¾	WashMutualSB WA	11.3	1,188.7	35¼	--
22¾	12¾	WashingtonFed MA	11.0	207.5	27	--

Bank Stock Table Explained: The table lists in alphabetical order the largest publicly traded banks and thrifts. The companies selected for the 225 largest publicly traded commercial banking firms and the 25 largest publicly traded thrifts in operation as of the market value of all common shares outstanding, as of June 30, 1993. The 52 Wk. Hi and 52 Wk. Lo columns show the highest and lowest prices reached during the trading days of the past 52 weeks, and the closing prices for the stock. PE: the price/earnings ratio. It is the current market price of the stock divided by the trailing earnings per share adjusted for latest announced earnings. The ratio is annualized for banks that have not yet reported earnings for a full year. Mkt. to-to: the market value of the current day's closing price to the stock's book value. Chg.: the change in price from the day before. Cha.: the change in price from the last Friday's close. **Last:** The price at which the stock last traded. If no trades for the day, the latest bid. **All Bank and Thrift Indexes:** A weighted average of the top 225 banks by market value and the top 25 thrifts in market value, respectively, weighted by the number of shares outstanding. Footnotes and two volume indicators: most shares traded and today's volume as a percentage of average volume for the past 65 days.

Data source: SNL SECURITIES, Charlottesville, Va. 804/977-1600. Additional data from Standard & Poor's Compustat Services, Inc. Newsletter, Vienna, Va. provides SNL with the daily prices.

Key Rates•

(August 16, 1993)

	8/16	8/13	8/9	8/17/92
Federal Funds domestic range:	3%–3⅛	2⅞–3⅛	2⅞–3⅛	3%
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit•				
3 Month Posted	2.73	2.73	2.73	2.90
6 Month Posted	2.92	2.97	2.97	2.95
1 Year Posted	3.10	3.15	3.25	3.15
Secondary deposits•				
3 Month	3⅛	3⅛	3⅛	3⅞ra
6 Month	3⅛ra	3⅛	3⅛	3⅞ra
1 Year	3⅛	3⅞ra	3⅛	3⅞ra
Dealer Commercial Paper•				
1 Month	3.10	3.10	3.15	3.38
3 Month	3.15	3.15	3.21	3.37
6 Month	3.25	3.32	3.35	3.42

(•)— Late afternoon quotes, New York market. **(ra)**— Highest offering rates (annual % yield) at selected NYC money center banks. **(f)**— Late London bid. **(P)**— AA rating or the equivalent.

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STOCKS
PNC Wins Upgrade From Dean Witter

By GORDON MATTHEWS

PNC Bank Corp. received a boost on Monday from Dean Witter, Discover & Co., which raised its rating of the Pittsburgh company to "accumulate" from "neutral."

"The stock is attractively valued again," said Dean Witter analyst Anthony R. Davis. And meanwhile, he noted, "PNC's fundamentals continue to strengthen."

The stock was unchanged at $29.625 in late trading on Monday.

Climbing Back
Price per common share of PNC Bank Corp.



An analyst called the shares "attractively valued."

Since June 30, Mr. Davis noted, PNC shares have been "noticeably better" than those of other regional banks – falling 12% while others have edged down an average of 2.5%.

$36 Target Set

The analyst has a $36 price target for the stock during the next 12 months, believing it will sell at 70% of the Standard & Poor's 500 index on a price-to-earnings basis. It currently trades at only 55% of this "market multiple."

That, coupled with the stock's current yield of 4% – highest among the regional banks he follows – puts PNC's potential total return at 28%, Mr. Davis said.

The analyst noted several other favorable factors about PNC.

During the second quarter, the bank's return on equity was 17.5% and its efficiency ratio a trim 52%.

The efficiency ratio is a bank's gross operating expense divided by revenues on a fully taxable basis.

PNC had the second best ratio among the nation's 50 largest banks – behind only Republic New York Corp., according to Keefe, Bruyette & Woods Inc.

Mr. Davis also likes PNC's acquisition strategy, saying the bank has been "disciplined" and limited itself to deals that have added significantly to earnings.

Prudential Analyst Skeptical

But PNC also has its critics.

Last month, George M. Salem of Prudential Securities Inc. said he was "disappointed" in the bank's earnings and cut his rating to "hold."

Earlier in the year, he had dubbed PNC shares as his "single best idea" among banking stocks.

Mr. Salem said an 18-basis-point decline in PNC's second-quarter net interest margin was the worst deterioration among banks he follows.

He expressed concern that net interest income will be flat or even decline.

The Prudential analyst said Monday that he is also concerned that PNC is not well positioned for flat or declining interest rates.

At the end of the second quarter, 45% of the bank's earning assets were composed of investment securities, the highest level among banks he tracks, Mr. Salem said.

Investment securities "reprice" far more quickly than loans and therefore place added pressure on the net interest margin when money market rates are either stable or declining.

Refinancing Risk

Moreover, said Mr. Salem, a substantial portion of PNC securities is mortgage-related and thus vulnerable to rapid prepayment and accelerated amortization as borrowers react to lower rates by refinancing their mortgages.

The Prudential analyst also lacks enthusiasm for PNC's latest proposed acquisition, of First Eastern Corp., Wilkes-Barre, Pa., which has suffered from credit-related problems.

MONDAY'S MARKET

Major bank stocks were mostly lower, apparently in reaction to falling interest rates.

In contrast, other stocks posted gains.

In late trading, Banc One Corp. fell $1.125 to $52.25, NationsBank Corp. declined $1 to $51.875, First Chicago Corp. fell 87.5 cents to $45.625, and Chemical Banking Corp. slipped 75 cents to $40.75.

Analysts said investors are worried that banks' interest income will be hurt by lower rates, especially at banks that had positioned themselves for rising rates.

Among Monday's gainers, J.P. Morgan & Co. was up 50 cents to $74.125 and NBD Bancorp rose 50 cents to $33. □

CAPITAL
NationsBank Set to Raise $800 Million

Continued from *page 1*

of about $2.2 billion of assets from Chrysler First Inc., a finance company, and Chicago Research and Trading, an options firm.

Just under half of the pending $1.4 billion MNC purchase will be made with cash.

At Least $1.5 Billion Needed

Market sources estimated that the bank needs to raise at least $1.5 billion and possibly more than $2.5 billion through debt offerings this year to complete pending acquisitions.

NationsBank has borrowed $1.84 billion in the capital markets so far this year, about equal to its total borrowings in the six previous years, according to Securities Data Co. Its total capital ratio was 11.75% at the end of June.

Yields Uncertain

The superregional held a conference call with bond investors Monday afternoon to discuss its prospects, but did not talk specifically about any upcoming bond offering issue, said a source. A bank spokesman declined to comment.

The likely yields on the two issues could not be determined.

NationsBank's 8.25% nonyear subordinated debt was bid Monday afternoon at 77 basis points over the U.S. Treasuries, according to First Boston Corp.

Separately, MBNA America Bank issued $750 million of five-year credit-card-backed securities. The issue was priced to yield 5.43%, 80 basis points over the five-year U.S. Treasury note.J.P. Morgan Securities was lead manager. □

THE MARKETS
Yield on Long Bond Slips to 6.31%

Interest rates fell further on Monday, as economic fundamentals continued to bolster U.S. government bonds.

In late New York trading, the Treasury's 30-year bond yielded 6.31%, down from 6.34% Yields on 30-year bonds have fallen about 20 basis points in the last week.

"The economic data keep coming in slightly weaker than forecast, and there's no inflation," said Astrid Adolfson, economist for MCM Money-Watch, in explaining the drop in yields.

Interest rates also fell on the short end of the market. The Treasury auctioned a total of $24.6 billion in three- and six-month bills.

Three-month bills were sold at an average discounted rate of 3.03%, versus 3.05% the week before. The six-month bills were sold at 3.12%, down from 3.18%.
— Bart Fraust

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Regulators Face Balancing Act In CRA Overhaul

By CLAUDIA CUMMINS

After raising expectations about reforming the Community Reinvestment Act, Comptroller Eugene Ludwig and his band of regulators face the tough task of devising a rule that satisfies both bankers and public advocates.

Mr. Ludwig has pleased bankers by saying he wants to cut the documentation burden of the law. And he has thrilled activists by saying he wants to hold the industry to more objective, rigorous standards of performance.

But between those promises and the final reform, which President Clinton has asked regulators to finish by Jan. 1, lies a long road.

NEWS ANALYSIS

By the end of September, the banking agencies will have held seven public hearings around the country, met privately with both industry representatives and public advocates, and held countless internal meetings on the reform. By mid- to late October, they hope to have a proposal out.

Mr. Ludwig and the others leading the charge – Fed Governor Lawrence Lindsey, FDIC Chairman Andrew Hove, and OTS Director Jonathan Fiechter – recognize the challenge they face in balancing the concerns of both sides.

Not a Panacea

Already, at the regulators' first public hearing last week, Mr. Ludwig tried to dampen expectations.

"I know all the interested parties, banks and community groups alike, have high hopes and high anxieties about this reform," Mr. Ludwig said. "Because of those expectations, I think it is important to underscore here and now that this effort will not produce a panacea for anyone."

"In some respects," he added, "it is bound to disappoint everyone."

Some Common Ground

As demonstrated at the hearing last week, the industry and community activists laid out their demands, the groups so far have found only some common ground. One point both groups absolutely agree on? CRA doesn't work.

Both sides say more explicit guidance on what is expected of lenders is needed. And both fear that excessively rigid standards – explicit formulas for lending, for example – could destroy

See **REGULATORS** *next page*

INSIDE NEWS

REGIONAL BANKING

CITICORP HAS ADOPTED an unusual compensation plan for some of its top executives, granting special stock options to senior managers considered "central to the change and turnaround effort" at the company. *Page 4*

COMMUNITY BANKING

OREGON's Western Bank failed in a yearlong hostile takeover attempt when shareholders of Bank of Newport buried a motion to oust the board. *Page 6*

MORTGAGES

FIRST FRANKLIN Financial Corp. has tapped Bank of New York to arrange $215 million in new bank loans to fund operating requirements and finance the acquisition of servicing rights, according to Steve Dallas, chairman of the mortgage bank. *Page 8*

INVESTMENT PRODUCTS

UTILITY FUNDS have been hot sellers for banks. Nevertheless, only one banking company – Bankers Trust New York Corp. – manages such a fund. *Page 10*

CREDIT DEBIT ATMs

ALAN FRANKLIN, a New Jersey entrepreneur and onetime American Express Co. strategist, is out to shake up the nation's credit counseling establishment with his own service in Trenton. *Page 16*

TECHNOLOGY

CHASE MANHATTAN Corp. has installed a pair of automated banking kiosks that allow customers to meet "face to face" with bank representatives via a video screen. *Page 3*

FINANCE

BANK SHARES TUMBLED for the second straight day on Tuesday amid investors' concerns that a decline in long-term interest rates will hurt bank earnings. The rate-sensitive sector usually does well when the bond market is strong, but that has not been the case this week. *Page 26*

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Mercantile to Acquire Thrift In St. Louis for $177 Million

By JOHN RACINE

Boosting its retail market share in St. Louis, Mercantile Bancorp. has agreed to acquire United Postal Bancorp. for about $177 million in stock.

The acquisition will add a profitable and growing mortgage business to Mercantile's diverse operations.

It will also provide a sixfold gain for investors who bought stock in United Postal when the $1.3 billion-asset thrift company went public 17 months ago.

Mercantile will pay about $29.54 a share, or 1.9 times the book value of United Postal. The transaction, scheduled to be completed by early next year, is expected to cause minimal dilution in the earnings per share of St. Louis-based Mercantile.

Thrift's Stock Jumps

United Postal's shares jumped $3.50 to close at $26.75 on Tuesday. Mercantile's stock dropped 75 cents, to $48.

Once the deal and two previously announced mergers are completed, Mercantile will have $11.9 billion in assets and operate banks in Missouri, eastern Kansas, southern Illinois, and Iowa.

Analysts said the merger would solidify Mercantile's position as the second-largest retail bank in St. Louis, behind Boatmen's Bancshares Inc., which has $24.6 billion in assets.

"We've always been No. 2; this just strengthens our position," said Thomas H. Jacobsen, chairman and chief executive officer at Mercantile.

The Partners At a Glance

	Mercantile	United Postal
Assets	$10.6 billion*	$1.3 billion
Headquarters	St. Louis	St. Louis
Branches	220*	22
Locations	Missouri, Illinois, Kansas, Iowa*	Missouri, Illinois
Net income**	$55.26 million	$9.06 million
Return on assets**	1.04%	1.43%

*Includes pending acquisitions
**First-half 1993
Source: Mercantile Bancorp.

A Leading Originator

A major plus for Mercantile is United Postal's growing mortgage operation, which analysts said has been one of the top originators of single-family loans in St. Louis, an economically slow but recovering market.

One reason for its dominance is the thrift's agreement with Gundaker Realtors, the city's largest realty company, to put a loan officer in 25 Gundaker offices. "Obviously, that arrangement gives them first dibs on mortgage business," said James H. Weber, a bank analyst at

See **MERCANTILE** *page 4*

BT, Schwab Join Forces To Market 401(k) Plans

By KALEN HOLLIDAY

NEW YORK — Bankers Trust Co. announced Tuesday that it is linking up with Charles Schwab Corp. in a bid to capture a bigger chunk of the lucrative corporate retirement-plan market.

Under the arrangement, Bankers Trust will dramatically expand the number of mutual funds that it makes available to corporate clients who run so-called 401(k) plans for employees. Such plans enable employees to set aside pretax dollars for retirement.

In addition to funds in the bank's BT Investors Funds family, the bank will offer more than 200 no-load, no-transaction-fee mutual funds that Schwab currently offers through its Mutual Fund OneSource Service. That may prove to be a significant competitive edge in the fast-growing 401(k) marketplace, in which product variety is increasingly the name of the game.

Taking On Fidelity

"This offering will compete directly with major organizations, such as Fidelity and Vanguard, who have been able to tout the broadest possible menu of fund choices as a major com-

See **BANKERS TRUST** *page 15*

From Freddie Mac To Ginnie Mae

DWIGHT ROBINSON has been a key architect of Freddie Mac's mortgage programs for lower-income people. Now he's in line to head Ginnie Mae and will probably expand that agency's activities.



See story on page 8

GRAPEVINE/*Edited by Karen Gullo*

Tirade at UJB

While takeover rumors sweep through Princeton, N.J., the top brass at UJB Financial Corp. is putting the finishing touches on a major reorganization of the bank's lines of business, say insiders.

Scheduled for unveiling next month, the plans call for unprofitable or borderline businesses to be slimmed down or shuttered and investments to be concentrated on healthy areas.

The reorganization may include layoffs and significant job changes for senior UJB officers, sources say. The program is the outcome of a several-months-long study of business line profitability and long-range goals commissioned by UJB chairman T. Joseph Semrod and conducted by Price Waterhouse.


T. Joseph Semrod

Whether Mr. Semrod will get to announce his plans before UJB is taken over is not clear. UJB was the subject of intense takeover rumors last week.

Sources believe a merger with Bank of New York Co. or another Northeast regional bank is in the offing.

UJB officials confirmed last week that the reorganization will be announced in mid-September. They declined to comment on the takeover rumors. A Bank of New York spokesman also declined to comment.

— Karen Gullo

* * *

Southern Exposure

Electronic Payment Services Inc. has offered $8 million to buy a small Louisiana-based automated teller machine network, according to a well-placed source.

The acquisition would be the first for one-year-old EPS, a joint venture by CoreStates Financial Corp., Banc One Corp., PNC Bank Corp., and Society Corp. The firm is bidding high for the network, called Gulfnet, which generated $4 million in revenues last year.

But sources say EPS is under pressure from its shareholders to increase transaction volumes and revenues. Expanding geographically would be one way to achieve that goal.

Gulfnet, which is owned by a consortium of 205 banks in the South, operates 2,066 cash machines in Mississippi, Louisiana, Texas, and Tennessee. That puts it right next to EPS' southern region, which extends down to Texas.

Gulfnet is also said to be in talks with one another network, Houston-based Plus.

A Gulfnet official and a spokesman for EPS both declined to comment on the talks.

— Jeanne Iida

* * *

Team Mates?

Illustrating that the banking business creates strange bedfellows, Northern Trust Co. is reportedly teaming up with Invest Financial Corp. to provide annuities.

Sources say that the two are working on an agreement under which Invest would sell annuities in some Northern Trust offices.

If the agreement goes through, it would be a coup for both companies, albeit a strange match.

Northern Trust, a Chicago-based holding company with $16.3 billion of assets, caters to wealthy clients and has focused on trust and institutional services. The Invest program would mark a shift to the retail arena.

Though Invest has been providing bank clients with investment products since 1982, in its early years it did business primarily with thrifts.

Officials at Northern and Invest declined to comment.

— Kalen Holliday

Regulators Face Tough Task In Their Bid to Reform CRA

Continued from page 1

CRA.

Community groups and the banking industry also agree that CRA exams and examiner training need to be revamped. And most want other financial players – insurance companies, investment companies, and mortgage banks, for example – to be brought under the CRA umbrella.

"The law says a bank must help meet the credit needs of the community," said Joe Belew, president of the Consumer Bankers Association. "There ought to be some account taken of who else, besides banks, ought to help."

But beyond that, bankers' and advocates' paths diverge. The industry is hoping for a less burdensome rule, one that requires less paperwork and offers powerful incentives for good behavior.


Eugene Ludwig
Looks to satisfy both sides

Association of America.

Community groups say adequate documentation is crucial, and incentives like exemptions for solid performance are totally off the table.

Greater Role for Public

What is needed, they say, is a greater role for public participation in determining CRA ratings, and greater access to information about the banks.

"As a minimal reform step, the agencies must vastly expand the opportunities for public comment on industry performance," said Chris Lewis, director of banking and housing policy at the Consumer Federation of America, at last week's hearing.

Many groups are even calling for greater disclosure of small-business lending, which could lead to huge new documentation burdens for the industry.

Perhaps above all else, public advocates say a history of "regulator apathy" must be transformed, with the agencies committing themselves to tougher enforcement of the rule, penalizing lenders that don't live up to the law.

Demands and Promises

Bankers and advocates are intimately aware of each others' demands for reform. And they are equally aware of the promises regulators have made to the other. Mr. Ludwig has warned them to take a cooperative stance and keep an open mind about the process.

Nonetheless, both recognize that eventually Mr. Ludwig and his crew will face key decisions that demonstrate their fidelity to either the banking industry or the consumer advocates.

"The president has told the regulators that the result of this exercise has to be in the consumer's interest and in the interest of the communities," Mr. Lewis said. "That's the test."

And according to Mr. Guenther, "the way this is resolved is going to define the Clinton administration and their position on banking issues. This emerges as a very key test." □

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NationsBank Issue Increased and Priced

NEW YORK — A two-part issue of NationsBank debt was increased to $950 million from $800 million and was priced Tuesday by underwriters led by Merrill Lynch & Co., according to MCM CorporateWatch.

The first tranche, $400 million of senior notes due Aug. 15, 1996, was priced as 4% at 99.75 to yield 4.842%. The notes were priced at a spread of 46 basis points above Treasurys.

The second tranche, $550 million of subordinated notes due Aug. 15, 2003, was priced at par to yield 6.5%. The notes were priced at a spread of 80 basis points above Treasurys.

Both parts are rated Baa1 by Moody's Investors Service Inc. and A-minus by Standard & Poor's Corp. — Dow Jones

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Chase Attempts Sales Via Full-Motion Video

By MATT BARTHEL

Chase Manhattan Corp. has installed a pair of automated banking kiosks that allow customers to meet "face to face" with bank representatives via a video screen.

The kiosks, from Personal Financial Assistant Inc., Charlotte, N.C., are souped-up versions of machines already installed at several institutions, including PNC Bank Corp.

The kiosks allow customers to open accounts, apply for loans, and do a number of other non-cash transactions that require some intercession by a bank employee.

What differentiates the Chase machines from most other Personal Financial installations is

The bank hopes the new technology, which goes beyond still-image video, will spur sales.

that Chase is using full-motion, two-way video in the terminals.

Beyond Still-Life

This means that customers and bank representatives are able to see one another's full movements and gestures as opposed to just the still-life images that appear on the screens of most kiosks in current use.

"We made the decision to go with full-motion video because we feel it's easier to sell," said Robert Lytle, a Chase vice president. "With the still pictures, [customers] are more likely to say, 'What's the big deal?' "

As Mr. Lytle indicated, Chase and other banks are hopeful that the novelty of communicating with a bank representative over a video screen will lure customers into sales discussions.

But even after the novelty of the technology inevitably fades, video banking has some other benefits, bankers say.

Reduced Costs Expected

By allowing loan experts and other personnel to be placed in centralized customer service locations that can be staffed more efficiently than individual branches, video banking is likely to reduce operating costs, bankers feel.

According to Personal Financial Assistant research, a meeting between a customer and bank representative via video screen is as effective a selling opportunity as an actual face-to-face meeting. Both result in sales about 70% of the time, according to Personal Financial, which is owned by the New York Life Insurance Co.

Tests of full-motion video have been on too small a scale for bankers to affirm or refute those claims.

However, Synergistics Research Corp., an Atlanta-based concern that measures consumer opinion on banking technologies, has found that bank customers are becoming increasingly receptive to video banking.

"The environment's better than it's ever been for the introduction of video banking services," said Genie Driskill, a vice president in research at Synergistics.

Ms. Driskill said the company's research also indicates that consumers are more likely to use terminals with two-way, full-motion video than terminals with still pictures only.

Although Chase is in the forefront of implementing full-motion video terminals, the bank is not the only big bank to try out the technology. NationsBank Corp., based in Charlotte, N.C., has also tested Personal Financial kiosks at two sites.

Neither Chase nor NationsBank has yet made a large-scale commitment to the technology, bank officials said.

How It Works

A transaction at one of these terminals would proceed as follows: A customer picks up a phone handset that rests beside the video screen in the banking kiosk. The phone is linked to a customer service representative who can establish a video link with the customer.

Once the video is engaged, the customer service representative leads the customer through the desired transaction by displaying each step in the transaction on the screen.

If the customer wants to apply for a loan, for example, the customer service representative displays the application so the customer can see how the bank employee is transcribing the information that is being verbally relayed.

Some transactions may require the customer to provide identification, so the kiosk is equipped with a scanner that can transmit copies of a driver's license to the customer service representative. This scanner, which resembles a standard copy machine, can also handle larger documents.

At the end of the transaction, a customer receives a printout of all the documents that are filed on his or her behalf. □

A Lockbox System for AS/400 Machines

By DEIDRE SULLIVAN
Special to the American Banker

Arkansas Systems has introduced a version of its lockbox-processing system for community banks.

The Little Rock, Ark.-based software company specializes in development of payment and financial transaction delivery systems for banks and other companies using International Business Machines Corp. computers.

The new lockbox software, called Flexi-Remittance, runs on IBM AS/400 midrange systems with an IBM check reader-sorter. It also can be used with the NCR 7780 reader sorter.

Arkansas Systems is wooing banks already using the computers.

Saw an Opportunity

The new product is designed to serve banks that already process their daily check work using these pieces of equipment. By adding a device to read remittance documents, this same check-processing equipment can run lockbox services.

"We saw an opportunity for smaller banks to leverage their existing investment in technology and better compete with larger banks for lockbox customers," said Hurston Anderson, an executive at Arkansas Systems.

He added that this new version of Flexi-Remittance is designed to process from 10,000 to 20,000 payments a day.

Earlier Version in Use

Mr. Anderson also explained that the new lockbox system is a stripped-down version of a more powerful product that Arkansas Systems has sold mostly to retailers and utilities companies, organizations that typically process tens of thousands of payments each day.

Two banking companies also use the earlier version of the product: Hibernia National Bank, a $4.4 billion institution in New Orleans, and M & I Data Services, Milwaukee, Wisconsin.

According to Lee Nicosia, a vice president at Hibernia, one of the chief benefits of a lockbox system that uses check reader-sorters is speed.

Hibernia uses the new IBM 3892 reader sorter and he said the the check processing department can typically process 1200 lockbox remittances a minute using Flexi-Remittance.

By using this lockbox system, a bank is able to eliminate the need for multiple relationships, Mr. Anderson said.

Ms. Sullivan is a freelance writer based in New York.

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*[*Service After The Sale]*



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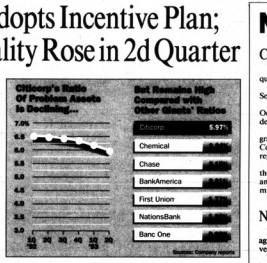
Citicorp Adopts Incentive Plan; Credit Quality Rose in 2d Quarter

By YVETTE D. KANTROW

NEW YORK — Citicorp has adopted an unusual compensation plan for some of its top executives, the company disclosed in a regulatory filing this week.

The plan, adopted last month, grants special stock options to senior managers considered "central to the change and turnaround effort" at the company, Citicorp said.

"It's a very unique, very significant program because the options vest purely on stock price," said Ronald I. Mandle, an analyst with Sanford C. Bernstein & Co. in New York. "It also indicates where management thinks the stock price will go in a five-year period."



Striking Prices

The program, which supplements the company's primary stock compensation plan, grants seven million shares to an unspecified number of executives at a price of $31.75. Fifty percent of the shares vest if Citicorp shares trade at $50 for 20 of 30 consecutive trading days within five years. 75% if the stock reaches $55, and 100% if the stock reaches $60. The stock closed at $32.25 on Tuesday, down 25 cents.

"It's gratifying to see a company establish a program that indicates that its interests is in line with the interests of its shareholders," said Diane B. Glossman, an analyst at Salomon Brothers Inc.

Citicorp's stock price would have to improve at a compound-

Senior managers will be rewarded if the stock does well.

ed annual rate of 13% to reach $60 in five years, analysts said. The stock market overall typically offers investors compounded annual returns of 9%.

In its quarterly filing with the Securities and Exchange Commission, Citicorp also reported that credit quality continued its slow and steady improvement in the second quarter.

Shrinking Nonperformers

Nonperforming assets equaled 5.97% of total assets on June 30, down from 6.19% three months earlier and 6.49% in the second period one year ago.

The filing contains information about asset quality that was not included in Citicorp's previous announcement that it earned $446 million in the second quarter.

Analysts said they were heartened by the continuing, albeit slow, improvement in Citicorp's credit quality, even though its nonperformers remain high compared with those of its peers.

For example, nonperforming assets at Chemical Banking Corp. amounted to 3.34% of total assets on June 30 and 3.15% at Chase Manhattan Corp.

"Some investors would like to see all the problems over by yesterday, but I'm satisfied with the rate of improvement," said Mr. Mandle. "It's clear that they are on the right track." □

Mercantile Expanding St. Louis Franchise With Purchase of United Postal for Stock

Continued from page 1

A.G. Edwards & Sons in St. Louis.

Mercantile operates 31 retail branches in the St. Louis area, while United Postal has 22. Bank executives on Tuesday told analysts they expect to eliminate $10 million, or 30%, of United's annual expense base by yearend 1994. Some 10 to 15 overlapping branches could be closed, they said.

Earnings Estimates May Fall

"The bank thinks [the deal is] going to be nondilutive by yearend 1994," said Mr. Weber. Asked if the transaction will cause analysts to lower their earnings estimates for the first half of next year, he said: "I would say that's a possibility, but I wouldn't say it's a certainty."

For the first six months of 1993, Mercantile reported net income of $55.2 million, for a return on average assets of 1.04%. During the same period, United Postal reported an ROA of 1.43%.

For investors in United Post-



Thomas H. Jacobsen
No. 2 position strengthened

al's initial public offering in March 1992, the deal represents a potential gain of 600%. The stock was initially priced by Stifel, Nicolaus & Co. at $10 a share, but counting a 2-for-1 split would be valued at about $30 a share under the merger.

The Real Winners

"It's an unbelievably huge deal for investors," said Joseph A. Stieven, senior bank analyst at Stifel, Nicolaus in St. Louis, who personally invested in the offering. "You just don't see many like this."

Under the merger agreement, United Postal shareholders will receive 0.6154 share of Mercantile common stock for each share of United Postal stock. Based on Mercantile's closing price Tuesday, the deal has an indicated value of $177 million.

The transaction is Mercantile's third acquisition announced this year. On March 10, the bank said it would acquire Mt. Vernon Bancorp., a $117 million-asset company based in Illinois that is the holding company for First Bank and Trust Co.

On July 29, Mercantile said it would merge with Metro Bancorp., the $378 million-asset parent of the Waterloo Savings Bank in Iowa.

Mr. Jacobsen said the bank would continue to look for acquisitions both in Missouri and in its new markets. "We're looking at building our company with good acquisitions," he said. □

NEWS *briefs*

CoreStates Raises Payout, Sets a Stock Split

PHILADELPHIA — CoreStates Financial Corp. raised its quarterly dividend to 60 cents a share from 54 cents a share.

The dividend is payable Oct. 1 to shareholders of record on Sept. 7.

CoreStates also declared a 2-for-1 stock split, payable on Oct. 15 to shareholders of record on Sept. 15. The new dividend rate is equal to 30 cents a share on a post-split basis.

The company's board also approved a stock repurchase program to buy shares on the open market from time to time. CoreStates said the maximum number of shares that could be repurchased in a year would be 2% of the total outstanding.

CoreStates said the stock purchases would be in addition to those made for its dividend-reinvestment, employee-benefit, and incentive-compensation programs. CoreStates has 58.7 million shares outstanding.

Northeast Federal Finds a Buyer for Realty

HARTFORD, Conn. — Northeast Federal Corp. said it has agreed to sell $30.5 million of foreclosed real estate to an investment banking firm.

The parent of Northeast Savings did not identifier the buyer but did say the sale would result in a pre-tax loss of about $750,000 in the third quarter. Northeast had previously set aside a $6 million provision for losses on the sale, which involves residential properties, most of them in California.

The transaction is expected to close by the end of the month. It will reduce the company's nonperforming assets to 3.84% percent of total assets, down from 4.45% at June 30, the company estimated.

Westcorp's Chief of Auto Finance Quits

IRVINE, Calif. — Westcorp, a thrift holding company, announced on Monday the resignation of Brian MacInnis, 37, executive vice president of its Western Financial Savings Bank unit and chief of automobile finance operations.

Mr. MacInnis will pursue other interests, the company said. Executive vice president James R. Dowlan, 55, his supervisor, will take over direct responsibility for managing auto finance.

Westcorp, which has $2.4 billion of assets, also said William J. Crawford, former California savings and loan commissioner, would be appointed to replace board member David S. Kaufman, who is retiring.

Alan L. Milligan has been appointed a director of the company's thrift unit, succeeding Regan E. Kelly. Mr. Kelly, a senior vice president of the thrift and vice president, secretary, and general counsel of the holding company, resigned to pursue other interests, the company said.

NationsBank Picks Agency for Hispanic Ads

CHARLOTTE, N.C. — NationsBank has selected Houston-based Lopez Negrete Communications to handle its Hispanic marketing and advertising efforts systemwide.

NationsBank said it serves 40 percent of the nation's 10 largest Hispanic markets and 60 percent of the 50 fastest-growing Hispanic areas.

"One of the greatest challenges NationsBank faces is marketing its services to many different cultures represented within the Hispanic community, all of which have origins traced to Spanish-speaking countries," said David S. Carter, director of Advertising Management for NationsBank.

Lopez Negrete Communications is a full-service marketing and advertising agency with capitalized billings expected to exceed $5 million in 1993.

Georgia Thrift Freed of OTS Restraints

NEWNAN, Ga. — Newnan Savings Bank said the Office of Thrift Supervision has terminated the supervisory agreement under which the thrift has been operating.

Newnan said that on the basis of current capital requirements it is considered a "well-capitalized institution" and a profitable operation.

The supervisory agreement had put Newnan under restrictions primarily related to internal policies and procedures, dividend payments, investment in subsidiaries, loan-loss reserves, and growth. The bank is no longer subject to these restrictions.

Newnan said it already meets the fully phased-in capital requirements applicable in mid-1996.

The briefs were compiled from staff and wire reports.

EXECUTIVE *changes*

Citizens Bank of Rhode Island Taps Gormley for a Top Loan Post

Robert T. Gormley has been appointed executive vice president and senior lending officer in **Citizens Bank**'s commercial banking area.

Mr. Gormley will report to **Mark J. Formica**, president of the Providence, R.I.-based bank and will be responsible for commercial real estate, asset-based lending, and community lending."



Robert T. Gormley

He is returning to Rhode Island from Hartford, where he has worked as executive vice president and senior loan officer of Fleet Bank since 1988. During that period he managed 215 people and a $1.7 billion loan portfolio. — **Franklin Smith**

NEW ENGLAND

FLEET BANK of Massachusetts, Boston, a unit of **Fleet Financial Group**, said **Fred N. Manning** has joined the bank as senior vice president in the managed assets division.

Mr. Manning will manage the commercial and industrial loan workout group.

John A. McDonald has been promoted to senior vice president of the bank's assets division.

Promoted to vice presidents were **Michael A. Palmer** in the commercial lending division; **Richard C. Mendall** in the commercial real estate division, **William S. Borrelli** in the private banking division, and **Steven J. Robinson** and **Molly McCombe** in the community banking division.

MIDWEST

HUNTINGTON Bancshares Inc., Columbus, Ohio, has promoted **Debra Dendahl Hadley** to vice president of the regional bank holding company.

Hal G. Baker has been promoted to vice president of the Huntington National Bank and **Thomas J. Davidson** to trust officer of Huntington Trust Co.

James E. Dunlap has been promoted to senior vice president at Huntington National Bank in Toledo.

Mr. Dunlap is currently corporate services division manager at the Huntington's Toledo/Bowling Green city office.

LaSALLE NATIONAL Bank, Chicago, has promoted **David J. Lacheon** vice president and controller.

Mr. Lacheon is responsible for the bank's financial reporting, budgeting, and financial planning and analysis.

He was formerly a senior manager with Ernst & Young in Chicago.

PNC BANK, Ohio, Cincinnati, has elected **Elizabeth M. Clymer, Peggy A. Lewin**, and **Timothy E. Reilly** as vice presidents; **Jeffrey E. Daniher, Bobbie J. Fisher, Deborah S. Hasken, Michael W. Lander, Anita L. Mangold**, and **Brian D. Warren** as assistant vice presidents; and **Pamela A. Brune, H. William Dyken, Lisa L. Gumm, James A. Harmann, Theresa A. Jackson, Christine E. Lenker, Brian J. Nevins, Jeanne L. Schoenberger**, and **Lynn A. Thompson** as bank officers.

MERCANTILE BANK of St. Louis, a subsidiary of **Mercantile Bancorp**, promoted the following people to assistant vice president: **Allen H. Brook**, administration department; **John D. Carruthers**, Mercantile Information Management Co.; **Donald E. Gillum**, administration department; **John W. Heslop**, institutional banking; **J. David Kreitman**, credit administration; **Maureen A. Matz**, administration department; and **Jeffrey G. Williams**, Mercantile Information Management Co.

WEST

FIRST INTERSTATE Bank of California, Los Angeles, has appointed **David M. Garcia** to the new post of vice president and manager of its public communications department.

Mr. Garcia is responsible for supervising news media relations, issues management, and executive communications functions.

He was previously vice president and senior manager in the Los Angeles corporate communications department of Bank of America, subsequent to its merger with Security Pacific.

Becky Shelton has joined the bank as marketing manager and vice president for its trust and private banking group.

Ms. Shelton was formerly with Union Bank in Los Angeles.

SOUTHEAST

BARNETT BANK of South Florida, Miami, has promoted **Clyton Williams** to vice president of credit administration.

MIDDLE ATLANTIC

UJB FINANCIAL CORP., Princeton, N.J., said **Gary F. Lamont** has been named president and chief executive officer of its Hazleton (Pa.) National Bank unit.

Mr. Lamont succeeds **Robert K. Gicking**, who is retiring. Mr. Gicking will remain chairman of Hazleton National Bank through Jan. 15, 1994, to facilitate the transition.



Gary F. Lamont

Mr. Lamont has been with the Hazleton bank since 1989 and was previously executive vice president and chief operating officer. □

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First Republic of California Plans a Foray into Nevada

By TERRENCE O'HARA

First Republic Bancorp, San Francisco, plans to buy a thrift and loan in Nevada this year to complement its expanding Las Vegas-based mortgage banking operation.

Willis H. Newton, chief financial officer of First Republic, said the company will use $8 million of the $15 million in subordinated debt it is currently issuing to finance the purchase and capitalization of a small Nevada thrift and loan. Mr. Newton said the company hasn't announced which institution it will buy.

The company's First Republic Thrift and Loan is California's largest thrift and loan. Technically not a savings institution, its federally insured deposit products aren't as diverse as those of a savings and loan.

No Checking Accounts

It doesn't offer checking accounts, only passbook savings and investment certificates. California has a number of thrift and loans, though there are only a handful nationwide.

First Republic's lending activities are almost solely mortgage related. The holding company's thrift and mortgage banking assets total $1.3 billion.

Mr. Newton said that First Republic has had a mortgage banking subsidiary in Las Vegas for years and that the purchase of an insured institution will allow it to tap into the Las Vegas deposit base.

Increasing its retail deposit franchise is one of the company's goals for this year, and it is opening two branches in San Francisco, bringing the total to eight.

"This purchase isn't related to our mortgage banking activities," Mr. Newton said. "We believe Nevada, and Las Vegas, is a good market for deposits."

First Republic isn't the first financial institution to target Nevada's lucrative Las Vegas market. California's superregionals have been the major players in the state for several years.

Besides First Republic, only one other smaller California financial institution has staked a claim inside Nevada. Sierra Tahoe Bancorp, Truckee, Calif., a major small-business lender in Northern California, opened its Sierra Bank of Nevada in Reno in 1990. Sierra Bank of Nevada has been the holding company's only growing business since then.

The impetus for the move is evident. Las Vegas is the only one of First Republic's markets that hasn't been hit hard by the real estate downturn, according to Charlotte Chamberlain, an analyst at Wedbush Morgan Securities.

About 60% of First Republic's mortgage lending is in the San Francisco Bay area, with 24% in Los Angeles and just 15% in Las Vegas. □



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Oregon's Western Bank Loses Bid To Take Over Bank of Newport

By PHILIP ZAHODIAKIN

A hostile, yearlong takeover effort by Oregon's Western Bank ended in defeat last week.

The $600 million-asset Coos Bay bank had sought to buy the $132 million-asset Bank of Newport, which is headquartered halfway up Oregon's Pacific coast.

But an Aug. 11 vote by shareholders representing 91% of Newport's equity buried a motion to oust the board.

Although hostile bids by, and for, community banks are rare, the postmortem sounds familiar. The winner downplays the victory, and the vanquished suitor blames dirty tricks.

Classroom for Small Banks

This particular fight was enthralling for small banks, says Newport chairman Jeff Ouderkirk.

"The shareholders meeting was very well attended by community bankers from Oregon and Washington," he said.

"The small banks wanted to see how to shield themselves from similar overtures. They learned that the key is excellent shareholder value and communication."

The motion to remove the Newport board was put before the shareholders by Western's chairman, Georges C. St. Laurent Jr., who holds about 5% of Newport equity.

It was defeated by a 2-to-1 margin, but Mr. St. Laurent says shareholder value for Newport investors is anything but excellent.

"They have a lot of very angry



Jeff Ouderkirk
Denies greenmailing charge

Shareholders buried a motion by Western's CEO to oust Newport's board.

shareholders who wanted the directors to accept our offer," says Mr. St. Laurent.

"They tried to greenmail me, which didn't work; but they got a couple of independent banks to buy out their largest shareholder, which turned the tide against us."

Newport shares are trading at $15 bid, $17 ask. Last fall, and again this spring, Western offered $18 a share or a stock swap valued at $22 a share. Book value is $12.59.

In response to the first offer, Newport said the bid was short.

In April, when the offer was repeated -- and put before the media -- Mr. Ouderkirk said Mr. St. Laurent was interested in Newport solely to sweeten Western's takeover value.

'Might Be in Play'

Newport, says Mr. Ouderkirk, was founded by a Bank of America executive who gave up on money-center banking. He says Mr. St. Laurent would gladly hand over the keys to Western and Newport the moment a big bank tendered an offer.

"He has been greasing the bank very rapidly, and he's unwilling to reveal any long-term strategy, if he has one. Western's stock has been trading at an overheated price, and that suggests to me that Western might be in play."

Mr. Ouderkirk says Mr. St. Laurent was asked to consider an offer for his stake in Newport, but dismisses any suggestion that the offer was sweetened to drive him away. "Our offer was around market value. We know what the banking laws are, and we categorically deny that we were greenmailing anyone."

'We Didn't Buy Any Shares'

As to the buyout of Newport's largest shareholder, Mr. Ouderkirks says, "To our knowledge, no sale has been completed at this time. There may have been shares that traded hands, but the trade was at arm's length from the corporation. We didn't buy any shares."

He adds, "Even if the position held by our largest shareholder was turned over to Mr. St. Laurent, given the margin, it wouldn't have mattered."

Mr. St. Laurent would not say if he will bid for Newport again. □

Chicago's Avondale Angered Depositors When It Chose a Buyout over Going Public

By ROBERT B. COX

CHICAGO — Avondale Federal Savings Bank last week scrapped plans for a public offering in favor of a merger conversion with an Iowa thrift that some depositors are calling a bad deal.

In agreeing to sell out to privately held Central Resource Group, an insurance and financial services holding company based in Des Moines, Avondale angered depositors who argued they could have gotten a better deal by taking the Chicago-based company public.

Terms of Deal Outlined

"This deal is road kill being packaged as a mink coat," said Linda Stromberg, an Avondale depositor and a thrift analyst at Howe Barnes Investments, Chicago. "No one is looking out for the depositors."

The thrift's officials said they had explored both possibilities.

But Avondale officials said they explored a stand-alone conversion and spoke with numerous other banks before agreeing to be acquired by Central Resource Group.

Under the terms of the transaction, Avondale will be merged with Midland Savings Bank, Central Resource Group's $953 million-assets thrift.

Avondale depositors and employees will be offered first crack at Central Resource stock, which will then be offered to depositors of Midland before going public later this year or in early 1994.

Central Resource is the parent company of Iowa's largest residential real estate company and largest residential mortgage originator. The company has a loan origination office in a Chicago suburb.

An 'Excellent Opportunity'

"The merger with Avondale represents an excellent opportunity to expand our franchise in the Midwest," said Alfred P. Moore, president of Central Resource.

"We are going to build a very significant integrated financial services company," said Robert S. Engelman Jr., who will become president of the merged savings and loan, which will have assets of $1.47 billion and will be based in Des Moines.

But some depositors are crying foul. They say that Avondale's management – by forgoing a stand-alone stock conversion – has stripped them of a possibly lucrative crack at

See **AVONDALE** *next page*

ArgentBank Gets Solid Return from Investing in Staff

Donald L. Peltier, chairman of ArgentBank in Louisiana, had the vision to want everything done exactly right.

He realized that only quality of service and total commitment by each and every employee would bring the performance and results he was looking for.

With Randall E. Howard, president and chief executive officer, Mr. Peltier built a successful super community bank, known until June as First Interstate of Southern Louisiana.



The company, approaching $600 million of assets, weathered 10 recessionary years in its market without a single annual loss. While many other Louisiana banks were suffering or even perishing, ArgentBank earned 1.35% on assets and 15.7% on equity last year, with a 9% capital ratio. It has sustained that performance into 1993 so far.

The secret of success at ArgentBank – which changed its name because it withdrew from the First Interstate Bancorp franchise system – is investment in people.

Attractive Salaries

First, the bank pays well. "We compare ourselves to the best-run banks in the country and pay our people accordingly," Mr. Howard said.

The benchmark banks for salary administration are strong performers and not necessarily in ArgentBank's marketplace.

"You have to pay well to attract the best," Mr. Peltier said.

The bank is willing to pay high salaries to attract the best and brightest.

The bank has given employees the option of retiring at 62, with retirement benefits reduced by only $40 a month from what they would be at age 65.

Clearly, management is attentive to employees, realizing they are the company's most important resource. Time is invested in the people, as well as money.

Breakfast Meetings

During a postmerger integration program, Mr. Howard scheduled breakfasts to meet with every single employee of the newly acquired bank. The practice has evolved into a series of breakfasts with 15 to 20 employees every other month.

As a result, the bank president meets at least once with everyone over an 18-month period. Mr. Howard's degree of accessibility is unique, and his employees indicate they have no fears in dealing with him openly and honestly.

Accompanying the strong bottom line is low employee turnover. More than 30% have been with ArgentBank 10 years or more.

Staff retention is especially critical for super community banks. The employee-customer relationship is key to being attentive to customers and their local marketplaces, which differentiates super community institutions from more distant, impersonal bureaucracies.

Studies have shown that the longer employees stay with a bank, the stronger customer loyalty is. And customer retention gets translated into improved profitability, since customers over time will use more products and services and end up paying more in interest and fees. □

Avondale Depositors Angered by Buyout

Continued from *page 6*

the company's stock before it trades on the market.

Chronology of Transaction

Avondale announced in April that it had asked financial advisors Charles Webb & Co., Columbus, to help it explore a stand-alone conversion.

The company also contracted with Hovde Financial, a Washington-based firm that assists financial institutions in finding mergers and acquisitions partners.

Hovde introduced Avondale to CRG and as many as 15 other banks and thrifts possibly interested in merging, said Steven D. Hovde, head of the firm's Chicago office.

Avondale officials then compared the benefits of the Central Resource merger with a stand-alone conversion, and decided on the former in consultation with Charles Webb.

While officials say they have not yet determined what will underwrite the Central Resource stock offering, the company has a long-standing relationship with Chicago Corp. Charles Webb & Co. also has a informal revenue-sharing agreement with the investment banking firm.

The merger conversion is subject to approval from the Securities and Exchange Commission and the Office of Thrift Supervision. □

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Likely Ginnie Mae Chief Expected to Boost Business

By SNIGDHA PRAKASH

WASHINGTON — Dwight Robinson, recently tapped to be the next president of the Government National Mortgage Association, is likely to lead a marked expansion of the agency.

Mr. Robinson's background and ties to federal housing officials suggest that he will work closely with the Federal Housing Administration as it expands its mortgage program, industry officials say. That, in turn, should boost Ginnie Mae's business volume, because most FHA loans are bundled as Ginnie Mae securities.

At the same time, mortgage bankers are looking to Mr. Robinson to quickly get Ginnie Mae into the business of issuing real estate mortgage investment conduits, or Remics. Earlier this month, Congress authorized the agency to issue these multiclass securities.



Marcello Paganelli

DWIGHT ROBINSON, who is a background check away from being nominated, is expected to work closely with the Federal Housing Administration. FHA loans are bundled as Ginnie Mae securities.

No Comment

Mr. Robinson, 40, is currently an affordable-housing executive at the Federal Home Loan Mortgage Corp. The White House has announced its intention to nominate him for the Ginnie Mae post following a background check.

In an interview last week, Mr. Robinson studiously declined to comment on his nomination.

But he did voice support for a move by the Department of Housing and Urban Development to adopt a more activist role in providing housing for lower-income people. HUD is the parent of both FHA and Ginnie Mae.

"HUD's on the right track," he said.

Originations Are Off

Ginnie Mae's main business is guaranteeing securities backed by FHA and Veterans Administration mortgages. But originations of those loans have fallen sharply in recent years, diminishing Ginnie Mae's stature.

Last year, the government-insured mortgages accounted for less than 9% of all new loans, down from 20% in 1980, according to the newsletter *Inside Mortgage Finance.*

As a key architect of Freddie Mac's programs for lower-income people, Mr. Robinson is in a good position to help reinvigorate the government's mortgage programs, mortgage executives say.

Mr. Robinson's appointment would "move Ginnie Mae to being a partner with the Federal Housing Administration," said Robert M. O'Toole, senior staff vice president at the Mortgage Bankers Association.

"This is a fellow who's been on the ground doing the kinds of deals that Ginnie Mae securitizes," added John McEvoy, executive director of the National Council of State Housing Finance Agencies. "He's not some political appointment brought in off the street."

Political Connections

Mr. Robinson, to be sure, is not without Washington connections. As deputy executive director of the Michigan State Housing Development Authority from 1986 to 1990, he worked for Terry DuVernay, now deputy secretary of HUD.

Both men lost their jobs when the Democratic governor, Jim Blanchard, lost the election in 1990. Mr. DuVernay left to work for Gov. Zell Miller, D-Ga., an early Clinton supporter. Mr. Robinson came to Washington to work for Freddie Mac.

Some mortgage executives hope that Mr. Robinson will put the highest priority on getting a Remic program off the ground. Though Ginnie Mae has discussed a Remic program for years, little headway has been made since Raoul L. Carrol resigned as president last November.

"We think that's kind of stalled without a Ginnie Mae head. We'd like to move it forward," said Herbert L. Carroll, chairman of BancPlus Mortgage Corp. in San Antonio.

Remics are backed by basic, pass-through mortgage securities. In theory, a Ginnie Mae Remic program will boost demand for Ginnie Mae pass-throughs, which will allow lenders to offer government-insured loans at slightly lower rates. □

Bank of New York to Arrange $215 Million of Loans for First Franklin

By JAMES H. SAPT

First Franklin Financial Corp. has tapped Bank of New York to arrange $215 million in new bank loans to fund operating requirements and finance the acquisition of servicing rights, according to Steve Dallas, chairman of the mortgage bank.

Separately, Bank of New York and Banc One are syndicating a $475 million bank loan for BancPlus Mortgage Corp. of San Antonio, Tex.

Bank of New York is shopping the First Franklin credit to a number of mortgage-lending specialists.

Seeks Franchise Expansion

The deal will comprise a $200 million warehouse credit – used to fund mortgages awaiting sale – and a $15 million war chest to buy servicing rights.

The $15 million loan is priced at 275 basis points over the London interbank offered rate. First Franklin, which is based in San Jose, Calif., wants to buy servicing rights to expand its franchise outside of California, said Mr. Dallas.

The money would help fund operating requirements.

A General Trend

He said the mortgage warehouse facility will largely refinance existing warehouse lines with investment banks.

Investment banks have moved increasingly into warehouse lending over the past couple of years, often undercutting banks on pricing.

First Franklin chose a bank-led facility partly because Bank of New York was able to pair the mortgage warehouse deal with a competitively priced servicing rights acquisition facility, Mr. Dallas said.

Terms of the Deal

The mortgage warehouse credit will run for 364 days and is priced at Libor plus 162.5 basis points, according to bankers looking at the deal.

BancPlus' credit includes a $400 million mortgage warehouse loan priced at Libor plus 150 basis points.

The company also will receive a $75 million, seven-year loan to finance planned acquisitions of servicing rights, according to bankers familiar with the deal.

That credit, priced at Libor plus 250 basis points, contains a provision that may increase the deal to $100 million. □

Sadly for you, politicians in Washington agree on something.

Lawyers, legislators and lobbyists in Washington—people who've made careers out of being contrary—all are declaring the same thing these days: that government's relationship with the secondary mortgage market is going to change drastically.

They all know about HUD plans to toughen enforcement, new pressures on Fannie and Freddie, and the revival of Ginnie Mae as a major player in the market. And if you want more evidence, look to Capitol Hill, where Congress is toying with mortgage bankers subject to the same regs as commercial banks.

How should you react? You could wax nostalgic—and get clobbered by the government and your competitors. Or you could read *The Mortgage Marketplace.*

Every Monday, in less time than it takes to finish your morning coffee, *The Mortgage Marketplace* tells you about the new rules and ideas that could keelhaul your secondary operations. It names the biggest mortgage company participants in Ginnie, Fannie and Freddie issues. And it scans the horizon to determine what types of loans, and borrowers, that now are considered exotic could soon enter the pipeline of conforming loans.

There's no debate—new regs are coming. What's still at issue is whether you'll be ready for them.

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ADAD #12

■ Mortgage Marketplace

Salomon Acquisition Chief Foresees More Consolidation

Brenda White, Salomon Brothers' head of investment banking for mortgage companies, played a role in two of the largest deals this year.

Most recently, she represented GE Capital Corp. in its successful bid for Shearson Lehman Hutton Mortgage Corp. She also represented McAndrews & Forbes in its sale of Troy & Nichols Inc. to Chase Manhattan Bank.

American Banker reporter James H. Saft spoke with her last week.

Q: How strong is interest in mortgage banking assets?

WHITE: I think it's very strong. And the interest is coming from three different sectors: commercial banks, public mortgage companies, and financial buyers.

Q: Could you talk a little more about each group?

WHITE: Commercial banks all seem to be interested in enhancing or establishing their presence in the sector.

The public companies, which have access to the cap markets now, are looking to enhance their presence on the originations and servicing side.

And then we still have some interest from financial buyers — those that have some access to equity capital and are looking to enter the industry. They tend not to be the most competitive in the auctions, but they nonetheless are there.

Q: Will any companies as big as Shearson be sold soon?

WHITE: The problem is is that when you take a look at the list of the top 10 or 25 mortgage banking companies, the majority are committed to the sector.

Q: Are we at the top of the market for deal prices?

WHITE: I don't think we are, because I think that as consolidation continues, the larger players will have more of an edge where they are buying servicing. Therefore prices could strengthen.

"As consolidation continues, the larger players will have more of an edge."

Q: What is that edge?

WHITE: As the largest players get bigger, they are able to service for less and employ technology smaller players cannot afford. This allows them to pay somewhat more for servicing rights.

Q: How interested are acquirers in origination networks?

WHITE: I think there is a tremendous amount of interest in originations today. I think, though, that there is some caution exercised by buyers. They are very interested in volume, but they also want to understand the sustainable volume of a given network.

Q: There have long been rumblings that a big company outside the industry, someone like AT&T, will make an acquisition. Will that happen?

WHITE: Not now, but that could be the next generation of consolidation.

The current round will enable the largest players to employ state-of-the-art technology in a cost-effective way.

Once we get to that point, there may be industrial companies or large utilities that see that they can bring yet more efficiency to the process. Its possible, but I don't see that on the near-term horizon. □



Brenda White
"Prices could strengthen"



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First of America Moves into N.C.

KALAMAZOO, Mich. — First of America Mortgage Co. has entered a new market with the acquisition of Pioneer Mortgage Company, a division of Pioneer Savings Bank.

Pioneer Mortgage has five offices, all in North Carolina. They are in Raleigh, Jacksonville, New Bern, Rocky Mount, and Wilmington.

A Small Company

The five-year-old company is relatively small and specializes in government-insured residential loans. No purchase price was announced.

David L. Stimpson, president of First of America Mortgage, a subsidiary of First of America Bank Corp., said the acquisition not only expands his company's market area but broadens its product mix.

First of America Mortgage has retail offices in Arizona, Florida, Illinois, Missouri. Its servicing portfolio is about $6 billion.

Despite the Sizzle, Banks Hold Back From Creating Their Own Utility Funds

By KALEN HOLLIDAY

Investors are getting turned on to utility funds, but banks have been slow to introduce the products into their proprietary families.

Assets invested in utility funds totaled $24 billion on June 30, up from $13.1 billion a year earlier, according to Lipper Analytical Services. The number of funds offered grew from 35 to 48, Lipper found.

And while mutual fund companies report that utility funds have been hot sellers for banks (see article on facing page), only one banking company – Bankers Trust New York Corp. – manages a utility fund.

Pioneering Fund

Bankers Trust introduced its BT Investors Utility Fund last August in response to historically low interest rates.

"We perceived the need for investors to earn higher levels of yield while taking limited principal risks," said Joseph Demmler, vice president for mutual funds at the bank. "The utility fund serves that purpose."

The utility fund currently has $30 million in assets, up from $22.9 million at the end of March. The minimum investment is $5,000.

Others Expected to Follow

For the first half of 1993, the no-load fund posted a 10.02% return. "It's been a very successful fund for us," Mr. Demmler said.

Industry analysts predict that other banks will soon follow Bankers Trust's lead.

Because of the nature of their relationship with customers, "banks will try to beef up some of their conservative equity offerings," said Avi Nachmany of New York-based Strategic Insight, a consulting firm.

Retail Appeal

Utility funds are a good fit because they are relatively safe and pay high dividends, Mr. Nachmany said.


Scott Foster

PLUGGED IN: Bankers Trust manages the only bank utility fund. "We perceived the need for investors to earn higher levels of yield while taking limited principal risks," said Joseph Demmler, a vice president.

"There is a lot of retail appeal."

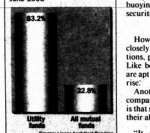
Conservative utility funds are often seen as a first step into owning stock funds.

Since mutual fund companies are having great success in selling utility funds through banks, "the likelihood is good" that banks will offer house brands soon, said Lipper's Geoff Bobroff.

Utility funds have been successful because they provide steady income and seem to be less volatile than other mutual fund products, he said.

Furthermore, the money currently flowing into these funds is buoying prices of the underlying securities.

Power Surge
Percentage change in assets between June 1992 and June 1993



Source: Lipper Analytical Services, Investment Company Institute

Rate Risk

However, the funds' success is closely tied to market conditions, particularly interest rates. Like bonds, utility stock prices are apt to decline if interest rates rise.

Another problem for utility companies, Mr. Bobroff noted, is that state governments restrict their ability to revise rates.

"It makes sense for other banks with a high-net-worth investor base" to introduce utility funds, said Bankers Trust's Mr. Demmler.

However, he said, "you need sophisticated investors to understand the tradeoff between risk and return."

Widespread Interest

As banks scramble to introduce funds to compete with third-party providers, utility funds are gaining recognition.

In studying banks' expansion plans in the mutual fund arena, the Boston consulting firm of Cerulli Associates is finding that banks are looking at adding balanced, municipal, and utility funds to their fund families.

Banks are interested in introducing their own utility funds because "they behave like a bank's usual investment vehicles," said Mary McAvity, a consultant with the firm.

Conservative Diversification

Fleet Financial Group has been considering introducing a utility fund for about a year, said Peter Herlihy, vice president Fleet Investment Services.

"Intuitively, we feel it might make sense for a conservative audience," Mr. Herlihy said.

Fleet is trying to get customers to diversify their investments. "They have too many eggs in one basket," Mr. Herlihy said.

Utility funds are a "nice, conservative way to diversify," he said, but only as part of an investor's portfolio. "I wouldn't recommend putting 100% in utility funds."

Waiting for Customers

But Fleet thinks it should not introduce a proprietary utility fund without a "critical mass" of customer interest, Mr. Herlihy said. And so far, no customers have requested such a fund, he said.

Nor has NBD Bancorp seen any customer demand for utility funds.

The Detroit-based bank has "no plans" for a utility fund now, but may look into it in the future, said Richard Foerstering, first vice president.

Second Thoughts

In the past year, Fleet, like other banks that market proprietary funds, has been looking at diversifying its mutual fund offerings.

"In retrospect," Mr. Herlihy said, adding a utility fund "probably would have been a good thing to do." □

Oppenheimer Names Fixed-Income Chief

Len Darling has been named executive vice president and director of fixed income for Oppenheimer Management Corp.

He joined the New York-based mutual fund company from State Street Research and Management Corp., where he was a co-manager of the fixed-income department.

At Oppenheimer, Mr. Darling, 50, oversees the portfolio managers who run the company's 27 government, municipal, high-yield, and money-market mutual funds. He reports to chief executive Jon S. Fossel.

— **Debra Cope**

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Fund Firms Say Bank Customers Are Flocking to Utilities

By DEIDRE SULLIVAN
Special to the American Banker

Bank customers are becoming avid buyers of utility mutual funds, according to executives at four fund companies.

Indeed, the move to utility funds represents something of a second investment wave within the bank channel, the executives told the *American Banker*.

Utility funds are catching on as a first step into equity investing for customers who have traditionally favored low-risk investments, such as government bond funds.

"For a bank customer, utility funds are like growth funds with training wheels," said William Ennis, senior vice president and director of the bank division at Colonial Investments in Boston.

1st-Half Return Averaged 11%

In the first half of 1993 the average utility fund returned 11%, according to Lipper Analytical Services. That eclipses the returns posted by many aggressive stock funds.

Colonial's $1.2 billion utility fund is the company's best seller overall. In bank sales, it consistently ranks No. 1 or No. 2 each month, vying for the top spot with a tax-exempt government bond fund.

"Growth funds with training wheels," an exec calls them.

The initial minimum investment is $1,000.

Mr. Ennis expects to see a continued wave of growth. "There are 77 million baby boomers and 25 million retirees. For someone who wants a safe, income-producing product, it's ideal."

In recent months, executives at Putnam Securities in Boston have witnessed an enormous surge in utility fund sales through the bank channel.

Putnam's $1.2 billion-asset Utilities Growth and Income Fund racked up more than $349 million in sales last year. Bank customers accounted for just over a quarter of sales.

In the first half of 1993, bank customers accounted for nearly half of the utility fund's sales of $293 million.

"Utilities offer the bank customer a way to tiptoe into stocks," said Stephen Gibson, director of retail marketing at Putnam. The funds have more in common with fixed-income funds than with equity funds, because they tend not to be very volatile, he said. "Even when interest rates rise, the fund stands still."

In the world of utility fund investing, San Mateo-based Franklin Resources' claim to fame is that it has the most experience. The $3.3 billion-asset Franklin Utility Fund, formed in 1948, has flus provided an annual average return of 13.99% over the past 10 years.

Kent Strazza, vice president and national sales manager for Franklin's bank division, reports that a new wave of banking customers is gravitating to utility funds.


Kent Strazza
Sees new wave of investors

"Bank representatives are going back to their customer who first bought fixed-income funds and they are saying, 'Let's talk equities.'" Mr. Strazza said. "They bring up the subject of utilities.

Like other fund executives, Mr. Strazza believes that utility funds are going to benefit from demographic shifts.

"Our feeling is that our utility fund is perfect for people who are planning for retirement and for those trying to save for their kids' college educations," he explained. "Those markets are booming." The minimum investment, $100, is also a boost.

Mr. Strazza estimates that this year Franklin will sell over $300 million of shares in its utility fund to bank customers, or 25% of its total bank sales.

Joint Advertising

The company is also working with several banks on joint advertising programs to promote the utility fund through the bank channel. Mr. Strazza said that Franklin advertisements are running in the quarterly magazines that banks often send to their share holders.

Come September, Boston-based Massachusetts Financial Services' utility fund will be promoted more heavily in the bank channel, when the firm will start offering a class B share of the fund. Massachusetts Financial started its fund in February 1992 and currently has $33 million in assets under management.

John Riley, a spokesman for Massachusetts Financial, said that the current up-front sales charge makes it difficult for his firm to promote this product through banks.

"Once we offer the new class of shares, we expect a boost in sales," he said.

Ms. Sullivan is a freelance writer based in New York.

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Comptroller's Guidelines Stress Clarity Of Information Provided to Customers

By ROBERT M. KURUCZA
Last of two articles

In an Aug. 4 article in the American Banker, *Mr. Kuruczа analyzed the impact of the Office of the Comptroller of the Currency's new guidelines for bank mutual fund sales. In this article, he discusses specific points that banks should address in the investment-product program statements that the Comptroller's office now requires.*

The OCC guidelines stress that national banks should market investment products in a manner that does not mislead or confuse customers as to the nature of the products or the risks involved.

Comment

Bank policies should specifically delineate the locations at which sales will occur. The guidelines contemplate that bank management will take steps to separate the retail deposit-taking and retail investment product sales functions.

Tellers are specifically prohibited from giving investment advice to customers. It is unclear whether tellers can process "passive" sales transactions, such as requests by a customer to redeem shares in a mutual fund sold by the bank.

Avoiding Conflicts

Banks are also strongly discouraged from allowing employees who accept retail deposits to concurrently sell retail investment products. If an employee engages in both activities, this dual role must be disclosed.

It is not certain whether the guidelines are meant to prohibit a bank employee who sometimes works at a teller station from giving investment advice while functioning in an investment products sales role.

The OCC guidelines allow national banks to market investment products that have names that are similar, but not identical, to the bank's name.

Mr. Kuruczа is a partner in the law firm of Morrison & Foerster, Washington. His colleagues Robert G. Ballen and Joseph P. Savage helped prepare this article.

If a product name is similar, the bank must have sales training that minimizes the risk of customer confusion as to whether the product is FDIC-insured.

Assurances that a national bank meets the sales training condition, it will be able to sell mutual funds, including proprietary funds, that have names similar to the bank's.

Common Practice

There are numerous examples today of national banks offering proprietary funds with arguably similar names to the bank advising the fund. Incorporating the adviser's name in some fashion in a fund's name is common in the mutual fund industry.

Most of these banks already have sales training programs which emphasize that shares in the funds are not FDIC insured.

Tellers are prohibited from giving customers investment advice.

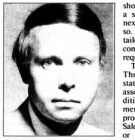
When coupled with the required disclosures described below (which are already prevalent in connection with bank investment product sales activities), the combination of the prophylactic measures should be effective in avoiding any possible customer confusion.

It should be noted that the Federal Reserve Board is of the view that mutual funds advised by a bank holding company or a nonbank subsidiary may not have a name that is similar to that of the holding company or any of its subsidiary banks, regardless of any disclosures intended to minimize confusion.

Moreover, the Fed prohibits employees of state-chartered member banks who accept retail deposits from offering investment advice concerning investment products.

Spelling Out the Risks

When selling, advertising, or otherwise marketing uninsured investment products to retail customers, the Comptroller's



Robert M. Kuruczа

guidelines require national banks to disclose conspicuously that the products offered are not FDIC-insured, are not obligations of the bank, are not guaranteed by the bank, and involve investment risks, including possible loss of principal.

Additionally, where relevant, the bank should disclose the existence of an advisory or other relationship between the bank and any affiliate involved in providing the investment product, and the existence of any early withdrawal penalties, surrender charges penalties, or deferred sales charges.

It is difficult to imagine any banker quibbling about the desirability of these disclosures from a "safety and soundness" standpoint. In fact, knowledgable bankers have been making such disclosures for years.

Thus, many banks already engaged in these activities will find they have to make few if any changes in their disclosures.

The Securities and Exchange Commission also recently directed banks to print a boldface legend on prospectuses for proprietary mutual funds, alerting investors to the funds' uninsured status.

Acknowledging Receipt

The Comptroller's guidelines also state that it is appropriate for a national bank to obtain signed statements from customers acknowledging receipt of these disclosures when investment accounts are opened.

For accounts established before the issuance of the OCC guidelines, a national bank should consider obtaining such a signed statement before the next sale. Most banks already do so. In fact, some get more detailed acknowledgments from consumers than the guidelines require.

The Fed and the Office of Thrift Supervision require, for state member banks and savings associations, respectively, an additional signed customer statement any time an investment product sale is made in a branch. Sales made over the telephone or through automatic investment or "sweep" arrangements should not require a new signed statement before each sale.

NASD Rules Incorporated

Significantly, the Comptroller's guidelines incorporate by reference the Rules of Fair Practice of the National Association

The bank must make clear which of its products are not FDIC insured.

of Securities Dealers with respect to investment products recommendations made to customers.

This seems entirely appropriate for a number of reasons. First, few bankers would disagree that retail securities sales activities by national banks should be subject to the same customer protection requirements that apply to their securities industry counterparts.

Second, the NASD rules are well settled standards that have worked effectively to protect consumers. There is no compelling reason to impose different standards on banks.

Banks should ensure that all investment-product salespersons obtain sufficient information from customers to enable them to make a judgment about the suitability of recommendations for a particular customer, as required by the NASD rules.

Suitability Inquiries

At a minimum, before making a recommendation to a customer, suitability inquiries should be made and responses documented, consistent with the NASD rules concerning the customer's financial status, tax status, investment objectives and other relevant factors.

Registered broker-dealers, including those affiliated with national banks or otherwise involved with bank-related investment product sales programs, are already subject to the NASD rules.

On the other hand, banks themselves are not directly subject to these rules. National banks may find that they have to adjust their existing procedures to some degree.

The Comptroller's guidelines indicate that compensation programs should not operate as an incentives for salespersons to sell retail investment products over a more suitable option, such as an insured bank deposit.

Tellers who receive compensation for referrals should not be compensated on the basis of the "success" of the sale.

Adherence to the NASD suitability standards described above should help achieve compliance with these requirements.

As the Comptroller's Office continues to develop its regulatory regime for national banks that sell investment products, it seems likely that the agency will look to the NASD's experience in interpreting and administering its suitability and other customer protection rules.

Standards for Salespeople

The guidelines impose a series of requirements on national banks to ensure that their sales personnel are properly qualified, adequately trained, and appropriately supervised.

For programs where sales personnel are registered representatives of a broker-dealer or agents of a licensed insurance agency, compliance with the applicable broker-dealer and insurance agency regulations should satisfy the requirements of the OCC guidelines.

However, banks that use unregistered or unlicensed employees to sell investment products may, in some cases, be required to upgrade the skills, training, and supervision of these workers.

Many existing bank investment products programs already use broker-dealer and insurance agent training standards as proxies for the training of bank personnel involved in investment

See **OCC GUIDELINES** *next page*

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Chemical Adds 4 Long-Term Mutual Funds

By KAREN TALLEY

Chemical Bank has launched four stock and bond mutual funds, becoming the last money-center bank to plunge into the business of managing long-term mutual funds.

The bank, which already offers six money-market mutual funds under the Hanover Investment banner, is adding two U.S. government bond funds, a blue chip growth fund, and a growth fund of small-capitalization stocks.

Called Critical Step

The money market funds, offered since 1982, have $3.5 billion of assets under management.

"The launch of our bond and equity funds represents a critical step in the evolution of our investment products strategy," said Gary Sherman, a managing director of Chemical's private banking group.

But one industry observer said Chemical should have been out of the starting gate earlier, given that mutual funds have rapidly evolved into a mainstream investment for consumers.

Tax-Free Funds to Be Added

"They're several years behind all the other large banks," said George Salem of Prudential Securities. "At this point, it's a pretty essential service."

In coming months, the bank will expand its lineup by adding a general tax-free fund and a New York tax-free fund.

The proprietary fund family is a key component of the much-ballyhooed program Chemical is rolling out at branches with Boston-based Liberty Financial Services.

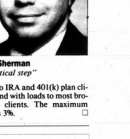
Assets on the Increase

Other distribution avenues include Chemical's institutional client base and independent broker-dealers.

Of the four new offerings, Chemical started a U.S. government securities fund and the blue-chip growth fund with about $150 million of assets converted from commingled trust funds. They quietly rolled out the funds this spring, and since then assets have increased by about $15 million.

The two other new funds, a short-term government fund and the small-capitalization fund, were started from scratch and now have about $35 million of assets between them.

Chemical offers the Hanover Investment funds on a no-load basis to IRA and 401(k) plan clients, and with loads to most brokerage clients. The maximum load is 3%. □



Gary Sherman
"A critical step"

OCC Guidelines Emphasize Clarity Of Information

Continued from *page* **12**

product sales.

The guidelines also require banks to maintain comprehensive compliance programs.

They indicate that the compliance function should be independent of the management of the investment products sales program. At a minimum, the compliance function should include systems to monitor customer complaints and to review customer accounts to detect and prevent abusive practices.

National banks will likely need to adjust their existing compliance activities to meet the various requirements applicable to the bank's nondeposit investment products program.

Alterations Required

To varying degrees, the guidelines undoubtedly will require some changes in existing investment-product sales practices of national banks.

Banks also should be aware that it is likely that there will be further guidance in this area. For example, it is expected that more detailed guidelines on investment products sales practices will be provided to OCC examiners shortly.

Moreover, the guidelines are clearly intended to be dynamic standards that will evolve in response to new developments in the marketplace. In addition, several committees of Congress continue to scrutinize bank investment product activities. □

Centura's Venture Starts Its Operations

CHARLOTTE, N.C. — Centura Banks Inc. and Independent Fiduciary Services Inc.'s joint venture company, MidSouth Financial Services, has begun operations.

As reported in July, MidSouth Financial will provide data processing, operational, and administrative support to banks and other entities that offer trust and other fiduciary services.

— Dow Jones



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Ohio Co. Selling Funds, Annuities at Banks

By DEIDRE SULLIVAN
Special to the American Banker

Ohio Co., which has operated independent brokerage offices for decades, is carving out a new niche by selling mutual funds and annuities through banks.

The Columbus-based company recently signed up two more institutions to a growing program that targets midwest banks, especially those with under $400 million of assets.

First State Bank in East Point, Mich., and Citizens Bank in Martins Ferry, Ohio, will begin offering mutual funds and annuities through Ohio Co. later this month.

Nine Banks Signed Up

With the additions, Ohio Co. has signed up nine banks since beginning the bank program in 1990.

It sets up its own offices inside the banks and hires its own brokers to run the programs.

The arrangement gives bank customers the opportunity to buy stocks, annuities and mutual funds, including some from Ohio Co.'s own family of Cardinal Funds.

It is also a way for the banks to increase fee income. Under a lease agreement, banks typically receive 25% of commissions from product sales.

Midwest banks with under $400 million of assets have been the main targets.

Ohio Co. takes a highly selective approach when targeting banks for its brokerage services, said James Rowlette, vice president and director of marketing.

"We look for a smaller, highly independent bank in trade-center communities."

Shared Philosophy Sought

Ohio Co. wants banks that "share our philosophy of providing highly personalized brokerage services," Mr. Rowlette said.

Each bank brokerage is staffed by a broker with a track record and existing client base.

Brokers at the latest two offices joined Ohio Co. from Prudential Bache and Legg Mason, Mr. Rowlette said.

Experienced brokers give banks and Ohio Co. "a leg up," Mr. Rowlette said. "We don't want to have to train our brokers."

Incentives Bring Business

Also helping brokers are bank employees who receive financial incentives for directing business their way.

"We basically write two checks each month," Mr. Rowlette said. "One for our rent and one to the personnel manager as part of our referral program."

Although the Ohio Co. bank program is growing, getting a foot in the door isn't always easy.

One of the obstacles that turn-key providers like Ohio Co. encounter are banking executives who worry that brokerage services will drain their deposit base.

Study Undertaken

That's one reason why Ohio Co. undertook a study last year to track bank brokerage office sales.

It showed the firm's monthly gross revenues from the bank channel was $866,852.

Of that amount, only $62,000 came from within the bank, Mr. Rowlette said. The rest came from sources that include other banks, brokerages, and new customers.

"It tells us that we aren't the fox in the henhouse," Mr. Rowlette said. "We're really here to both solidify and expand the bank's customer base."

Ms. Sullivan is a freelance writer based in New York.

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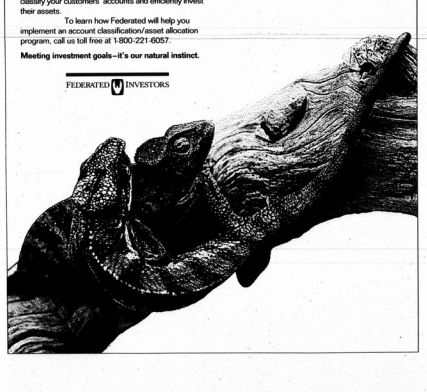

Chubb Offers Banks Liability Insurance

The Chubb Group of Insurance Cos. is offering banks protection against liabilities that may arise from their involvement with proprietary mutual funds.

The Warren, N.J., company features the coverage in its new investment company asset protection program.

The program includes liability coverage for fund directors and officers, and errors and omissions coverage for the fund itself and its service providers, like banks.

Combination Coverage

"Adapting to the complex nature of investment companies, these coverages can protect any combination" of the affiliated individuals and entities, said Evan Rosenberg, investment company product manager in Chubb's department of financial institutions.

Often, outside distributers of bank funds argue for this coverage, Mr. Rosenberg said. But more banks are taking it on themselves as a way of ensuring they are covered, he said.

Chubb will write the coverage for funds, unit investment trusts, and offshore funds.

— Karen Talley

Variable Life Insurance, Annuities Surged in Sales During the First Half

By KALEN HOLLIDAY

Sales of variable life insurance products have hit a record high, and variable annuity sales also are running strong.

In the first half of 1993, net sales of variable life insurance products surpassed net sales for all of 1992 by 32%, according to data released last week by Lipper Analytical Services.

The figure for the first six months – $632.7 million – is higher than for any full year in the past, Lipper reported. Net sales for the first half of 1992 were about $170 million.

Variable Annuity Sales Up 50%

Net variable annuity sales reached $13.2 billion in the first half of the year, up from $8.8 billion in the same period last year, according to Lipper's estimates.

Variable annuities are insurance contracts that provide an income stream. While income payments fluctuate, depending on the value of the underlying mutual funds, the investments are tax-exempt until tapped.

"The passage of the current tax package is going to make tax deferring more important than ever for most individuals," said R.H. "Rick" Carey, publisher of

The tax package makes deferring more important.

the Variable Annuities Research Data Services Report.

Sales are also being driven by the overall growth of the mutual funds industry, consumers' increased needs to save for retirement, and greater product awareness, Mr. Carey said.

"Annuitization is in everyone's best interest," he said.

More People Taking Risks

The dramatic drop in interest rates has pushed more people into taking some kind of risk, said Joseph W. Jordan, vice president of Metropolitan Life's pension and savings center. Variable annuities have a lot of appeal for first time risk-takers, he said.

As the popularity of these products has grown, so has the number of funds offered. There now are about 1,000 variable annuity funds, five times as many as in 1987. "There are a lot of companies designing variable annuities," Mr. Carey said. "It's just a great product."

He expects banks to increase their share of the variable annuity market, noting that bank customers are very comfortable with the product. Ultimately, he predicts, "banks are going to be the biggest distributor."

Mr. Jordan, a board member of the National Association of Variable Annuities , Reston, Va., predicts significant growth in variable annuity sales as more banks come aboard. □



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Bankers Trust and Schwab Join Forces on 401(k) Front

Continued from *page 1*

petitive advantage," said Ronald L. Bush, vice president of Access Research, a market research firm in Windsor, Conn., that tracks the 401(k) business.

By teaming with Schwab, Bankers Trust will be able to offer "a nearly unlimited selection of funds, together with their comprehensive, state-of-the-art plan services," Mr. Bush said.

The 401(k) market is attractive because it is "the fastest-growing segment of the retire-

Bankers Trust's 401(k) offerings will balloon.

ment market," said Richard A. Marin, managing director and head of Bankers Trust Retirement Services.

Employees had piled $410 billion into 401(k) plans by the end of 1992, according to Access Research. And that figure is expected to swell to $1.3 trillion by the turn of the century, making the management of 401(k) plans an attractive growth business for money managers, such as banks, insurance companies, and mutual fund companies.

Through its new alliance with Schwab, Bankers Trust plans to target "the largest companies of corporate America and some public entities," Mr. Marin said.

Clearly, 401(k) plans have emerged as "an increasingly important vehicle for accumulating long-term retirement assets," Mr. Marin said. But at the same time, "participants want a broader range of investment options and greater flexibility to achieve individual objectives."

With $105 billion in retirement plan assets under administration, Bankers Trust has been "a leader in the 401(k) industry since its inception," Mr. Marin said. "And this shows our continued commitment to the market."

The bank is working on some new offerings, especially in the risk management area, for the 401(k) market to add to its core product line, Mr. Marin said.

Spreading Its Wings

By brokering funds to the New York bank's top-dower institutional clients, San Francisco-based Schwab will have a chance to expand its reputation beyond the retail marketplace, where it is an acknowledged powerhouse.

"It gets us further into the 401(k) market, a market we've just entered recently," said Harvey Rowan, president and chief executive of Charles Schwab Trust Co.

"The alliance could give Schwab a crack at some large corporations. "For us, it makes the funds that we offer available to a broader base," said Thomas Taggart, a spokesman for Charles Schwab & Co.

"This is our first relationship with a bank in this area," said Mr. Taggart. But he added, "We're not stopping with Bankers Trust."

In addition to providing a broader array of mutual fund products, the alliance with Schwab also provides clients with an IRA rollover benefit, Mr. Marin said.

Money withdrawn from a 401(k) plan is subject to 20% withholding, unless it is are rolled over, or reinvested, directly into an IRA. "We're providing a seamless way to rollover," Mr. Marin explained. □



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Upstart N.J. Entrepreneur Challenges The Credit Counseling Establishment

By JEFFREY KUTLER

Alan Franklin, a New Jersey entrepreneur and onetime American Express Co. strategist, is out to shake up the nation's credit counseling establishment.

Mr. Franklin has set up a counseling service in Trenton, N.J., that he says is bringing much-needed innovation to a business that many banks and other lenders view as a bulwark against consumer bankruptcies and chargeoffs.

Arguing that the existing network of lender-supported counseling centers has not kept pace with the avalanche of bankruptcies, Mr. Franklin says he can improve creditors' recoveries while preserving unsecured debtors' creditworthiness and dignity.

"We intervene before the crisis point, putting ourselves in between a debtor and his group of creditors," Mr. Franklin said in a recent interview. "We go to the lenders and provide an incentive for forebearance of interest. We will serve as trustee to guarantee repayment on the debt."

33-Month Plan

Mr. Franklin's organization, American Credit Alliance Inc., develops a payback plan that restores the overextended consumer to good standing with multiple creditors in 33 months. The debtor pays lump sums to American Credit Alliance, which distributes the funds.

The alliance takes a cut for itself – usually 15% – while charging a $15 monthly management fee to each debtor.

The program, licensed last December by the New Jersey Banking Department, is not yet operating at its start-up capacity, which Mr. Franklin estimates is 100 cases a month. He has yet to develop the flow of referrals he desires from unsecured creditors. (A bank card lender, for example, would recommend that a tardy customer call American Credit Alliance for assistance.)

But creditors have cooperated with the repayment programs, and there has been a steady stream of satisfied clients, Mr. Franklin says. He tells of their tears of relief after the ritual cutting up of their credit cards.

If American Credit Alliance succeeds, it will take a bite out of traditional debt collections. That business, Mr. Franklin says, frequently degenerates into a free-for-all in which perhaps one fast or lucky creditor in 10 will recover delinquent debt. He wants all 10 to be in on the negotiation and ultimately satisfied.

Advantage Claimed

"No one has ever approached the collection of debt comprehensively and through negotiation," he says.

He also claims an advantage over the counseling programs of the National Foundation for Consumer Credit and its constituents. They wait for troubled debtors to walk through the door, Mr. Franklin says, while he seeks to be "proactive."

Like the foundation and its local and regional members, American Credit Alliance has not-for-profit status and a volunteer board. In fact, Mr. Franklin says he would like to join the national group and gain its imprimatur.

Lender-supported counseling centers have not kept pace, Mr. Franklin says.

But the establishment looks askance at the upstart.

"I am a little concerned that his motivation may be more profit than anything else," said Luther Gatling, director of the Budget and Credit Counseling Service of New York City.

Mr. Franklin, who says he has high regard for Mr. Gatling, has ambitions to expand in New York's outer boroughs and suburbs – Mr. Gatling's back yard.

Mr. Gatling emphasizes the preconsumer public-spiritedness of national foundation members, and says Mr. Franklin brings a "collection-agent mentality" that will not necessarily be "consumer driven."

Mr. Franklin, 52, views his private-sector background as an asset – and exactly what the credit counseling business needs.

American Express Veteran

He spent 14 years with American Express, ending up in the late 1970s monitoring the bank credit card associations and other competitors of American Express Travel Related Services Co.

He went on to spend a year with Visa U.S.A. in McLean, Va., then went into real estate development in Trenton and later into the debt-collection business, working for both GC Services and Integratec Inc.

Integratec had championed a "proactive" approach to recovering credit card loans, giving debtors relatively gentle nudges when still in the early stages of delinquency. Integratec gained an important endorsement this month when Equifax Inc. bought the six-year-old company for $23 million.

At Integratec, Mr. Franklin worked under co-founder A. Wayne Johnson, another credit industry entrepreneur and ex-Visa executive, who allowed Mr. Franklin to begin the seed research that sprouted into American Credit Alliance.

Mr. Johnson called the alliance idea one of "creative genius," changing the collection business from "delivering ultimatums to delivering options."

"I looked at the 52,000 bankruptcy filings by residents of New Jersey over the last three years," Mr. Franklin said. "Maybe 10% of them really should have been filed."

The sheer volume of bankruptcy filings – after 10 years of rapid rise, they have leveled off nationally at just under one million a year – has been difficult for creditors to manage.

And since bankruptcy courts have become more geared to completing legal procedures than to repaying creditors, the recovery battle is often lost before it starts, especially on small personal and card debts.

The alliance takes a cut for itself while charging a monthly fee to each debtor.

Mr. Franklin says his system has a "win-win-win" potential that ultimately unburdens debtors, creditors, and the bankruptcy system alike.

"I'm taking the consumer's side in collections, but I'm also making the intellectual case that this process is better than the way collections work now," he said.

"Of a credit card debt charged off after 180 days, 91% generally won't be recovered," Mr. Franklin said. "I'm saying that it may be collectible – if the debtor is given an incentive to repay.

"This can be done by promising that the debtor will be debt free and credit will be reestablished after 33 months following a plan that has gotten the approval of the lender."

To accusations that he deemphasizes the "social service" aspect of credit counseling, Mr. Franklin says one of his motivations to do good arose from concern about health care costs. His research showed that hospital bills – even what remains after insurance coverage – frequently drove reliable debtors into default.

Upon discharge, patients often find themselves saddled with overdue mortgage and credit card payments in addition to the hospital bill.

"It's never just one debt that has to be collected – it's the entire circumstance," Mr. Franklin said. "If he can't pay the mortgage, he also can't pay Visa."

Mr. Franklin is currently approaching hospitals, offering to intervene when patients need help developing a comprehensive payment plan. The hospital would send a distressed debtor a letter, as would a bank, suggesting a call to American Credit Alliance's toll-free number. On hospital referrals, Mr. Franklin waives his 15% commission.

Waiting for Lenders

The alliance has gotten one hospital to agree to refer up to 200 accounts a month, but bank lenders have yet to do the same. Referrals also come from state agencies, word of mouth, and the telephone book.

"Alan's problem is to break the mold of the leading institutions, which are geared to the credit-counseling-center mode of operation," said Mr. Johnson. He is currently running Qualinet, an Atlanta customer-service company he founded and sold to First Data Resources Inc. last year.

Mr. Franklin believes his approach can work nationally, either independently or through the National Foundation for Consumer Credit.

"There are enough unemployed bankers that there would be no problem making this work," Mr. Franklin said. "I took out a classified ad, just to get a feel for the market, and I got 50 responses to 'part-time credit counseling, banking background preferred.'" □

People in the News



"We intervene before the crisis point, putting ourselves in between a debtor" and his creditors.
Alan Franklin
American Credit Alliance Inc.

Citicorp's Giant Card Portfolio Growing Again, with Ford's Help

By STEPHEN KLEGGE

Citicorp's joint marketing program with Ford Motor Co. helped put the nation's No. 1 banking company back on the credit card growth track in the first half, according to data compiled by RAM Research Corp.

Already the largest credit card issuer by a wide margin, Citicorp increased its card-loan portfolio by 1.41% in the six months, to $36 billion, according to the Frederick, Md., research firm.

Growth in Citicorp's portfolio had been stalled since 1991 as many cardholders deserted for competitors' offerings.

RAM president Robert B. McKinley attributed the comeback to the February launch of the Citibank-Ford Visa card. Competing with General Motors' MasterCard issued by Household Bank, the Ford card provides a 5% rebate on purchases, which can be applied toward a new car.

After a long lull, the No. 1 card portfolio grew by 1.41% in the first half.

The Ford Visa "has more than offset" Citicorp's attrition, Mr. McKinley said, "although it's not a gangbuster program."

Nonbanks Keep Gaining

Also of note in RAM's latest top-10 ranking were continued gains by nonbanks.

MBNA Corp., at $9.9 billion in receivables, jumped past Chase Manhattan Corp. into third place, trailing only Citicorp and the Discover program of Dean Witter Reynolds & Co. Issued by a subsidiary bank, the Discover card had $18.1 billion in outstandings.

MBNA, which was spun off by MNC Financial Inc. in 1991, has found a winning formula in affinity cards, which play on the loyalties of generally affluent consumers who belong to associations or share an interest.

Household Bank, a subsidiary of Household International, was the fastest-growing big issuer, gaining 23.91% in the six months, to $7.1 billion.

But it didn't climb as far up the ranking as preliminary data provided by RAM and Household had indicated. Referring to that data, an Aug. 5 *American Banker* feature on Household said the unit ranked fifth among MasterCard and Visa issuers – a group that excludes Discover.

The final tally for the first half showed that the AT&T Universal card, issued by a unit of Synovus Financial Corp., still had a slim lead over Household, and that BankAmerica Corp. showed unexpected strength in the first half, growing 1.16% to maintain its sixth-place ranking behind First Chicago Corp.

The latest estimates by Household and AT&T suggest the two are in a dead heat in outstandings, with $7.3 billion. □

The Top 10 in Bank Credit Cards
Outstanding loans, in millions of dollars

	Jan. 1	June 30	Change
Citibank	$35,500	$36,000	1.41%
Discover	18,700	18,100	-3.20
MBNA America	9,219	9,896	7.34
Chase Manhattan	8,800	8,600	-2.27
First Chicago	8,542	8,632	1.05
BankAmerica	7,502	7,587	1.16
AT&T Universal	6,600	7,200	9.09
Household	5,713	7,079	23.91
Chemical	5,784	5,774	(0.17)
Bank of New York	4,912	5,222	6.31
All 10	109,270	115,290	5.51

Sources: RAM Research Corp.

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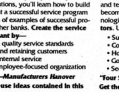

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8:00 – 9:00 Continental Breakfast
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9:00 – 9:15 1993 Conference Chair
Debra McGinty-Poteet, *Senior Vice President and Director, Bank of America*

9:15 – 9:45 The Role Banks Are Playing in the Mutual Fund Explosion
A. Michael Lipper, *President*
Lipper Analytical Services

9:45 – 10:45 How Banks Can Build a Profitable Mutual Fund Business
PROPRIETARY: Paul Klug, *Vice President*
Vista Capital Management
NON-PROPRIETARY: J. Edward Diamond,
Senior Vice President
Dime Savings Bank

10:45 – 11:00 Coffee Break
Sponsored by: **Fidelity Investments**

11:00 – 11:30 Banks and Mutual Funds: Risks and Opportunites
Matthew P. Fink, *President*
Investment Company Institute

11:45 – 1:00 Lunch

1:15 – 2:30 Your Funds or Mine: The Advantages and Disadvantages of Starting Your Own Fund, Working with a Third Party Provider or Entering into a Private Label Agreement
Moderator: Joy P. Montgomery, *President*
Money Marketing Initiatives
W. Christopher Maxwell,
Executive Vice President, KeyTrust
Mark Mitchell, *Senior Vice President*
First Federal Bank
Harley Sefton, *Vice Chairman*
San Diego Trust & Savings Bank
C. McNeil Baker Jr., Senior *Vice President*
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2:30 – 2:45 Coffee Break
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2:45 – 3:15 Taking the Plunge: What Do Customers Want? A Look at Customer Attitudes
Marcia Selz, *President & CEO*
Marketing Matrix

3:15 – 4:15 Building a Mutual Fund Business: Marketing to Your Customer Base, Cross Selling Opportunities
Moderator: Debra Cope
Investment Products Editor, American Banker
Eugene Purcell, *Vice President*
Branch Banking & Trust
Richard Davies, *President*
First Chicago Investment Services

4:15 – 5:00 And the Walls Come Tumbling Down: A Look at What State/National Banks and State/Federal Thrifts Can & Cannot Do
Moderator: Melanie Fein, *Partner*
Arnold & Porter
Laurie Schaffer, *Senior Attorney*
Federal Reserve Board
Thomas Harman, *Chief Counsel*
Division of Investment Management
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5:00 Cocktail Reception

Day 2

8:00 – 9:00 Continental Breakfast
Sponsored by: **PNC Financial Services Group**

9:00 – 9:30 Mutual Fund vs. Deposits: The Impact on the Banking Industry
Lawrence Kudlow, *Chief Economist*
Bear Stearns & Co.

9:30 – 10:30 Pricing the Product: The Load, No Load Question
Moderator: Fred Werblow, *Partner*
Price Waterhouse
Marc Lieberman, *Director, Mutual Funds*
First Union Corporation
Peter Herlihy, *Vice President*
Fleet Investment Service

10:30 – 11:00 Managing Compliance in an Aggressive Sales Environment
Rainey Gray, *Senior Vice President*
Boatmen's National Bank

11:00 – 11:45 Banks and Mutual Funds: The Next Generation
L. William Seidman
Chairman of the Board, Com Mac
Former Chairman, FDIC

11:45 Conference Adjourns

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Opinion

Comment

By Avrum Gray

In This Era, Banks Must Offer Risk Management to Clients

Bankers ignore the $7 trillion U.S. derivatives market at their peril.

Bank customers, bolstered by recent accounts of successful class-action lawsuits against corporate hedging practices, are not just requesting effective risk management expertise. They are demanding it.

Banks that don't respond are ignoring one of their most critical fiduciary responsibilities – to protect clients' assets as well as their own – and are setting themselves up as possible targets for litigation.

The recent adoption of Financial Accounting Standards Board rule 115, which will force banks to mark their bond portfolios to market values, coupled with the other economic issues facing banks, exacerbate this situation.

Competition Heats Up

Industrial giants like AT&T, General Motors, and General Electric, along with a bevy of financial service companies, now offer credit cards, consumer loans, mortgages, and other services. They are taking away the banking industry's bread and butter.

With more and more bank customers looking to other institutions to help them manage risk, banks are seeing a steady erosion in their basic business. One can almost feel the vise tightening on the bottom line.

Avoiding Past Mistakes

Banks can dodge this triple threat simply by avoiding mistakes of the past. That means acting sooner rather than later to become expert in risk management technologies, so that clients' needs can be fulfilled and the effects of FAS 115 effectively mitigated.

Hedging – the most effective risk management tool available to reduce financial portfolio risk – is already very much in demand by both individual and corporate customers.

Smaller investors are realizing that derivatives can be tailored to suit their needs, while increasing numbers of corporate clients are already using the derivatives market to manage all types of risks, including those associated with currency, commodities, interest rates, and equities.

Because risk management expertise has not effectively been developed within the banking industry, many customers are unnecessarily exposed or, or worse yet, attempting to do the job themselves. Moreover, the bank's own portfolio is at equal risk.

Hands-On Approach

Bank presidents who want to realize the full potential of hedging must do more than delegate responsibility to the asset-liability management committee. This matter is too important to delegate.

In order to comprehend the rapid changes that are now taking place, they and their boards of directors must achieve a full understanding of risk management and implications of being left behind.

An inadequate understanding of hedging techniques will almost always make senior bank officers and board members timid in adopting the broad risk management policies needed to protect profitability.

If not fully understood, hedging, like any other new concept, can breed fear.

And fear can paralyze even the most aggressive chief executive officer, particularly if the consequences of *not* implementing policies, procedures, and capabilities to apply these techniques to customer and bank assets.

Accounting Changes

The primary issue facing banks today is the change in accounting for "trading securities" and "available-for-sale securities," which under FAS 115 includes any securities that do not meet the strict requirements of the "held-to-maturity securities" portfolio.

Unrealized holding gains and losses for "trading securities" are included in earnings.

But unrealized holding gains and losses for "available-for-sale securities" (including those classified as current assets) are excluded from earnings and reported as a set amount in a separate component of shareholders' equity on the balance sheet.

It's this last provision that poses the greatest challenge to bankers because the market valuation of the bond portfolio is particularly sensitive to interest rate changes.

Even a small increase in long-term interest rates at the end of a reporting period will mean marking down the value of long-term bonds held in the "available-for-sale securities" and "trading securities" categories.

Under FAS 115, that markdown will result in a reduction to the capital account from an unrealized loss in the "available-for-sale securities" account, or directly to income if held in the "trading securities" account.

Market Whims Feared

Bankers are not happy about subjecting the valuation of vital bank capital and income to the volatility of the marketplace, something over which they feel that have no control.

So, as predicted by those who closely follow bank accounting issues, many banks are responding by dramatically shortening their portfolios in the hope of avoiding volatility. As long-term bonds mature, the proceeds are being invested in less volatile, shorter-term instruments.

Stopping short of tagging this practice as a short-sighted way to control portfolio risk, there is little question that it's an expensive practice. Shortening bond maturities may reduce the risk of volatility, but it does so at a very steep price.

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Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct letters to Jeffrey Kutler, assistant managing editor, *American Banker*, One State Street Plaza, New York, N.Y. 10004, and include a daytime telephone number.

Letters will be edited and may appear in a Letters to the Editor column or be published separately as commentary.

No doubt, the sizable returns (spreads) banks have been realizing by investing low-cost deposits in high-yielding long-term bonds will shrink dramatically when invested in shorter-term instruments.

Banks don't need to give up the impressive yields on their bond portfolios. They can still purchase long-term bonds and maintain interest rate spreads, but they need to hedge the risk of rising interest rates against their long positions. As Bond Yields decrease, hedging values will offset any losses.

In the Vanguard

Many forward-looking bankers realize that they have the distribution networks, client bases, and balance sheets to support over-the-counter derivatives trading, putting them in an enviable position to provide superior customer service and maintain healthy financial positions.

The problem of how to obtain the hedging expertise they needed was addressed differently by each of five banks cited.

Some purchased hedging expertise outright, such as Nationsbank Corp., the country's fourth-largest banking company, which recently purchased CRT, one of the largest options market-making and trading firms.

Others, like Bankers Trust New York Corp., chose the do-it-yourself approach, building expertise internally to serve their own needs as well as the hedging requirement of their customers.

Three others – Swiss Bank, Chase Manhattan, and Matsui – either formed strategic alliances or purchased derivative arbitrage firms in order to obtain instant hedging expertise.

Fiduciary Responsibility

Protecting the bank and its clients from undue financial risks is a fiduciary responsibility too critical to ignore. Bankers, who, like the rest of us, tend to stick with what they know, are comfortable with their ability to control the credit risks associated with lending.

They also understand how to use asset-liability tools to control the interest rate risks in funding their loan portfolio.

With hedging, bankers can effectively control other financial risks – currency risk, in all its dimensions, and interest rate and security price risk in the investment portfolio – while fulfilling their clients' needs for total risk management services.

But it won't happen by accident. It will take enlightened action, and the time to act is now. □

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Comment

By Paul S. Nadler

When Employees Quit, Find Out Why

He was one of my best students. He worked all day as an officer at a major bank and then came to class in the evening to get an MBA, earning a solid A from me as well as from my others.

I thought his career at the bank was pretty secure – that is, until I got a note from him saying he had resigned from the bank and had gone into retail brokerage!

Knowing he didn't have a rich family to sell stocks to and knowing how difficult the path to retail brokerage is, I called to find out what happened.

And I am wondering why his bank's management did not do the same as he left.

You Have to Ask

In every exit of a customer or an employee, there is something that the bank can learn, if it is willing to ask questions.

A grocer who spoke at a banker's convention I attended summed it up when he said that he gave $3 to a woman who complained that his store had sold her a rotten Cranshaw melon at that price, when in fact his grocery had not had a Cranshaw mellon in stock for months.

"No one tells you why they stop shopping here, they just don't show up again," the grocer said.

"In most instances, people spend $100 a week here – that's $5,000 a year and $50,000 a decade. Am I going to risk that for the price of one mellon?"

A grocer doesn't have the opportunity to interview people who stop shopping with him. Bankers do.

Yet I have been amazed that even though I have closed several bank accounts in my day, no bank ever took the trouble to find out why.

Straight Talk

If interviewing former customers is valuable, think how much more it could be to learn by interviewing employees who resign, as my student did.

Here was an officer earning a substantial salary who decided to chuck it all and start at the bottom.

What could the bank have done to so alienate him and make him willing to take such a risk, not to mention a major pay cut?

His answer was as follows:

"Most important, we had new management that came in, bringing with it a number of new faces.

"It also brought an attitude: that those on board from the days before the management change can't deliver."

"You're one of the others," meaning one of the people on board before the management change, was the scorning way a top officer had addressed my friend in discussing his role in the bank.

The bank had been broken into a prechange and post-

IN EVERY EXIT *of an employee or a customer, there is something the bank can learn.*

change culture split.

"And even if we hadn't had this split, there were a lot of new people who came in and were placed above me on the ladder, hurting my long-term career path," he added.

As if this were not enough, my student explained that the bank had developed a bell-curve system of compensation, under which each department had just so much more money to distribute in raises each year.

"If I got more than 4%, it would be out of one of my associates' own raises, no matter how good our department was as a whole," he explained.

To me the analogy would be grading on a curve that requires me to flunk 10% of the students, whether they should really fail or not.

My student's other complaints were more specific. They included working for a manager who required reports that involved 70-hour weeks at times, but then she could not make a decision on the data when it was finally presented to her.

It involved working for a manager who had been "Peter Principled" up from the cost control work, at which he was superior, to a managerial position at which he was not.

Every Issue Has Three Sides

Certainly these specifics that he talked to me about are his own viewpoint. And I am sure if I had called these two managers he reported to I would have gotten quite a different story. After all, every issue has three sides: my side, your side, and the truth.

But the key is that, whether his opinion was valid or not, the bank could have learned a lot from hearing it, digging in, and finding out if the same policies and practices were alienating other valuable employees also.

Some bank CEOs answer their own phones. They find this way they can learn information that the staff wants to screen from them, either out of the fear that the CEO will hang the bearer of the bad news or just to keep the work load down by avoiding the need to tackle these sticky issues.

If you can learn a lot merely from answering your own phone, think how much you could learn from lunch with a disgruntled officer who has just given up years of ladder climbing and undertaken a new, difficult career.

For unlike the grocer, you know who your defectors are and you can talk to them to find out what happened. □



Mr. Nadler is a contributing editor of *the American Banker* and professor of finance at the Rutgers University Graduate School of Management.

Letters to the Editor

Hibernia Sees Opportunities For Lending in the Bayou State

To the Editor:

The Louisiana National Bank takes a more positive view of our state's economy than the way it was portrayed in "Stagnant Economy, Weak Loan Demand Pinch in Louisiana" [July 27, page 6].

Louisiana has enjoyed better times, but there are signs pointing to significant lending and other opportunities for banks that play to their competitive strengths.

DRI/McGraw-Hill and Cajun Electric Power Cooperative Inc. see employment in Louisiana growing 2.7% annually through 1995, compared with 2% nationwide. Residential construction and housing starts are rising as borrowers take advantage of low interest rates.

Louisiana Economy Has Diversified

Also boding well is the fact that Louisiana has become more diversified. Oil and gas contribute only 15% of the state's revenues, down from 40% in 1980.

Manufacturing is expected to revive as the state's lower wage structure and easy access to the Caribbean basin make it attractive to U.S. exporters.

The service industry, approximately 25% of Louisiana's employment base, should grow 3.6% annually over the next two years. There is second only to the state's construction industry, mainly because of New Orleans' convention, tourism, and health service sectors.

On another note, one has to clarify a reference to the state's crude oil to a decline in loans at Hibernia for the 12 months ending last March 31. While the trend was correct, weak loan demand was not the only cause.

Loan reduction was a deliberate strategy begun in 1991 as part of a successful restructuring to improve capital ration, increase liquidity, and reduce risk profiles. We reduced highly leveraged transaction loans, commercial real estate loans, and other single-sided, nonrelationship transactions.

The article and its accompanying chart also failed to note that during the period, Hibernia sold its Texas subsidiary, which accounted for a further loan-portfolio reduction of $589 million.

Thanks to our recapitalization, return to profitability, and improving asset quality, Hibernia is positioned to increase loans. Total loans outstanding rose in the second quarter – the first time that has happened since the third quarter of 1990.

Russell S. Hoadley
Senior vice president, Hibernia National Bank
New Orleans

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◆◆◆◆◆

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◆◆◆◆◆

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PARTNERSHIP NOTICES

Nordek Fund, L.P. has been formed as a foreign limited partnership (L.P.) and owns the following: Nordek Fund, L.P. is a Nordek Fund, L.P. The date of filing of the Application of Authority with the Secretary of State of the State of NY (SOS) is 8/5/92. The L.P. was organized in DE on 7/20/92. The county in which the office is located is NY. The SOS is designated as the agent of the L.P. upon whom process against it may be served. The P.O. address to which the SOS shall mail a copy of any process against the L.P. served upon him is c/o The Prentice-Hall Corporation System, Inc., 15 Columbus Circle, N.Y., N.Y. 10023-7773. In addition to the above is c/o The Prentice-Hall Corporation System, Inc., 32 Loockerman Sq., Ste. L-100, Dover, DE 19901. The list of names and addresses of all general partners is available from the S/S. The name and address of the authorized officer filed whose a copy of the certificate of L.P. is filed is S/S, Corp. Dept., Federal & Duke of York Sts., Dover, DE 19901. The purpose of the L.P. is investment in Securities.

ONE WEST 190TH ST., L.P. has been formed as a domestic limited partnership (LP). Certificate filed with Secretary of State of NY (Y/S/S) 9/3. NY office location: Bronx County. Secy of State is designated as agent upon which process against the LP may be served. Secy. of State shall mail a copy of any process against the LP served upon him/her to: 1 WEST WEST 190TH ST., LP, 29 East Fordham Road, Bronx, New York 10468. Name and address of each general partner is available from the Secy of State. Term until 12/31/2043. Purpose/character LP: the purchase, sale and leasing of real and personal property.

Notice of formation of limited partnership ("L.P."). Name: 70-7 Ave. L.P. Certificate filed with Sec. of State of NY ("Sec.") on 7/15/93. Office location: NY County. The Sec. has been designated as agent of the L.P. upon whom process against it may be served. The Sec. may mail a copy of any process to c/o The J & J Company, Inc., 62-38 Dieterle Crescent, Rego Pk., NY 11374. The name and address of each general partner is available from the Sec. Latest date to dissolve: 6/11/2043. Character: Real Estate Owner/Management.

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Newly established New York State Chartered Commercial Bank seeks Senior Loan Officer and V.P. Operations/Controller to complete management team. Send Resume with detailed description of experience and salary requirements to: G.E. Donalisi, President, Community Bank of Sullivan County, P.O. BOX 1258, Monticello, N.Y. 12701-0258.
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Compensation is commensurate with experience. For immediate consideration, please forward resume and salary history in confidence to: **Robert J. Ehrlich, Director of Professional Recruiting, KPMG Peat Marwick, 345 Park Avenue, New York, NY 10154. We are an equal opportunity employer m/f/d/v.**

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(914) 381-8900
Peter Cohane or Louis DiFalco

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PADCO, Inc. an international housing and urban development consulting firm, and others participating in USAID and World Bank international assistance programs are identifying qualified candidates in all countries (a few weeks each) and medium term (3 to 6 months) consulting positions in construction lending. The requirements predominantly for assignments in Eastern Europe, but those interested in other geographic regions are encouraged to present resumes as well.

Positions will vary and in-depth expertise in commercial real estate finance, especially residential construction lending is needed. Candidates should demonstrate knowledge of all aspects of construction lending from program and product development and design through origination, servicing and loan management. PADCO, Inc. is currently looking to fill one long-term (2 year) position in Poland, and three medium-term positions in Bulgaria. Consultant fees/stipends vary with position and experience. Individuals interested in these positions should submit a resume to:

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AUCTION NOTICES

**Garagemen's lien sale & Andrew O.Judge lic #0648580 sells on 9/3/93 at 9am at 67-43 A&w. Bldvd. 1986 Ford 4dsd #2FABP2324-GB107562 re:Jennifer A. Rhatigan. 1989 mazda 4dsd #WDBEA30D8KA901416 re: United Swiss Auto Assn. At 10am at 235 E.87 St,NYC 1986 volvo 4dsd #YV1AX8-842G1188931 re:Andrew L. Sellin. At 10:15am at 555 W.57 St,NYC 1987 ford van #1FTJE34Y4HHA90035 re:Royal Coffee Ltd & Steven Spasi. At 10:45am at 3251 Bdwy 3B, NYC 1985 mercury 2dsd #1MEBP7946FF616479 re: Salvador Gomez, E.G.Glamour Degantez, Martha R. Sessons & Nat Wasmuut 3b Usa. At 11:15am at 909 Ogden Ave.Bx 1981 oldsmobile 4dsd #3G2AN69S8B1779106 re:Daniel Lupreon. At 11:30am at 1000 Ogden Av.,BX 1986 ford 4dr #1FABP29D9GA215828 re:Nancy M. Rahoff & Ford Motor Credit Co. At 11:45am at 1412 Jerome Av,BX 1981 chevy van #2GCCG15J0B4113425 re:Jose Sierro & Javier Solis. At 12:30pm at 438 Sthrn Blvd,BX 1979 gmc van #T1T761-B9G27182 re: Andres Arreul. At 12:45 at 711 E.139 St,BX 1983 olds 3dr #1G3AL-27R7DD365324 re:Lisa D. Lofland. At 1pm at 327 Manida St,BX 1957 chevy w/tags #B3176Fre:Clarence Dow. At 1:15pm at 767 Bruckner Blvd,BX 1985 ponti #2G2AF91WXF1200238 re: Dawnyell Reyes; 1986 honda 2dsd #JHMAF5-10GB033568 re:Pedro Oliveroio; 1986 olds 4dr #1G3CW69B0G4380673 re:Medelin Perez. At 1:30pm at 1185 Bx Rvr Av.BX 1984 Chevy 2dr #1G1AW27X8EG131847 re:Pablo Ortiz;Bronx Parkway Truck Sls Inc, Beneficial NY Inc & Bk of NY. At 2pm at 2768 Webster Av,BX 1980 datsun 2dr #PS110200720 re: Isam B.Elayan. At 2:15pm at 1915 Hennessy PLBX 1987 honda 4dsd #1HGCA56378A049986 re: Isam Dier. At 2:45pm at 22-02 37 ave.LIC 1981 bmw 2dsd #WBAEA4401B5375405 re: Pasalmari Inc. At 3:15pm at 11-06 Bridgeaterio 1986 chevy 4dsd #2G1AW19R-2E211899 re:Jeffrey Beaman & Mack Westminster Bk USA. At 3:15pm at 127-43 Willis Pl Bvd,Corona 1984 chevy 4dsd #1G1AX54EKET111842 re: Humberto Bejarno. At 3:30pm at 35-06 105 St,Corona 1983 ford 4dsd #1FABP51G1DLA54788 re:Santana Rivera. At 3:45pm at 133-24 36 Rd,Flushing 1984 caddy 4dsd #1G6AG50-59EE81958 re:Daniel C.S.Hsu & Apple Bk for Svgs. At 4:30pm at 87 E.Palisade Rd,Hunt.Sta 1982 chevy subn #1GEEC-13CXF151043 re:John Fiorentino & The Pleasant Central School Dist. Lienor may bid. Ad dates: 8/18,26, 93.

L. Posner lic #0470301 sells for cash 9/2/93 at 10AM at 7 Horton Ave New Rochelle 82 Honda accord #1HMSZ3247GC012301 Re: C. Foster, 11AM at 166 Perry St. NY 79 Suzuki Moy #KSJBM02U2112 Re: John Doe.

Brooklyn, Harley Davidson Will Sell On 8/31/93 at 9:00 AM at 2487 Coney Island Ave., Bklyn, NY a 1986 Harley Davidson 1DJL24FY3G7934 Re: Legal Services. Published 8/18 & 8/25/93.

CORRECTION NOTICE

Corr: Notice: Lien Sell 9:00AM 8/12/93 At 46-46 Queens Blvd. Sunnyside. 1987 Honda #JHMEC3345HSD12509 Re: J. Doe. Published 7/29,& 8/5/93.

FOUNDATION NOTICE

NOTICE

The Annual Report of the CHARLES SPEAR CHARITABLE TRUST for the calendar year ended December 31, 1992 is available at its principal office, located at 115 East 23rd Street, 8th Floor, New York , New York, for inspection during regular business hours by any citizen who requests it within 180 days hereof.

The Principal Manager of the Foundation is: Caroline Barrett.

Have an Important Legal Notice? Call Lisa Logan at 212/943-5739

Finance

Money-Center Yields Are Reaching Parity

By DAVID SIEGEL

After being in the doghouse for several years, bonds of money-center banks have caught up with the rest of the industry.

Ten-year subordinated debt securities of money-center banks now trade at yield premiums of 10 or fewer basis points above issues of other banks with similar credit ratings.

This is a sharp improvement from the extra yield of up to 200 basis points that weaker money-center bonds carried in the secondary market two years ago.

No More 'Money-Center Taint'

"What I think you're seeing here today is there is no longer a money-center taint to these names," said Allerton Smith, analyst at First Boston Corp. "I would say they are on par with their superregional counterparts in terms of spread."

The convergence of yields in the secondary market means money-center banks are no longer handicapped by higher borrowing costs than regional bank issuers when they tap the markets.

The bonds of lower-rated money-center banks such as Citicorp, Chase Manhattan Corp., Chemical Banking Corp., First Chicago Corp., and Continental Bank Corp. have shown the most improvement.

More highly rated money-centers such as J.P. Morgan & Co., Bankers Trust New York Corp., and Republic New York Corp. did not stumble in the 1980s and so have not had a sharp rebound in their bonds.

On Tuesday, 10-year subordinated debt issues of Citicorp, Chemical, First Chicago, and Chase were quoted at 78 to 85 basis points over the 10-year U.S. Treasury note, compared to a 78-basis-point spread for First Union Corp. and a spread of 83 for Fleet Financial Group, according to First Boston.

Triggered by Upgrades

In contrast, at the end of last year, none of those money-centers were trading at a tighter spread than Fleet or First Union, and Citicorp and Chase bonds carried as much as 30 to 50 basis points more yield.

-Upgrades this summer of Citicorp, Chase, and Chemical have triggered the last leg of the rally in money-center bank bonds.

The rating agencies rewarded the big New York banks for the drastic actions they took to recover from sour real estate and Latin American loans, said William King, analyst with Merrill Lynch & Co.

Improvements in earnings, asset quality, and expense control have all contributed to the upgrades, he said.

"The money-centers have *reinvented themselves*," Mr. Smith said.

Change in Focus

He noted that First Chicago, Chase, and Chemical have deemphasized lower margin international-based businesses and focused on more stable and profitable activities.

"A lot of what's happened is that money-center banks in general were downgraded the most in the past, and so now that things are getting better they are among the first to get upgraded in an industry where the fundamentals are overwhelmingly positive," Mr. King said.

He noted, however, that regional banks such as Shawmut National Corp. and Bank of Boston Corp. have not seen their bank bonds rally in tandem with improving credit ratings since 1992. □

Steady Spreads
Yield spread over Treasuries for 10-year subordinated debt, in basis points

	Aug. 18, 1993	Aug. 19, 1992
Morgan*	40	40
Bankers Trust*	63	63
PNC	74	74
Banc One*	82	82
First Union**	98	96
BankAmerica	85	85
NationsBank**	86	85
Wells Fargo	95	96
Chemical	82	90
Citicorp	90	90
Shawmut	110	112

* due in 2002
** Due in 2003

Salomon Upgrades Great Lakes Bancorp, Citing Plan to Eliminate Most Goodwill

NEW YORK — Salomon Brothers Inc. analyst Bruce Hartig upgraded Great Lakes Bancorp, Ann Arbor, Mich., to "buy" from "hold."

Mr. Harting cited the company's announcement that it plans to adopt an accounting change in the third quarter that will eliminate most of the goodwill on its books. He said the move should increase the company's 1994 earnings to about $2.50 a share. Mr. Harting had estimated that Great Lakes would earn $2.10 to $2.20, compared with a loss of 9 cents a year earlier.

He also noted that the company's market share is about 15%, while its next closest competitor's share is 8%.

— Dow Jones

Stocks

Bank Shares Fall on Fears of Flattening Yield Curve

By RICHARD LAYNE

Bank shares tumbled for the second straight day on Tuesday amid investors' concerns that a decline in long-term interest rates will hurt bank earnings.

Bank stocks, which are rate-sensitive, usually do well when the bond market is strong. But that has not been the case this week.

A rally in long-term bonds has sent the yield on 30-year Treasury bonds to about 6.30%, their lowest point in 16 years.

"Some investors are concerned about the yield curve flattening," said Robert Bonelli, executive director of the Ernst Financial Group, a unit of Ernst & Co.

The bank stock declines have been occurring amid gains in the overall stock market.

The Dow Jones industrial average and the Nasdaq composite index both set record highs on Tuesday, with the blue-chip index closing at 3,586.98 and the over-the-counter measure at 731.

Leading the way down were shares of First Interstate Bancorp and Wells Fargo & Co. First Interstate fell $2.875 to $60.625 and Wells was off $2.375 to $111.75.

First Union Corp.'s shares fell $1.375 to $43.75. Bankers Trust New York Corp.'s shares fell $1 to $78.37.

SunTrust Banks' shares-dropped $7.5 cents to $43.25. Barnett Banks' shares fell $1.375 to 45.375. Shares of First Fidelity Bancorp. skidded $1.125 to $46.25.

If the yield curve flattens, investors fear net interest margins will also tighten, eating into earnings.

Fears Sparked Spring Selloff

This isn't the first time that investors have shown concern about bank margins.

Worries about a flatter yield curve sparked a prolonged selloff last spring that dragged down bank stock prices by an average of 18%.

Back then, investors worried that inflation would cause a rise in short-term rates that would raise banks' cost of funds and put pressure on margins.

The fear of a squeeze on net interest margins is well founded, said Thomas Brown, an analyst at Donaldson, Lufkin & Jenrette Securities Corp. Bank investment securities are repricing faster than their liabilities, he said.

But Mr. Brown and other analysts think that although net interest margins will tighten slightly over the next few quarters, the change may not affect earnings.

Growth in lending, for example, could offset shrinking margins.

The extent of margin compression will not as bad as people fear," Mr. Brown said.

Analysts and money managers said that the two-day downturn was not the beginning of another prolonged selloff.

'Wouldn't Be Too Panicked'

"This is not a new downleg in bank stocks," said Judah Kraushaar, an analyst with Merrill Lynch & Co. "I wouldn't be too panicked by two days' worth of selloff."

Money managers said that trading volume has been light, an indication that the panic selling that occurred in April and May is not being repeated.

First Fidelity, for example, lost ground on 192,100 shares traded, which is below its normal daily volume of around 350,000.

When trading volume is that slight, money managers and analysts do not pay much attention to price movement.

"Because of vacations, people aren't around to support price levels of some shares," said Mr. Bonelli.

Indications of Profit Taking

Furthermore, there are indications that some of the selloff represented profit taking and not a rotation out of the sector.

"I don't think we are seeing a rotation out of the sector because then we'd see massive trading volume, like we saw in April and May," Mr. Bonelli said.

Shares of the two big California banks, Wells Fargo and First Interstate, have been among the biggest gainers this year, for example. □

Big Losers
Decline Tuesday in selected bank stocks as of 3 p.m.

	Change	Price
Wells Fargo	-$3.125	$111.00
First Interstate	-2.75	60.75
Barnett	-1.50	50.375
First Union	-1.25	43.875
SunTrust	-1.125	43.25

Source: Reuters

Wells Fargo and First Interstate led the decliners.

This announcement appears as a matter of record only.

21,972,405 Shares

Charter Federal Savings Bank

Common Stock

A Rights Offering to holders of Common Stock with Standby Purchase Agreements successfully raised $43,944,810.

The undersigned acted as Financial Advisor to Charter Federal Savings Bank.

Wheat First Butcher & Singer
CAPITAL MARKETS

August 12, 1993

Markets

Yields Edge Up As Rally Ends

Interest rates rose slightly on Tuesday, as the weeklong rally in the government bond market came to a halt.

Stocks gained moderately, with the Dow Jones industrial average rising 7.82 points to a record 3,586.98 and the Nasdaq composite index advancing 4.11 points to a record 731. The dollar was mixed.

The yield on the 30-year bond, which had fallen about 20 basis points in the last week, rose 1 basis point from Monday to 6.31% in late trading.

Technical Support

"The market has run out of room to rally," said Charles Lieberman, market economist for Chemical Securities Inc.

He said long-term bonds have been supported by technical factors, noting that last week's sale of 30-year bonds would be the last such issue for six months.

Steve Ricciuto, economist for Barclays de Zoete Wedd, said intermediate Treasury yields rose when the Federal Reserve did not execute an expected "coupon pass," in which it buys medium-term Treasuries.

Notes Also Up

The 10-year note yielded 5.70%, up from 5.67% on Monday; five-year notes yielded 5.05%, versus 5.02%; and two-year notes yielded 4%, versus 3.94%. The bond-equivalent yield on three-month Treasury bills was 3.08%, up from 3.07%.

— Bart Fraust

Highlights for Tuesday, August 17

TOP 10 GAINERS %

City Holding Company	14.8
Bank South Corporation	7.0
Republic Bancorp Inc.	6.5
Imperial Bancorp	5.8
Omega Financial Corporation	5.8
CBT Corporation	5.3
Magna Group, Inc.	5.2
Pacific Western Bancshares	4.7
First Financial Bancorp	4.4
Bankworth Group, Inc.	4.0

TOP 10 LOSERS %

F&M Bancorp	-4.8
First Interstate Bancorp	-4.5
Citizens Banking Corporation	-3.6
Independence Bancorp	-3.4
Western Bank	-3.3
Mid Am, Inc.	-3.3
Boulevard Bancorp, Inc.	-3.2
North Fork Bancorporation	-3.2
United Carolina Bancshares	-3.1
First Union Corporation	-3.1

MOST SHARES TRADED

Citicorp	1532700
Constellation Bancorp	1331500
BankAmerica Corporation	1182500
NationsBank Corporation	975400
Chemical Banking Corp.	948900

VOLUME AS % OF AVERAGE

Boulevard Bancorp, Inc.	1814.5
Heritage Financial Services	865.6
First Financial Bancorp	529.3
Liberty Bancorp	526.7
Constellation Bancorp	507.9

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts 1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.23	0.41	1.47	-0.72	-1.08	0.10	0.03	-0.11	1.78

TOP 225 BANKS

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.
26¾	20	1stGeorgeSvgPA	11.5	156.0	25
27¾	18¼	AMCORE Fncl.	11.2	127.0	24¾
17¼	8½	AlliedBnkrs GA	15.8	264.2	16¾
35¾	26¾	AmeribankNewcmbAL	10.5	144.0	30¾
36	27¼	AssociatedBanc WI	13.0	189.7	35¾
35¾	30¾	BB&T Fncl NC	11.8	1518.8	34
27½	12	BOKFinancial OK	12.2	343.8	21½
32	23¾	BT FinCorp PA	11.1	136.4	30¾
12	6	BaltimoreBncp MD	14.2	119.7	11½
15¾	9¾	BancFirst Corp OK	14.5	124.3	15¾
61	44	BancorpSouth MS	14.5	1231.4	58¾
53½	43¾	BancorpSouth MS	9.2	535.8	47½
49¾	27¾	BancorpSouth MS	11.0	145.1	47¾
54¾	41	BankAmericaCorpCA	9.6	121.1	45¾
30½	20	BankAtlantic FL	10.7	207.0	29¾
15⅝	9¾	BankSouthCorp GA	12.1	179.4	15⅜
36	28	BankTrust Corp MS	8.6	171.7	35¾
19½	12¾	BankersShrsgeFT	26.4	103.5	19½
38	28¾	BanksBancshs FL	8.8	118.1	34¼
61¾	39¾	BarnettFl NF	10.6	133.1	53
30¾	20¾	BayBanksBostonFL	10.2	133.2	29¼
52¾	28¾	BayBanks MA	12.3	138.1	49½
94¼	49¾	BayviewFinancial CA	10.8	155.3	85¼
23¾	13¾	BeaverBancshs IL	36.8	175.1	22¼
31¾	24¾	BeneficialMich IL	10.2	133.2	29¼
35¾	25¾	CBT Corporation KY	12.0	148.4	34¾
35¾	25¾	CBT Corporation KY	12.0	148.4	34¾
29¾	23¾	CBB Bancorp GA	15.6	194.3	29¾
29¾	22¼	CFB Inc. IN	8.7	137.6	28
31¾	24¾	CNB Fncl Cp CA	10.4	139.7	15¾
14	9¾	CalFirstBnkCrs CA	14.4	109.1	12¾
24½	15¾	CalFederalSvgs CA	10.7	141.1	14¾
26½	19¾	CentralBancshs AL	11.3	179.2	25¼
24¾	17¾	CentralFidelity NJ	11.7	175.3	23
24¾	18¾	CentralJersey NJ	16.1	163.3	23¾
24¾	18¾	CentralJersey NJ	10.9	150.2	20
37¾	21	ChaseManhattanNY	9.1	103.1	33¾
47¾	34¾	ChaseManhattanNY	8.4	115.0	40
47¾	35¾	ChemicalBnkgCp MI	14.3	180.8	47¼
22	12¾	CitizensBkg MI	12.4	109.2	20¼
33½	14¼	Citizens Inc	11.7	135.1	32¾
24¾	16¾	CitizensBancorp MD	14.8	133.1	23¾
29¾	19¾	CitizensBancorp MI	14.7	150.2	27
5¾	3	CityFed Fncl Cp	4.6	80.5	5¼
17¾	7¾	CityNatlBcp CA	17.0	151.4	16
11¼	4¾	CityNatlCorp CA	NM	198.7	7
22¾	17¼	CommercialBncp AL	9.4	134.2	19¾
34¾	27¾	CommerceBncSht	10.6	164.4	29¾
34¾	24¾	CommerceBncSht	10.4	189.8	29¼
17½	11¼	CommercialBancpNJ	11.0	154.1	17
17½	11¼	CommercialBancpNJ	11.4	138.4	16¾
45¾	25¼	CommonwealthPA	14.6	215.5	45¾
45¾	25¼	CommunityBkSys NY	8.7	136.0	39¾
15	11¼	CommunityFirst MO	10.2	144.6	13¾
28¾	22¾	ConstellationBcp MD	NM	187.5	10¼
28	15¾	Continental IL	4.6	86.5	23¼
60¾	47¾	CoreStatesFncl Cp PA	10.9	177.2	54¾
48½	25¾	CrestarFinCorp VA	13.9	181.3	47¾
27¾	20¾	CrestarFinCorp VA	10.9	181.3	26¾
27¾	21	CrossLandSavgsMD	12.2	164.7	25
29¾	20¾	DauphinDeposit PA	10.5	147.9	31¼
17¾	12¾	F & M NatlCorp VA	12.1	158.7	16
22	17¾	F&MBancorp MD	9.9	136.4	20
19¾	9¾	FBS Corp PA	16.8	118.4	19¼
29	24	FarmersCapital KY	14.2	119.9	28
50¾	40¾	FifthThirdBncpOH	17.8	299.4	53¾
41½	28¾	FinancialFresh PA	14.7	210.1	41¼
55¼	33¼	FirstAlaBncshs	13.0	305.3	50¼
36¾	27¾	FirstAtlantaGA	11.0	169.8	31¾
51¼	31	FirstBancorp PR	8.2	202.0	26
33¾	20¼	FirstBancorpCorp TX	12.2	166.8	32¾
11¾	6¾	FirstBancshsMS	11.4	161.7	11¾
33¾	23½	FirstBankSystemMN	27.8	179.0	30¾
23¾	15¾	FirstBancorp IL	13.6	123.1	18¾
62½	38¼	FirstCitizensBc NC	8.4	130.0	48¾
37¾	27¾	FirstCitizensBc SC	17.1	134.4	31¾
40	28¾	FirstCommerce LA	10.0	189.4	38
24¾	17¾	FirstCommerce LA	9.9	151.9	23¾
34¾	27¾	FirstCommercial AR	11.1	164.2	33¾
34¾	27¾	FirstCommercial AR	11.1	164.2	33¾
25¾	8¾	FirstCommwlthIN	NM	183.3	24¾
157½	128	FirstEmpireNY	11.8	156.0	143
51¼	34	FirstFidelityNJ	10.8	159.9	48¼
53¾	37¾	FirstFidelityOH	17.1	229.2	53¾
56	36¾	FirstFinCorpIN	11.6	148.8	55¾
30¼	23½	FirstHawaiianHI	10.2	152.1	27¼
28¾	18¾	FirstInterstateCA	8.5	152.2	60¾
27¾	18¾	FirstMichBancCp MI	13.0	180.1	27¾
27¾	18¾	FirstMichBancCp MI	17.7	173.2	27¾
22¾	16¾	FirstMidAmerica OK	13.1	159.8	20¾
27¾	17¾	FirstSecurity UT	8.3	130.3	18¾
47	33¾	FirstUnionCorp FL	11.5	180.5	43¾
51¾	35¾	FirstUnionCorp NC	12.5	180.5	43¾
28¾	17	FirstUnitedBnk	8.6	138.8	28¼
27¾	17¾	FirstVirginiaBks VA	9.8	174.2	26¾
36¾	27¾	FirstWisconsin WI	10.9	185.1	37¼
37	26¾	FirstingerLake IL	11.5	188.1	32¾
39	34	FirstbankIL IL	11.8	164.8	37
43¾	30¾	FirstofAmerica MI	11.0	184.8	39¼
37¾	26¾	FleetFinancial RI	13.5	159.0	32¾
44¼	32¼	FortWayneNatlCp IN	13.3	170.3	41
31¼	24	FourthFinCorp KS	11.2	151.8	29
28¼	20¼	FranklinCorp TN	11.1	180.0	28¼
30¾	26	FranklinNatlCp PA	11.8	147.1	29
30¾	24¾	FulltonBancpPA	11.9	185.2	30¾
24¼	18¾	FulltonFinCorp PA	14.1	173.7	23¾
27¼	17¾	GBC Bancorp CA	8.3	130.3	18¼
25¼	15¾	GeneseeSoldmntMS	10.4	143.0	24¾
25¼	15¾	GeneseeSoldmntMS	9.5	153.3	24¾
42¾	30¼	HancockHoldgMS	11.9	181.9	41¾
42¾	30¼	HancockHoldgMS	11.9	181.9	41¾
22¾	17¾	HeritageFinSvc IL	12.8	178.0	18
24¼	16	HiberniaCorp LA	NM	148.3	7
29¼	11¼	HubcoNJ	14.0	237.5	29¼
37¼	16¾	HuntingtonBcshs OH	13.1	217.4	25¾
15	6¾	HuntingtonBancorp CA	18.8	66.4	13¾
29¾	21¾	IndependenceBcp PA	38.3	152.4	28¾
18¾	12¾	IntegraFinCp PA	10.5	194.2	18¾
18	12¾	IntercontinentalIL	11.1	144.6	16¼
23¾	19	InvestBancshrsIN	10.7	122.9	23
54¾	29¾	InvestFinCorp FL	8.6	200.0	44¼
74¼	58¾	JP Morgan NY	10.4	188.6	73¾
23	13¾	JeffersonBnshrs VA	12.4	156.2	20¾
46	30¾	KeyCorp NY	11.1	180.8	39¼
34¼	24¾	KeystoneFncl PA	12.5	185.6	29¾
34¼	24¾	KeystoneFncl PA	12.5	185.6	29¾
27¾	20¾	LibertyBancorp OK	9.1	154.3	24¾
28¾	20¾	LibertyNatlBancsKY	14.0	185.9	27¾
15¾	6¾	MNC Financial MD	17.1	458.5	12
14¾	10¾	MNC Financial MD	10.3	134.5	14¾
18¾	13¾	MagnaGroup MO	12.1	134.3	17¾
29	17¾	MarkTwainBcshrs MO	13.3	210.7	27¾
25¾	20¼	MarshallBnks WI	12.7	196.4	23¾
68¾	40	MellonBankCorp PA	9.9	142.2	58¾
50¼	30¾	MercantileBncsMO	12.7	144.0	48
30¾	27	MercantileBnksh MD	12.1	153.7	31¼
62	44¼	MerchantsBncp MT	19.5	180.2	54
32½	19¾	MetroBancorp PA	11.0	169.8	32¼
24¼	18¼	MetroBancorp PA	11.0	140.2	23¾
23¾	16¾	MichiganNatlCp MI	10.3	124.5	14¾
24¾	17¾	MidAmBancorp KY	10.3	124.5	14¾
23¾	16¾	MidlandBancorp IL	10.3	124.5	14¾
24¾	17

Small Businesses Shy Away from Getting New Loans

By WILLIAM GOODWIN

Small businesses are shunning new bank loans, despite lower interest rates and easier credit conditions, according to a just released survey by the National Federation of Independent Business.

As of July, when the survey was conducted, just 32% of the group's members said they were borrowing on a regular basis, meaning at least once a quarter. That's the lowest level in the 20-year history of the survey.

The record-low level of borrowing activity reflected general pessimism about the impact of the Clinton administration's economic policies.

Impact of Taxes

A number of the association's members will be directly affected by the higher taxes contained in the administration's recently enacted budget bill, said William Dunkelberg, chief economist of the group and dean of the business school at Temple University in Philadelphia.



Demand is low despite lower rates and easier credit.

"This is just a big blow to the bottom line to partnerships, proprietorships," and other group members, he said.

Small businesses are also worried about added costs associated with the administration's health-care reform proposals, Mr. Dunkelberg said.

Typical Small Business

The Washington-based group represents over 600,000 small businesses, each typically having five employees and annual revenue of $250,000.

One out of every seven employers in the United States is a member of the association, Mr. Dunkelberg said.

Apparent Contradiction?

Credit availability was not an issue for small businesses, according to the latest association survey. Just 3% of respondents cited the ability to obtain financing as their most important problem.

The finding seems to contradict recent Congressional testimony by Federal Reserve Board chairman Alan Greenspan.

"I would scarcely argue that the so-called credit crunch phenomenon is over," Mr. Greenspan told the House Banking Committee last month in his semiannual report on the Fed's monetary policy.

But Mr. Dunkelberg said that if there was a credit crunch, association members would be complaining about it, as they did in the early 1980s.

A survey finds just 32% of companies borrowing on a regular basis.

During that period credit availability consistently was cited by a large percentage of small businesses as their most important problem.

"Our view all along [has been] that there is no credit crunch this time, Mr. Dunkelberg added.

Bankers around the country have been saying for months that slack business lending reflects sluggish credit demand, not an unwillingness on the part of banks to lend.

No Lack of Money Seen

"Every bank in the world is out there beating the bushes for loans," said William Rossman, president and chief executive officer of Mid-State Bank and Trust Co. in Altoona, Pa.

"That's an indication to me that there is a lot of money to be lent if there is a need for it," added Mr. Rossman, who is also president of Robert Morris Associates, a trade association for commercial loan and credit officers.

The average interest rate for short-term loans fell to 8.3% in the second quarter from 8.6% in the first period, according to the National Federation of Independent Business survey.

"I interpret falling rates as a sign that banks are trying to move merchandise," Mr. Dunkelberg said. □

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Prepayments Start to Haunt Home Lenders

By EDWARD KULKOSKY

The home mortgage industry looks a little like a snake that is swallowing its own tail.

Lenders are feeding voraciously on refinancings – and toting up record origination fees. But as borrowers pay off existing loans, many companies are losing valuable loan servicing assets – and taking hits to earnings.

In recent weeks, the undesirable part of the refinancing boom has started to outweigh the positive aspects for a number of lenders. And with long-term interest rates continually hitting record lows, there's no end in sight to the trend.

Fleet Financial Group of Providence, R.I., highlighted the problems last month when it announced a $100 million charge to earnings in the second quarter because of prepayments at its 80%-owned Fleet Mortgage.

"What happened to Fleet during the quarter proves our point that a lower-interest-rate environment is not necessarily the optimal situation for mortgage bankers," wrote Sy Jacobs, mortgage banking analyst for Alex. Brown & Sons.

Rights Booked as Assets

Fleet is among a group of lenders that hold large quantities of "purchased mortgage servicing rights." Unlike the loan servicing rights that arise from a lender's originations, purchased rights are booked as assets – and must therefore be written down when prepayments accelerate.

(A ranking of bank holding companies with high levels of servicing assets appears on page 12.)

Kevin Race, executive vice president and chief financial officer for Fleet Mortgage, said: "After the second quarter, we decided to use hedging techniques, when appropriate, to protect our portfolio and have actually begun some financial hedging."

Charge to Earnings

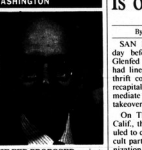
Marine Midland Banks Inc., Buffalo, had one of the largest exposures to prepayment risk among bank holding companies as of March 31.

But Ernest A. Morton, executive vice president, reports that he has reduced this exposure by about 60% "by writing a check" in the form of a charge to earnings. He expects to sell excess

See PREPAYMENTS page 12

INSIDE NEWS

WASHINGTON



THE FED PROPOSED easing rules on bank loans to insiders, a move that Vice Chairman David Mullins, above, said would not compromise safety and soundness. *Page 2*

REGIONAL BANKING

FIRST CHICAGO has sounded fresh warnings about possible further realty loan problems, but officers insist the bank's exposure is small. *Page 4*

COMMUNITY BANKING

THE BLITZ of interstate mergers in Kansas has slowed considerably in recent months. *Page 6*

COMPLIANCE

A PROPOSAL by the Department of Housing and Urban Development designed to spur low-cost mortgages is criticized by a staunch liberal, consultant Karen Shaw. *Page 10*

MORTGAGES

WINDSOR MORTGAGE Inc., the new kid in town, aills to become a dominant player in Chicago. *Page 12*

INVESTMENT PRODUCTS

CAPITAL BANK in Miami has hired Samuel W. Gentry Jr., a seasoned banker with a flair for unusual publicity tactics, to expand its private bank. *Page 14*

TECHNOLOGY

ELECTRONIC PAYMENT Services Inc. has tapped David Van Leer, Banc One Corp.'s former technology chief, as chairman and chief executive officer. *Page 3*

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Glenfed Says Recap Plan Is on Track

By SAM ZUCKERMAN

SAN FRANCISCO — One day before going to market, Glenfed Inc. officials said they had lined up investors for the thrift company's $425 million recapitalization, lifting the immediate threat of a federal takeover.

On Thursday, the Glendale, Calif., thrift company is scheduled to carry out the most difficult parts of its massive reorganization effort: setting a price on a $175 million offering of convertible preferred stock and signing agreements with standby investors in a $250 million common stock rights offering.

Officials of the $17.9 billion-asset thrift company said on Wednesday they believed they had sufficient commitments from buyers to complete the two transactions.

"We're pretty confident," Richard A. Fink, a chief legal officer, said in an interview.

A Turnaround Play

More than two dozen investors, mainly mutual funds and partnerships, have agreed to be standby buyers in the rights offering at $9 a share, Mr. Fink said. Many have previously made big gains from other financial institution turnarounds, people familiar with the deal

See GLENFED page 4

BankAmerica Acquitted Of Price Fixing on Cards

By STEPHEN KLEEGE

A jury in San Francisco has acquitted Bank of America of charges that it conspired with two other California banks to fix credit card prices.

The verdict late Tuesday ended a costly seven-year legal battle and vindicated Bank of America's strategy of not settling the case out of court. A loss could have cost the BankAmerica Corp. subsidiary three times the alleged damages, or $2.8 billion.

1st Interstate, Wells Settled

The other accused companies – First Interstate Bancorp and Wells Fargo & Co. – paid a combined $57 million in settlements last year, even as they strenuously denied wrongdoing.

"In some respects, [the BankAmerica victory] may be the start of a trend where big corporations no longer pay blackmail money just to avoid a jury trial," said Gregory Scott Spencer, senior counsel to the bank.

The attorneys who brought the class-action suit said they are contemplating an appeal.

The suit was filed in 1986 on behalf of people who held cards issued by the three banks between 1982 and 1986. The banks were alleged to have kept credit card rates artificially high since 1966.

Like many big corporations, BankAmerica had been inclined to seek settlements of such claims rather than paying the costs of trials. But by 1986, the bank was beginning to reconsider that policy, according to an official who was there at the time.

Hanging Tough

Within weeks after the price-fixing complaint was filed, "we did a thorough investigation and decided on the principle that they were not going to get a penny out of BankAmerica," a company spokesman said on Wednesday.

According to Mr. Spencer, attorneys for the plaintiffs tried to

See BANKAMERICA page 16

Chronology of Card Suit

- **October 1986** — Cardholders file a class action alleging that BankAmerica, First Interstate, and Wells Fargo fixed prices on credit cards from 1966 to 1986.
- **April 1992** — First Interstate and Wells settle the suit, agreeing to pay a total of $57 million. BankAmerica rejects a settlement offer.
- **June 1993** — A jury trial begins in California Superior Court.
- **August 1993** — The jury rules in BankAmerica's favor, deciding that the bank's pricing decisions were made independently of the other two banks.

A New Force In Capitol: The Card Lobby

AFTER NARROWLY avoiding a cap on loan rates two years ago, MasterCard and Visa have hired full-time lobbyists. Charlotte Rush and William P. Binzel, right, represent MasterCard.



Barbara Kinney

See story on page 17

NEWS *briefs*

Keystone in Tentative Deal for WM Bancorp

HARRISBURG, Pa. — Keystone Financial Inc. has signed a letter of intent to acquire WM Bancorp of Cumberland, Md., for $69 million in stock.

WM Bancorp, which has two bank subsidiaries, has $350 million of assets and 21 community offices in Maryland and West Virginia.

Keystone Financial said it expected to sign a definitive agreement for the acquisition within a week. The company expects to complete the transaction by the first quarter of 1994.

The would-be buyer has four member banks, all in Pennsylvania – Pennsylvania National Bank, Pottsville; Northern Central Bank, Williamsport; Mid-State Bank, Altoona; and National Bank of the Main Line, Wayne. The company expects to complete the previously announced acquisition of Elmwood Federal Savings Bank, Media, Pa., with $250 million in assets, in the first quarter of 1994.

Calfed Deal for Unionfed Offices Advances

BREA, Calif. — Unionfed Financial Corp. said it has reached a definitive agreement to sell four branches with approximately $180 million of deposits to California Federal Bank.

The branch sales are part of Unionfed's capital restoration plan and are subject to Office of Thrift Supervision approval, said the company.

The sales are expected to close in late August.

Unionfed also said it has set Aug. 25 as the record date for its proposed rights offering – provided its Securities and Exchange Commission registration has taken effect by then.

Citibank to Make Shanghai Its China Base

HONG KONG — Citicorp's Citibank unit said it would make Shanghai the headquarters of its China operations after gaining approval from the People's Bank of China to open a country representative office in that city.

Citibank has had a full branch in Shanghai since 1991 but Hong Kong has been the headquarters for its China business.

"Our move reflects Citibank's long-term commitment to China and our determination to further expand our activities and investments in the country," said Citibank country corporate officer for China, C.P. Cheng.

Liberty Joining MAC Network of ATMs

LOUISVILLE, Ky. — Liberty National Bancorp has signed a letter of intent to join the MAC automated teller machine network.

Liberty, a leading regional processor of ATM transactions, would add its machines to MAC while gaining rights to market MAC services to financial institutions in Kentucky and southern Indiana.

MAC, formally called Money Access Service, gained a foothold in Kentucky last year when it became a joint venture of CoreStates Financial Corp., Society Corp., Banc One Corp., and PNC Bank Corp. The latter two own Kentucky banks.

Liberty, the parent of Liberty National Bank and Trust Co., said it intends to bring 90 correspondent banks with 300 ATMs into MAC. They would give MAC a potential of 680 machines and one million cardholders in the Kentucky-Indiana area. The network has 12,000 ATMs and 28 million cardholders in 16 states.

The briefs were compiled from staff and wire reports.

Correction

A photograph published Wednesday with an article about Western Bank of Coos Bay, Ore., was misidentified. It was actually of Georges C. St. Laurent Jr., the bank's chairman.

Federal Reserve Proposes to Ease Restrictions on Loans to Insiders

By CLAUDIA CUMMINS

WASHINGTON — The Federal Reserve on Wednesday proposed revising rules on bank loans to insiders, hoping to relieve some of its burden on the banking industry.

The proposal, which limits the kinds of transactions that must be considered insider loans under the Fed's Regulation O, responds to industry complaints that the current rules are too strict and, in some cases, unclear.

Industry leaders say the new rules, if approved, will make it easier for banks to comply with insider-lending limits.

"This is a big deal," said Paul A. Smith, senior federal administrative counsel at the American Bankers Association. "They have responded to the reality of the situation and made some significant improvements in the regulation."

"This is a pretty good approach," said Fed Vice Chairman David Mullins. "I feel pretty confident we aren't compromising safety and soundness."

Reg O limits the credit a bank or thrift can extend to its executive officers, directors, and principal shareholders, and their related interests. It also requires lenders to report quarterly on these loans.

The Fed has proposed eight



John P. LaWare
Wants good records kept

changes to the rule. Most important, it clarifies that certain loans only indirectly related to insiders do not meet the rule's "tangible economic benefit" test, and are therefore exempted.

Some lenders have complained that under the current rule, a car loan, for example, could be counted as an insider loan if the car dealer sat on the board. Similar cases involved directors who were real estate developers or who were trying to sell their own homes.

"The new rule makes it very clear that these types of transactions would not be considered Reg O loans," said Karen Thomas, regulatory counsel at the Independent Bankers Association of America.

The Fed's proposal would also free lenders from strict recordkeeping rules. Currently, they are required to keep lists of all insiders, as well as the amount and terms of each insider loan.

Under the new proposal, banks would be allowed to set their own record-keeping procedures, as long as they were strict enough to ensure compliance.

But Fed Governor John P. LaWare questioned whether the record-keeping proposal goes too far, and suggested that lenders might like more guidance.

"It's a little bit like taking the straitjacket off, sawing off the bars on the windows, and unlocking the door," he said, "I'm a little bit puzzled as to why we've gone quite so far."

In addition, the Fed proposed:

- Exempting from the aggregate limit the purchase of certain consumer installment paper.
- Excluding the discount of obligations sold by an insider to the bank without recourse.
- Increasing from $5,000 to $15,000 the threshold for considering credit card plan debt to be an extension of the credit.
- Exempting from special rules for executive directors loans collateralized by U.S. government securities or earmarked deposits for executive officers.
- Clarifying that a home mortgage refinancing is not subject to limits for executive directors. □

COMPANY *index*

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Electronic Payment Services Gets New CEO

By JEANNE IIDA

In a management shuffle that appears calculated to speed up its growth, Electronic Payment Services Inc. has tapped Banc One Corp.'s former technology chief as chairman and chief executive officer.

The new CEO, David Van Lear, replaces Douglas Anderson, who has become the electronic funds transfer network's vice chairman in charge of mergers and acquisitions and will report to Mr. Van Lear.

Observers said that the board of directors – which includes Banc One president Donald L. McWhorter and Terrence A. Larsen, chairman and chief executive of CoreStates Financial



Peggy Turbett/American Banker

David Van Lear
Back in technology field

Corp. – felt the organization was moving too slowly in developing technology such as "smart cards" – payment cards equipped with their own computer microchips.

'Had to Do Something Visible'

"There are some very strong personalities on the board, and they felt that EPS had to do something visible," said one banking consultant, who asked not to be identified.

The electronic banking industry was shaken up last year when EPS was formed by CoreStates, Banc One, PNC Financial Corp., and Society Corp. The organization pooled the four banks' automated teller machine and point-of-sale networks – including CoreStates' MAC – thus creating a superregional network partnership.

But since being granted regulatory approval late last year, the company has focused on linking its networks but done little in the way of expanding its membership or geographical reach.

Competition May Heat Up

Meanwhile, a group of midwestern banks is discussing a network alliance, and Citicorp and Mellon Bank are in talks with NYCE, a MAC rival.

According to industry sources, EPS is involved in discussions – both to expand its equity ownership and to acquire other networks. Officials of the organization declined to comment on any talks.

Mr. Van Lear's new positon puts him back in charge of a major technology company, something he had gotten away from in his last assignment at Banc One. "Technology is a real strength for me," he said.

"Historically, he's proven to be competent on the operating side," said Salomon Brothers analyst Diane Glossman.

After four years as president of the automation subsidiary BancOne Services Corp., Mr. Van Lear was promoted last year to president of the company's state-chartered banks in Colorado, Illinois, Kentucky, and West Virginia.

The job was an experiment in creating regional groups of banks at Banc One, Mr. Van Lear said. For the time being, Mr. Van Lear's position at Banc One will not be filled, and the individual banks' CEOs will report directly to Mr. McWhorter.

Before joining Banc One in 1986, Mr. Van Lear was senior executive vice president at American Savings Bank, Los Angeles, and headed Norwest Corp.'s automation subsidiary.

Mutual Agreement

Electronic Payment Services began to look for a new CEO several months ago, after Mr. Anderson and the board agreed to a change in his position, the organization said.

Mr. Anderson has been a key executive at MAC since its formation by CoreStates Financial Corp. in the late 1970s.

And while EPS has been relatively quiet recently, observers said the organization's clout in the industry has not diminished.

"I would not underestimate EPS," said Richard Speer, chief executive of Speer and Associates, an Atlanta-based consulting firm. "It's important to understand they're not another shared network, but an integrated processing company." □

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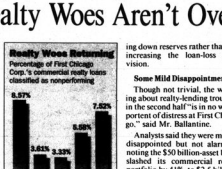
First Chicago, in Filing with SEC, Says Its Realty Woes Aren't Over

By STEVE KLINKERMAN

First Chicago Corp. has sounded fresh warnings about possible further realty loan problems, but officers insist the bank's exposure is small.

In a recent filing with the Securities and Exchange Commission, First Chicago raised the possibility of "upward pressure" on defaults and chargeoffs in its commercial realty portfolio in the second half, citing chronic weakness in the nation's realty markets. The bank regularly issues such forecasts.

The country's 12th-largest banking company last fall segregated more than $2 billion of distressed realty assets into a portfolio marked for accelerated disposition, taking loss provisions of $840 million.



Nonperforming Asset Drop

The cleanup cut First Chicago's nonperforming commercial realty assets to $116 million at yearend 1992 – down 86% from June 30, 1992. By mid-year 1993, however, the case load had more than doubled to $235 million, or 9.1% of gross commercial realty loans.

John Ballantine, chief credit officer, said First Chicago had built loss reserves to 222% of nonperforming loans, and he indicated that potential loan problems would be handled by drawing down reserves rather than by increasing the loan-loss provision.

Some Mild Disappointment

Though not trivial, the warning about realty-lending troubles in the second half "is in no way a portent of distress at First Chicago," said Mr. Ballantine.

Analysts said they were mildly disappointed but not alarmed, noting the $50 billion-asset bank slashed its commercial realty portfolio by 41%, to $2.5 billion, over the last 12 months.

'Base Is Smaller'

"The base is smaller, and First Chicago hopefully is being conservative in its valuations," said Kenneth Puglisi, a banking analyst with Chicago Corp.

First Chicago's earnings have rebounded in recent quarters, driven by falling provisions and massive trading and equity investment gains. First half earnings of $347.6 million equaled a 1.24% annualized return on assets. □

Glenfed Says It Has the Investors for a Recap

Continued from *page 1*

said.

The sources said the preferred offering, underwritten by First Boston Corp. and Friedman, Billings, Ramsey & Co., will also be fully subscribed.

Fidelity Select Home Finance fund manager David Ellison, one of the biggest buyers of thrift stock, said on Wednesday that he had not decided whether to take part in the offerings.

Nevertheless, he said, Glenfed "is going to do the deal."

If the offerings are successful and if other elements of the recapitalization fall into place, Glenfed will meet interim capital targets set by federal regulators.

That could pave the way for a remarkable comeback by an institution that many had written off as dead. And it would mark a personal triumph for Stephen J. Trafton, Glenfed's driven chairman and chief executive, who has fought against long odds to save the ailing company.

"This would be the biggest private rescue ever done of a troubled thrift," noted Allan G. Bortel, president of Dakin Securities, San Francisco.

Skeptics Point to Losses

Even at the last minute, however, some observers remained skeptical that the offerings would be fully subscribed. Glenfed, they point out, has posted operating losses for six consecutive quarters and economic recovery in California, the thrift's main market, is not in sight.

It is management's job "to be optimistic," said E. Gareth Plank, an analyst with Mabon Securities, San Francisco.

The federal Office of Thrift Supervision has given Glenfed until the end of August to complete its stock offerings.

On a pro forma basis, the recapitalization would boost the thrift's core and risk-based ratios to 4.81% and 9.67%, respectively, Mr. Fink said. That would be well above interim targets of 4.5% and 9% that the thrift must meet by the end of September. □

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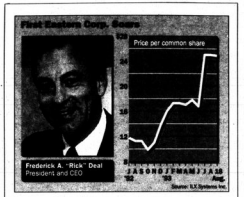

Turnaround Artist May Be Out in Cold

By STEVE KLINKERMAN

People in the News

FREDERICK A. "RICK" DEAL has engineered the most successful bank turnaround, but now he wonders whether he has a place in a consolidating industry.

President and chief executive of First Eastern Corp., Wilkes-Barre, Pa., he recently sold the reviving unit to PNC Bank Corp. for $330 million, or two times book. The $26.50-a-share price is nearly triple the trading low of last fall, according to data from ILX Systems Inc.

While the payoff undoubtedly endeared Mr. Deal to shareholders, PNC has not asked him to stay with the $2.2 billion-asset operation after it is acquired.

So instead of settling in at a small bank he can run himself, the former Society Corp. officer is considering whether he should rejoin a big banking company.

"The question is whether small operators are becoming dinosaurs," said Mr. Deal, noting that many banks of First Eastern's size are being snapped up by larger rivals.

The issue is more emotional than financial for Mr. Deal, whose severance package at the minimum will include a $560,000 payment, equaling two years' salary. But it speaks to the ranks of bankers preferring to run their own shows.

Toledo Consolidation Turned Heads

Mr. Deal gained notoriety for his turnaround skills when he spearheaded the consolidation of Trustcorp Inc., Toledo, after being placed in charge of the unit by acquirer Society in 1990.

In retrospect, Mr. Deal acknowledged, the support of a strong parent company eased the project. "When you're a senior executive at a major subsidiary of a bank holding company, you just call and say how much capital you need."

That was not the case at First Eastern, which was becoming a candidate for regulatory takeover when he took the reins last fall. It took excursions to London, Milan, Glasgow, Edinburgh, Zurich, and Geneva before Mr. Deal succeeded in a $27 million offering managed by Fox-Pitt Kelton.

Efforts on the home front were hardly less spectacular: Mr. Deal carried out plans devised by First Manhattan Consulting Group calling for branch consolidations and a 12% work force reduction, sold loans and a municipal underwriting unit, cut problem assets, and built loss reserves.

Fruits of His Labors

The results of his handiwork became apparent by midyear 1993. Nonperforming assets were down 28% from a year earlier, loss reserves were up 15.8 percentage points to 85.7% of nonperforming loans, and a 7.04% leverage capital ratio exceeded the 6.5% floor specified by federal regulators.

Wall Street took notice. When First Boston Corp. commenced coverage of First Eastern in June, for example, analysts predicted strong earnings gains and said: "We believe Mr. Deal was the driver behind the turnaround."

But when PNC instigated buyout talks, shareholders were presented with a payoff Mr. Deal was in no position to deliver anytime soon. He negotiated a price with the help of Alex. Brown & Sons, Baltimore.

The deal, to be completed by yearend, will bring big changes. First Eastern will be absorbed into a nearby PNC unit with an eye toward eliminating a third of its annual operating expenses, and Mr. Deal is re-thinking his career goals.

Revised Data Don't Tell Whole Story of Calif. Recession

By DAVID HENSLEY
Analyst
Salomon Brothers

The Bureau of Labor Statistics has released dramatically revised historical data suggesting that California's recession is much less severe than previously thought. This interpretation is mistaken – the focus should be on personal income, not employment.

A recovery is unlikely to take hold in California until the spring of 1994.

The recession in California, which has lasted for more than three years, widely is regarded as the worst in the state's postwar era.

Economic Outlook

Its depth usually is stated in terms of employment. As of May, California had lost an estimated 740,000 jobs, almost 6% of its employment base – far and away the largest decline since the shakeout that accompanied the end of World War II.

However, on June 4, 1993, the Bureau of Labor Statistics released dramatically revised data that reduced California's overall job loss by 25%, calling into question the severity of the state's recession.

Notably, the revision stemmed from a controversial correction for what the BLS contends was chronic overcounting of employment in the 1980s.

A recovery is unlikely to take hold in California until the spring of 1994.

Disproportionate Effect

Although overcounting was a nationwide phenomenon, the BLS attributed 40% of the excess to California, so the adjustment had a disproportionate effect on the state.

Based on the revised data, one might assume that California's recession has been much less severe than previously thought. This is a mistaken interpretation.

The decline in real California personal income since mid-1990 is the steepest since at least 1948. The decline is corroborated by record drops in state taxable sales, real estate values, construction volumes, and help-wanted advertising.

We see continuing weakness in key economic indicators in California: a broad-based decline in employment, flat or lower help-wanted advertising in all major markets, weak retailing, and falling home prices and construction volumes.

Recovery Will Mimic Nation

Those indicators, coupled with severe pressure on the defense sector and expected job losses in local government, virtually ensure that the state will remain in recession well into next year.

A recovery will be slow to develop, uneven, and disappointing.

When a recovery does take hold in California, it likely will be slow to develop, uneven, and disappointing – much the same as for the nation over the past two years. However, the real question concerns the longer term.

The fundamental issue is whether the state's economy will grow according to previous postrecession patterns.

There are two polar views: (1) That the recession reflects an unfortunate confluence of special factors that will not be repeated, and (2) that the recession marks the end of an era in California and growth will be disappointing long after the recovery begins.

The employment revisions seem to support the former view, because they make California's recession look considerably less severe than before. But even if one accepts the employment revisions at face value, the overarching measure of economic performance is personal income, not employment.

Two Basic Questions

There are two issues surrounding the revisions to California employment: whether they make sense, and, if they do, whether they necessarily overturn the conventional wisdom that the severity of this recession vastly exceeds all others in the state's postwar era.

As for whether the revisions make sense, the most important question is why California was assigned such a disproportionate share of the national overcount. The BLS has not published anything on the state-level revisions yet.

However, because total wage and salary disbursements are fixed, one check on the employment data is to see what they imply for average salaries. The revisions result in an unprecedented 1% decline in average nominal salaries in the winter of 1991, which seems implausible. □

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Psychic Augurs Well For Chicago's Liberty

By PHILZAHODIAKIN

Marketing

INVITING A PSYCHIC to augur away in a drive-up window worked out propitiously for Chicago's Liberty Bank for Savings.

Liberty staged the three-hour event to promote a new and expanded branch. More than 100 drivers lined up for divination while, inside, disk jockey Dick Biondi heralded the festivities in radio spots.

Linda Sudendorf, who heads marketing for Liberty, said there were many more walk-ins than usual in the days preceding and following the appearances of Mr. Biondi and soothsayer Jai Savin.

The fortune telling, which went for five bucks a pop, was the eighth event the $538 million-asset thrift held to advertise the Lincolnwood office. But promotional costs were reasonable, the fivers all went to a worthy cause, and, in the end, the branch posted a healthy deposit gain.

Previously, the branch was in a leased storefront on the opposite side of the street. Liberty believed the small-bank turf war in Lincolnwood justified its highly visible promotions.

The soothsayer helped boost the branch's deposits by 6.7%.

"We labored over the decision to commit to Lincolnwood with a full-service branch and, once we determined that the market supported an expansion, we wanted to make a big splash," Ms. Sudendorf said.

"There are a lot of small banks in the area, and we really have to try to eat into some of their strength."

All told, the psychic and the DJ – and earlier promotions such as a ragtime band and vintage auto car show, flag day, health and fitness day, kids' day, family photo day, and rock 'n' roll day – increased by $35,000 the $137,500 quarterly marketing outlay for four-office Liberty.

The result for the Lincolnwood office, which had $52 million in deposits before its new site opened July 1, has been a $3.5 million deposit jump – 6.7%.

"We're very pleased with the increase because our Lincolnwood deposits were flat or declining, partly because of declining interest rates," Ms. Sudendorf said.

Liberty wants to be a more prominent player in Lincolnwood because a population shift from the elderly to young couples portends mortgage lending opportunities.

But the promotions were a departure for Liberty, which had positioned itself as a prudent, traditional institution, says Kevin Tynan, president of Tynan Marketing Inc., Chicago.

However, "Liberty isn't a 'Johnny-come-lately' to the community," adds Mr. Tynan, who helped the thrift plan the promotions. "They've had two 'outstanding' Community Reinvestment Act ratings, they have a major investment in bricks and mortar, and we wanted to reinforce our identity with an extended grand opening – not by spending a lot of money."

Liberty did not stretch any banking rules by allowing the psychic to make statements which, in the securities world, just might be interpreted as promissory or inflammatory.

"No one saw him to be an official representative of, or investment advisor to, the bank," said Mr. Tynan. "He doesn't sit on the loan committee."

Focus on: KANSAS

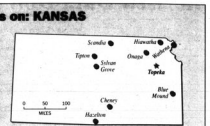
Profit Leaders

The 10 most profitable small banks* in the state:

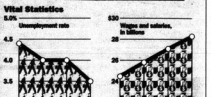
	Return on assets	Assets (millions)
Citizens State Bank, Elkhart	4.75	$25
Syvan State Bank, Sylvan Grove	3.85	10
First National Bank, Olsburg	3.68	42
Tipton State Bank	3.24	6
Scandia State Bank	3.23	17
Farmers State Bank, Hiawatha	3.12	5
Farmers State Bank, Blue Mound	2.70	40
Morris & James Bank and Trust, Humboldt	2.57	70
Farmers State Bank, Burlington	2.51	36
North Plains State Bank, Dodge City	2.47	43

*Banks that have assets of less than $5 billion and that are not owned by holding companies with more than $5 billion of assets. As of June 30 data

Kansas has 500 small banks.
As of March 31, they:
- Held $24 billion in assets, or 3.3% more than year earlier
- Earned $71 million
- Had a 1.05% ORE-asset ratio
- Reported 1.74% on average assets
- Returned 12.73% on average equity



Vital Statistics





Sources: DRI/McGraw Hill, Ferguson & Co., America Banker

Buyers That Feasted on Kansas Banks Seen Taking Time Off to Digest Prey

By TERRENCE O'HARA

The blitz of interstate mergers in Kansas, once one of the most fragmented banking markets in the country, has slowed considerably in recent months.

Analysts say out-of-state banking companies have established their long-strategized toeholds in key Kansas markets and are in a holding pattern where Kansas is concerned.

"The big holding companies that made these acquisitions have had a long time to forge these strategies and form some alliances," said Jerry Duggan, head of Duggan Securities Inc. in Kansas City, Mo.

Prime Locations Taken

"The prime locations and the books of business they wanted have long ago been identified and already resulted in transactions," Mr. Duggan said. "The acquirers are going to wait and see how this first round shakes out and take some time to digest."

That could mean a respite from the flurry of merger activity that gobbled up some of Kansas' most valuable community banks.

Intrastate Pace Also Slows

And not only has the pace of interstate mergers slowed, but also that of intrastate mergers as the county seat banks in rural Kansas communities, at least those with the wherewithal, have by and large finished their consolidation.

"In the last three months we haven't had a lot of merger activity," said James Maag, executive vice president of the Kansas Bankers Association. "Here again it's like the interstate situation. About 80% of the in-state mergers since 1988 happened early."

But Jerry Swords, a Kansas City bank consultant, said deals are still there to be done and despite the recent lull, Kansas will be fertile ground for mergers for years.

Lure Said to Remain

"There are still a lot of interested sellers and a lot of interested buyers," Mr. Swords said. "The lure of at least 1.5 times book is still very attractive."

Kansas adopted unfettered intrastate branching in 1990, and

See MERGER page 9

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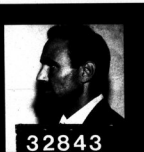

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Now, Visa's PaymentService 2000 helps stop magnetic stripe counterfeiting.

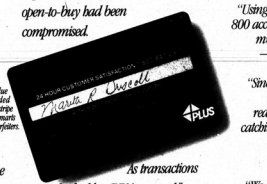
On April 1, 1993, Visa scored a direct hit against magnetic stripe counterfeiters. The Visa® Card Verification Value (CVV) Program, a key feature of PaymentService 2000, served notice to criminals that an all-out attack on counterfeiting had begun.

This major step forward allows Visa card issuers to validate that the contents of their cardholders' magnetic stripes have not been altered by counterfeiters.



Percentage of worldwide transactions checked by CVV.

In just three short months, the Visa CVV Program has allowed issuers to enjoy saving more than $30 million in potential counterfeit losses if the full open-to-buy had been compromised.



A value encoded in the stripe outsmarts counterfeiters.

As transactions checked by CVV increase, Visa Members worldwide can anticipate even greater savings.

The message has been sent. Visa Members have a new weapon: CVV. Now, the guys who counterfeit stripes may soon be wearing them.

WHAT DO MEMBERS SAY?

"In the first few months of implementation, we have identified as much as $1.7 million of open-to-buy that had the potential of being fraud."
— John Totten, Senior Vice President and Chief Technology Officer, FirstCard

"Using CVV, we have blocked over 800 accounts, saving our institution millions in potential losses."
— Art Desloges, Director of Security Services, Citibank US Card Products

"Since CVV has been in place, we have significantly reduced our losses and are catching counterfeit card activity in less than a day."
— Michele Shalmon, Security Supervisor, Great Western Bank

"We have already experienced important savings since we implemented Visa's CVV Program."
— Rick Scully, Vice Chairman, First U.S.A. Bank

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EXECUTIVE *changes*

Maine Thrifts' Trade Group Elects James Dowe as President

P. James Dowe Jr. has been elected president of the **Maine Association of Community Banks** for 1993-94. He succeeds **Edward L. Hennessey Jr.**, president of **Machias Savings Bank.**


P. James Dowe Jr.

Mr. Dowe has been president and CEO of **Bath Savings Institution** since 1986, when he left Androscoggin Savings Bank.

William J. Ryan, president of **Peoples Heritage Bank**, Portland, was elected vice chairman of the association.

Elected to its executive committee were bank presidents **Rodney J. Normand** of **Sanford Institution for Savings**, **Steven A. Closson** of **Androscoggin Savings Bank**, **William J. Denyer** of **Biddeford Savings Bank**, **Malcolm E. Jones** of **Bangor Savings Bank**, **August Berta** of **Auburn Savings and Loan Association**, **Arthur J. Markos** of **Gardiner Savings Institution**, and Mr. Hennessey.

North Side Deposit Hires Gibson as CEO

Lloyd G. Gibson has returned to his native Pittsburgh as president and CEO of **North Side Deposit Bank**, succeeding interim president Michael Hagan.


Lloyd G. Gibson

Mr. Gibson was president and CEO of Miners and Mechanics Bank of Steubenville, Ohio, and earlier was credit policy vice president at Mellon Bank, Pittsburgh.

— **Franklin Smith**

MIDWEST

FIRST NATIONAL BANK and Trust Co., Kearney, Neb., has promoted **Laurence L. Jepson** from president to board chairman. He remains CEO.

Rick L. Harbaugh has been promoted to president and elected to the board. He remains senior loan officer.

MIDDLE ATLANTIC

INDEPENDENCE Bank of New Jersey, Ramsey, has appointed **John O'Donnell** as assistant secretary in commercial lending.

SOUTHEAST

COMMUNITY First Bank, Jacksonville, Fla., has elected **Victor M. George** as executive vice president for commercial lending. Before joining Community First this year, he was Orange County regional president of First Florida Bank.

SOUTHWEST

BANK of Cherry Creek, Denver, has appointed **Ronald D. Brazda** as vice president of construction lending and **John A. Stedeford** as vice president of commercial lending. □

Merger Fever Sweeping Kansas Takes a Holiday

Continued from *page 6*

not until July 1992 were interstate acquisitions allowed.

The law change set off a whirlwind of deals. Kansas City, Mo.-based United Missouri Bancshares bought 12 banks totaling $1.3 billion in assets, most of them across the boarder in Johnson County, between April and June of this year. Then it stopped.

KBA's Mr. Maag said that in the last four years, triggered by intrastate branching, Kansas

Despite the slow-down, Kansas is still seen as fertile ground for mergers.

lost 140 bank charters. The number of charters, however, stabilized at 490.

According to the Kansas Bankers Association, 27 Kansas banks with a total of $3.5 billion in assets have been acquired by out-of-state holding companies since interstate banking laws took effect.

Hardest Hit Markets

The consolidation wave crashed hardest in the Topeka, Kansas City and Wichita markets. In Wichita, Fourth Financial Corp. has been consolidating its Kansas Bank IV banks and has leapfrogged into Missouri. Mr. Duggan said Bank IV will "have to be in the Kansas City market to keep pace."

That leaves the remaining independent community banks left in Kansas, most of them in rural areas of the state, to go on about their business.

Mr. Maag said that the weather this year will be particularly hard on these banks. The worst flood damage has been limited to the northeast corner of the state on the banks of the Missouri River. But it has still been a wet summer, he said, and most of the wheat harvest was delayed because of it.

"A lot of our economy depends on the agricultural sector," Mr. Maag said. "It's hard to say whether this is going to be a good year." □



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HUD's Plan to Spur Low-Cost Mortgages Meets Liberal Critic

By JIM McTAGUE

WASHINGTON — A proposed regulation by the Department of Housing and Urban Development designed to force banks and other lenders to make more low-cost mortgages is proving controversial even among liberals.

Karen Shaw, a staunch liberal with ties to the administration, said it would chase lenders away from the Federal Housing Administration guarantee program.

Ms. Shaw is a Clinton supporter who was once among those considered for the post of chairman of the Federal Deposit Insurance Corp. She also is president of her own company, the Institute for Strategy Development, one of the capital's betterknown financial consulting firms.

Unusual Success

Her rise to the top of an industry dominated by males is all the more amazing considering she has been legally blind from a degenerative eye condition for about the last 20 years.

(A casual observer would never notice. She moves about as well as anyone without the aid of any device and is an avid runner, clipping off as many as five miles a day.)

Ms. Shaw usually doesn't mind government prodding the public sector to do good. However, she said the HUD regulation, which is out for comment until Sept. 13, would:

• Prohibit FHA-approved lenders from setting minimum amounts for the loans they make, and then prohibit them from charging more than two points extra for a small loan, despite the fact they are often more costly to make than bigger ones.

• Give private parties a right of action against all mortgage lenders, which Ms. Shaw said is one of its most troubling features.

"Anybody, even a competitor, can inquire whether an institution's lending practices are in compliance. And all of the sudden you start a process in which underwriting standards, cost functions, even propriety information about salaries and fees, become discoverable."

The HUD regulation implements the 1990 Cranston-Gonzalez affordable-housing law, which Ms. Shaw said the Bush administration ignored but the Clinton administration "quite rightfully" implemented.

But the regulation goes beyond the law.

"It's very troublesome," she said. "It points to the larger compliance dilemma that banks are facing in many areas. Because government hasn't the resources or the political will, or both, to take on social responsibilities, it's turning to the private sector to do it."

Ms. Shaw said that banks are ready victims because their federal deposit insurance makes them "quasi-nationalized companies."

When the government wanted to fight money-laundering, it made banks a law enforcement proxy, she said.

"You're going to see this with flood insurance, too," she predicted, with banks forced to collect all kinds of documentation for mortgage loans in flood plains to make certain the homebuyers are adequately insured.

In the same vein, the HUD regulation would force banks to become the proxies for government social policy by mandating a pricing schedule that is an attempt to force them to make certain kinds of loans.

"Most of the time, this kind of mandated social policy turns out not just to be bad but counterproductive," she said.

While nonbank lenders can just walk away from the FHA, it's a harder choice for banks because the Community Reinvestment Act and Home Mortgage Disclosure Act are forcing them to make more loans in low-income areas. FHA's guarantee on such mortgages remains a very attractive incentive.

Ms. Shaw is advising her clients not to quit the program or write letters to HUD saying flat out that they hate the proposal.

Since the Clinton administration has a concept of social obligation that requires private-sector lenders to work with the government, lenders ought to take a constructive approach and suggest improvements and modifications to the regulation, she said. □



Barbara Rios

Karen Shaw

Age: 40
Born: New York City
Home: Washington, D.C.
Education: BA, Wellesley College MA in political science, University of California at Berkeley
Title: President of the Institute for Strategy Development
Experience: She has run her own company for about five years. Before that, she was a lobbyist for Bank of America.
Most memorable job: Dancing with an Alvin Ailey studio troupe as a teenager in New York City
Interests: Running, reading, shopping
Cause: Issues for the disabled

A Quick Test for Lending Bias

By CLAUDIA CUMMINS

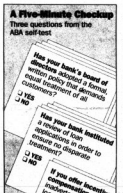
WASHINGTON — The American Bankers Association has developed a 34-point checklist for banks to help them determine whether they may be discriminating against minorities.

The five-minute "Fair Lending Checkup" has been sent to the chief executive officers of all banks in the country as part of the trade group's fair-lending outreach.

Industry Under Pressure

The test covers a broad range of policies and practices that could be discriminatory, including employee training, documentation procedures, advertising, and underwriting criteria.

The test comes as banks and industry associations are under pressure to prove their commitment to ending racial bias, whether intentional or inadvertent, in their mortgage lending.



The questions on the ABA self-test include:

• Has your bank's board of directors adopted a written, written policy that demands equal treatment of all customers?

• Have you instituted a review of loan applications in order to ensure no disparate treatment?

• If you offer incentive compensation, does it inadvertently encourage loan officers to ignore or disregard low-income or moderate-income applicants?

In-Depth Reviews Urged

A "no" or "not sure" response to any of the 34 questions in the test could highlight a potential problem, the ABA says. The trade group urges all lenders to take the test and to conduct more in-depth reviews of their minority lending.

The ABA board recently passed a resolution "reaffirming the industry's commitment to fair lending and ABA's commitment to helping banks ensure a discrimination-free lending environment," an ABA spokeswoman said.

Organized Crime on Rise

"People don't walk into a bank with suitcases full of cash anymore, but financial systems are still infiltrated with illegal money," said Mr. Bruh, who spoke last Friday at a news conference on organized crime.

Organized crime is on the increase — whether it is drug running or smuggling aliens into the United States, and as a result, criminals have plenty of profits to hide.

Such crime "truly makes our global village a dangerous neighborhood," said William Olson, a senior fellow at the National Strategy Information Center, Inc., a Washington-based think tank.

"The banks in the United States are doing a good job generally," Mr. Bruh said. But because financial institutions are not always as careful, Americans "could be defrauded from a great distance."

More Training Seen as Needed

Because bankers were not taught in school about the operation of international financial fraud, greater training is needed, the think tank's report said.

In addition, Mr. Olson called for more cooperation among banks and law-enforcement agencies.

The report is titled, "International Organized Crime: Emerging Threat to U.S. Security." □

Money Laundering Goes On With Ease, U.S. Aide Says

By ROBYN MEREDITH

WASHINGTON — International criminal organizations use American banks to launder money with relative ease, despite the precautions U.S. banks have taken, according to a senior Treasury official.

"Money moves more easily through the world than even drugs," said Brian M. Bruh, director of the Treasury Department's Financial Crimes Enforcement Network. "The governments of the world just do not have the laws on their books" to effectively prevent it, he said.

But the money-laundering situation has improved, and criminals have been forced to use more sophisticated means of laundering their profits, Mr. Bruh added.

Rule Keepers Gain Stature as Cost of Missteps Rises

By BARBARA A. REHM

WASHINGTON — The compliance department used to be a parking place for aging bank officers nearing retirement.

Today, compliance is one of the most challenging departments in banks of all sizes.

"The nature of compliance people has risen dramatically in recent years," said Michael D. Maher, vice president and manager of regulatory compliance at First Bank System Inc. in Minneapolis. "Now management looks for the best person for the job. They are relying on us as advisers. Compliance is truly becoming a profession."

Word From On High

Today, bank compliance officers have more visibility, credibility, and authority. That's occurred, in part, because regulators have demanded it.

Stephen M. Cross, the Comptroller of the Currency's deputy for compliance management, was asked recently by a group of bankers what the biggest problem is at banks with regulatory problems.

"Compliance is not taken seriously at those banks," he said.

"Compliance is not integrated into the basic operations of the bank, and compliance officers are viewed as a fast-track career."

Compliance is celebrating its silver anniversary this year. The Truth-in-Lending and Fair Housing acts were passed in 1968, creating the cornerstones of compliance: consumer disclosure and antidiscrimination.

Rules Run the Gamut

From 1968 through 1977, the government issued regulations covering everything from flood protection and electronic funds transfer to equal credit and community reinvestment. The next decade was relatively quiet; deregulation prevailed, and compliance officers were ignored.

But lax compliance brought on a backlash, and over the past five years Congress has battered banks with new laws and regulations.

The Competitive Equality Banking Act of 1987, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and the Federal Deposit Insurance Corporation Improvement Act of 1991 changed the compliance landscape by spawning scores of new regulations. As the rules changed – and became much more specific – the liability for breaking them rose.

Cost-Saving Role

As the cost of noncompliance soars, so does respect for compliance officers. The people who figure out and implement new regulations protect the institution from huge costs.

"In the early days, compliance officers were little Don Quixotes. They spent a lot of time tilting at windmills," said Robert P. Chamness, executive vice president and general counsel at CFI Proservices Inc., a Portland, Ore., company that provides software and compliance assistance to financial institutions.

The compliance department is no longer a backwater.

"Today compliance has taken center stage."

Compliance is so important because so much depends on it.

A bank that fails to follow regulations risks trouble with regulators, customers, and shareholders. Banks that do not abide by the rules face fines, lawsuits, and a cold shoulder from investors.



Barbara A. Rehm/American Banker

Michael D. Maher
Sees greater professionalism

Key to Acquisitions

Banks that want to expand must have high compliance ratings or regulators will not permit acquisitions. Ditto for banks that want to be bought.

With increased importance, compliance is no longer a one-man job that everyone else in the bank could ignore.

In fact, during exams, regulators want to hear from top management about what the bank is doing to ensure compliance. Examiners are even comparing how much the compliance officer is being paid to the chief executive's salary.

This has produced compliance epiphanies for many top managers.

The moment of truth at Chase Manhattan Bank came two years ago during the bank's first Community Reinvestment Act exam since ratings became public, according to Patricia L. Alberto, a Chase vice president.

Integral to Operations

"Compliance is not an adjunct. It's part of everything we do," she said.

Susan K. Martoia, an assistant vice president with Banc One Corp., said the acquisitive Columbus, Ohio, company is so concerned about compliance that employees who go out of their way to follow the rules get bonuses and pay raises.

A president of a Banc One bank was fired because he did not take compliance seriously. "That's been a great example for the rest of our CEOs," she said.

Compliance is becoming more centralized and standardized at larger banks. Mr. Maher said First Bank handles regulatory compliance for 208 subsidiary bank branches from headquarters. "That way we can focus resources and leverage our knowledge," he said.

Chase's domestic compliance force, 26-people strong, has specialists who concentrate on fair lending, fighting money laundering, and CRA.

Responsibilities Farmed Out

But at smaller banks, there are not enough bodies to centralize compliance.

Kate S. Barr handles compliance at Riverside Bank, a $100 million-asset bank in Minneapolis. She also is a loan officer, according to Patricia L. Alberto, a Chase vice president.

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Barry Leeds President Steve Roth Dead at 47

NEW YORK — Steve Roth, 47, the president of Barry Leeds & Associates for the past seven years, died last Thursday after a six-month bout with cancer.

Mr. Roth helped develop the bank-consulting and marketing company's mortgage-bias testing programs, which have been used by 80 lenders over the past two years.

Mr. Roth began working with the company's principal, Barry Leeds, in 1977 when the firm was formed.

Before that, he was market research manager at Chase Manhattan Bank.

He received his BA from City University and his MBA from Baruch Graduate School of Business, both in New York City. — Jim McTague

Certification Seen as a Boost to Officers' Credibility

By PETER SCHOENKE

WASHINGTON — With compliance becoming a priority, a new breed is emerging – the certified compliance officer.

"Certification gives credence and some stature to compliance officers," said Carol Pixley, vice president and compliance officer for First State Bank in Livingston, Tex. "If you are going to go into this field, it is another feather in your cap and looks good on your resume."

Both the Institute of Certified Bankers, sponsored by the American Bankers Association, and the Bank Administration Institute started certification programs for compliance officers in 1990.

The ABA program requires three years of work experience in compliance, 80 hours of training over five years, and a letter of recommendation from a senior bank officer. When those requirements have been satisfied, a candidate may take the exam. The ABA offers the exam each year in April and October.

Fewer Hours Required by BAI

The BAI program has the same requirements except candidates need just 25 hours of training. The BAI also tests candidates twice a year.

Both programs require an average of 20 hours of continuing education each year to maintain certification. At the ABA, bankers are recertified every two years for a $75 charge. If they have not met the continuing education requirement, they can take the test again. Recertification at the BAI occurs every three years.

To date, the BAI has certified 600 compliance officers and the ABA 184. But those totals consist mostly of compliance officers grandfathered in. The BAI counts 500 grandfathered compliance officers, while the ABA grandfathered 152. The ABA requires eight years of experience in compliance, and 80 hours of education within five years for its grandfathered candidates.

Leaders in Field Spotlighted

Enrollment in both programs is growing. The BAI gave the test to 90 bankers in June. Eight bankers passed the ABA test in April; 17 more will take it in October. ■

Grandfathering immediately gave the certificates a high profile because it connected the degree with the leaders in the field, according to Jack Adams, corporate compliance officer for CoreStates Bank and chairman of ICB's advisory board.

Ms. Schoenke writes for Medill News Service.

Opportunity is Spelled LDC DEBT REPORT

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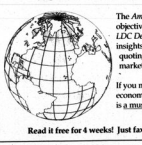

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Prepayments Taking Toll on Home Lenders

Continued from page 1

servicing to Fannie Mae and Freddie Mac where possible.

The prepayment drain has been particularly hard on servicers that have small retail origination networks and thus have limited ability to replace the runoff with new rights.

But even companies with strong origination capacity have been feeling the strain. Countrywide Credit Industries, the nation's largest originator, has been experiencing annualized prepayments in recent months of about a third of its portfolio, double the rate in its fiscal fourth quarter, which ended Feb. 28.

But the company has managed to partially offset servicing writedowns with gains on hedging instruments. In the first fiscal quarter this year, the company reported a gain of about $27 million on Treasury securities, which rise in value as interest rates fall, helping the company to show a hefty gain in earnings rather than a decline.

NEWS ANALYSIS

With interest rates still sinking and prepayments rampant, further hedging gains are being logged in the company's second quarter.

Higher Rates Wouldn't Hurt

Mr. Jacobs of Alex. Brown had this to say about Countrywide:

"The very important point – that lower interest rates are no longer helping CCR's earnings in the short term – is also true in reverse, higher rates would not hurt. Once the market understands that, we expect to see Countrywide's valuation multiples expanding."

David Loeb, Countrywide's chairman, concurs that the currently high originations are probably neutral in terms of reported earnings.

"But long term, the economic effect is beneficial," he said, noting that the average interest rate of the servicing portfolio is coming down. This tends to increase the average life of the mortgages and thus produces a longer stream of servicing income.

Thrifts are also hoping for a rise in interest rates, but for different reasons.

As lenders that hold mortgages, rather than sell them, thrifts generally have only small amounts of purchased servicing rights. And most of their loans are at adjustable rates and thus less likely to be refinanced.

But borrowers have been showing a marked preference for fixed-rate loans. As a result, originations by thrifts have slumped, stunting their asset growth and ceding substantial market share, especially to mortgage banks.

The thrifts reason that a rise in rates will revive demand for the adjustables that have been their bread and butter for many years.

But the top mortgage banks have grown formidably strong in the meantime and have been poaching on the thrifts' territory by getting very skillful at marketing adjustables as well.

So, while low interest rates have already produced an array of winners and losers, it remains unclear whether rising rates will reverse the situation. □

The Biggest Prepayment Exposures At Bank Holding Companies

As of March 31. Dollars in thousands.

Name	Mortgage servicing rights	Excess servicing rights	Total
Citicorp, New York	$121,000	$723,000	$844,000
Fleet Financial, Providence, R.I.	560,140	87,365	647,505
BankAmerica, San Francisco	49,000	381,000	430,000
Chase Manhattan, New York	193,009	124,349	317,358
Marine Midland, Buffalo	120,850	125,597	246,447
Chemical Banking, New York	216,000	23,000	239,000
Bank of Boston	199,251	20,703	219,954
Keycorp, Albany, N.Y.	176,023	22,942	198,970
NationsBank, Charlotte, N.C.	88,632	107,737	196,369

Source: Ferguson & Co.

Mortgage refinancings have forced several companies to take charges to earnings because prepayments have shrunk their servicing rights portfolios.

A large number of others remain vulnerable, including bank holding companies that have mortgage banking units, or that have sold or securitized their mortgage portfolios while retaining the servicing.

Citicorp tops the list of holding companies, with a total exposure of $944 million, most of it from loans it originated but has sold while retaining servicing rights that carry above-normal fees.

The value of the portion of the fees that is above industry norms is carried as an asset and is vulnerable to writedowns because of prepayments.

Purchased mortgage servicing rights are those held by companies that did not originate the loans. They carry prepayment risks that vary with the mix of the underlying loans.

Windsor, 'Kid' from the Suburbs, Making a Move in Chicago

By CHRISTOPHER NOBLE

Look out, Chicago-area lenders. Windsor Mortgage Inc., the new kid in town, means business.

"We're already big, and our intent is to be bigger," said Steven H. Baer, the company's president. "We want to be one of the dominant players in the Chicago area and, frankly, the best."

In June, what had until then been a medium-size mortgage broker based in suburban Wilmette took the final steps to change its corporate spots and become a full-service mortgage banker.

$400 Million Origination Target

That same month, the new entity broke into the ranks of the top 10 Chicago-area lenders.

Windsor, owned by the founders of Koenig & Strey Realtors, a large Chicago-area firm, originated $300 million of home loans last year, one third of which came from Koenig & Strey.

During the first six months of this year, Windsor's 10 branches forged ahead and wrote $181 million of loans. Mr. Baer said he expected to originate as much as $400 million of loans over the full year.

Mr. Baer came to Windsor with 20 years of real estate experience. Most recently, he ran real estate operations at American National Bank in Chicago. He expects to stick close to home. "We will not be a nationwide operation," he said.

Mr. Baer said Windsor's growth would come through opening new branches and honing an advertising campaign to highlight a more upscale and polished corporate image.

'Tremendous Opportunity'

"I think there is tremendous opportunity in the mortgage business. Our vision is to have a billion-dollar origination shop in the next few years," he said.

Windsor Mortgage may well be arriving on the scene at the top of the market, but Mr. Baer said Koenig & Strey, which provides a ready source of loans for Windsor, would guarantee its survival.

Currently, Windsor sells all its loans to correspondent lenders but Mr. Baer said that may soon change. He hopes to build a servicing portfolio to offset the expected decline in originations when interest rates move up. □



Steven H. Baer
Aims for "billion dollar shop"

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Boston Fed's Bias Study Was Deeply Flawed

By MARK ZANDI
Regional Financial Associates
West Chester, Pa.

Mortgage discrimination has been turned into today's most important civil rights issue.

What seemed compelling evidence of discrimination was offered last October by the Federal Reserve Bank of Boston, which studied Boston's mortgage market in 1990.

Viewpoint

The bank purported to show that blacks and Hispanics were 60% more likely to be rejected for a mortgage loan than whites even after differences in financial, employment, and neighborhood characteristics were taken into account.

The alarming conclusion has received widespread attention. But regulators and others fail to appreciate how sensitive the results are to the statistical techniques employed in the study.

In fact, the results are so sensitive to technique that the conclusion seems unfounded.

Price Declines Ignored

A careful evaluation of the study was made possible this spring when the Fed released data on the applications while ensuring that no applicant or lender could be identified.

My analysis employed the same statistical techniques the Fed used. For several reasons, however, the Fed's analysis fails to adequately represent the mortgage lending process.

One critical factor the Fed failed to consider was the state of the economy and housing markets in Boston during 1990.

Home prices were declining. Homes selling at prices among the bottom third during the period fell by 19%. Midpriced homes experienced declines of 9%, high-priced homes only 2%.

With low-priced homes falling more rapidly in value than higher-priced homes, purchasers of lower-priced homes were rejected by lenders more often.

Because black and Hispanic homebuyers generally purchase lower-priced homes, Boston lenders rejected blacks and Hispanics in greater proportion than whites. This was not discrimination per se, but simply good underwriting

The potential rise in foreclosures was a serious concern for Boston lenders, many of whom were under extreme regulatory pressure to reign in runaway credit problems during this period, especially after the failure of the Bank of New England in early 1991. The result was a credit crunch of unprecedented magnitude in the region.

Other Key Omissions

The Fed study also curiously omits other variables important in explaining mortgage-lending decisions. These include whether the applicant's credit history met the lender's guidelines; whether the borrower submitted information that could not be verified; the presence of a cosigner; and the loan amount.

Including these variable in the statistical analysis reduces the rejection rate for a black or Hispanic from 60% greater than a white applicant's to 23% greater.

Wrong Question

Nor does the Fed study make adjustments for what appear to be obvious data encoding errors. One mortgage applicant was listed with a loan-to-value ratio of 946%. Correcting for this and other errors in the initial loan-to-value ratio further reduces the rejection rate for blacks and Hispanics – to 14% greater than a that of white applicants.

Yet another problem arises from the way the Fed chose to measure the degree of discrimination. It sought to answer the question: How would the denial rate for white applicants change had they been treated like a black or Hispanic applicant?

Since the white and minority applicants included in the Fed study had very different characteristics, the study's results are substantially different than if the question was: Would denials for blacks or Hispanics decrease had they been treated like whites?

The whole issue of which question is appropriate could have been avoided had the Fed analysis been performed on a matched sample – one in which white applicants are matched with blacks and Hispanics sharing some key characteristics.

Wrong Turn

The Fed researchers elected not to use a matched sample because they did not want to prejudge the causes of rejection. But having determined the significant factors influencing mortgage lending in their unmatched analysis, it would then seem appropriate to conduct the analysis using a matched sample.

Using a matched sample does away with the impact of race on mortgage lending decisions. The probability that a black or Hispanic will be rejected falls from 14& greater than a white applicant to a statistically insignificant 3% greater.

Thus, by integrating economic conditions into the analysis, correcting obvious coding errors, and using a matched sample, the rejection rate for blacks is just 3% greater than for whites.

I do not know if mortgage lenders discriminated against minority applicants in Boston in 1990 – but neither does the Boston Fed. □

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Capital Bank Hires Exec with a Flair

By MICHAEL O'D. MOORE

Private Banking

A SEASONED BANKER with a flair for unusual publicity tactics has been hired by Miami's Capital Bank to grow its private banking unit.

Samuel W. Gentry Jr., believes he can double private banking assets under management by the end of 1994. If the bank hasn't reached that target by then, he said, "you'll hear a very sad voice if you call me."

The $1.2 billion bank has $100 million of international private banking assets under management, Mr. Gentry is developing a plan for a new domestic banking unit.

Mr. Gentry, whose last banking job was with Miami's Southeast Banking Corp. before First Union Corp. acquired it in 1991, plans to use relationship managers – point people who introduce clients to product specialists – to improve service.

"Currently, our customer has to go all over the bank" for services, Mr. Gentry said.

Aside from a commitment to relationship management, Mr. Gentry also brings a willingness to try unusual tactics to sell the bank's private services.

In Miami, Mr. Gentry is well known for the year he spent introducing a weekly classical music program featuring the conductor of the Florida Philharmonic Orchestra.



S.W. Gentry Jr.

Sponsored by Southeast's private banking unit, the program was titled Southeast Musical Feast and aired for an hour every Monday night. It was a natural way to promote Southeast's private banking services, he said, because opera aficionados include a fair number of potential clients.

Mr. Gentry said he may try similar ways of promoting private banking services at Capital Bank. "The only image advertising I see doing is participating with the arts and the not-for-profits," he added.

Mr. Gentry's appreciation of opera was an acquired taste.

"I must say that in my mid-20s I though opera was for the birds," he confessed.

His opinion changed more than two decades ago, when he was dragged to a performance of La Boheme in New York City. Luciano Pavarotti and Placido Domingo impressed the young banker. "I was astounded by the clarity of the music projected to an auditorium without any help." he says.

In the intervening years, Mr. Gentry has become a self-proclaimed opera buff.

Ran Management Services Firm

Capital ducked Mr. Gentry away from Corporate Management Advisors Inc., where he had been chief administrative officer since leaving Southeast.

From 1978 to 1981 he was treasurer for Ingalls Iron Works Co. From 1967 to 1978 he had worked for First National Bank of Birmingham/AmSouth.

While the nonbanking jobs were educational, he said he's ready for the challenge of growing Capital's private bank.

"After 25 years in banking I missed it greatly," he said.

Q: Some big banks are organizing their mutual funds into the hub-and-spoke, or master-feeder, structure. How does this work, and is it an effective way to expand your proprietary fund business?



DEBRA McGINTY-POTEET
Senior vice president
BankAmerica Corp.
Los Angeles

The master-feeder structure can give you an immense amount of flexibility to really leverage pools of assets with single investment objectives.

In the old days, you would have to bring up separate portfolios for each one of four or five market segments that have distinctive pricing considerations and distinctive marketing.

This can be expensive. With the master-feeder structure, you can pool that into one portfolio.

If you look at our product mix in the years to come you'll probably still see a combination of series funds, classes of shares, and master-feeder.

However in looking at retail marketplaces, whether those segments are domestic or international, the master-feeder onshore-offshore configuration is a very attractive way to deliver products to the marketplace. □



GEORGE BERNARD
VP and manager of PNC Funds
PNC Financial Corp.
Pittsburgh

Hub-and-spoke is relatively new, so it is tough to make any clear, intelligent decisions here.

When you look at the current structure, you have mutual fund families with classes. The problem with the classes is that it takes away a lot of flexibility with advertising, communications, and even how you run the whole fund family.

The beauty of hub-and-spoke is that at the hub you have core funds and the same board of directors for every fund. Instead of classes, you have separate fund families.

An important consideration is that hub-and-spoke represents a big expense up front.

The key question is: Can that expense be justified by the added marketing flexibility and the ability to target fund families as a stand-alone unit at specific markets?

The jury is still out on that one. □



EUGENE C. PURCELL 3d
VP and manager of trust marketing
Branch Banking and Trust Co.
Wilson, N.C.

Hub-and-spoke offers one possible way to expand, but I don't think it necessarily offers the bank as much flexibility as maybe using subadvisers does.

Let's say you've got five or six banks out there who are using the hub, and each of you are spokes. It would be like having the managers working for all of you.

With a subadviser, the manager is just working for you. My sense is that with a subadviser relationship, you might have more input with the manager and the flexibility to have the type of management that you are specifically looking for in your particular fund.

But I do feel the hub-and-spoke is probably preferable to a situation where you are selling a lot of different outside funds. □

Concord Holding Names Stierwalt Chairman, Blundin Vice Chairman

Richard E. Stierwalt, chief executive of Concord Holding Corp., has been named to the additional post of chairman of the board. William B. Blundin was appointed vice chairman. He relinquished his former title of president.

Both men are founders of the New York-based company, which is the No. 1 administrator of bank-managed mutual funds.

Concord's bank clients include BankAmerica Corp., Chase Manhattan Corp., and Barnett Banks Inc. The company had $29.5 billion of mutual fund assets under management as of June 30, according to Lipper Analytical Services.

— Debra Cope

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2 Banks Hire CoreLink to Set Up Sales Programs

By KAREN TALLEY

CoreLink Resources, a fledgling firm that plans to set up mutual fund and annuities sales programs in banks, has landed its first two clients.

The company, based in Concord, Calif., signed up two Northern California banks, Bank of Santa Clara and Mechanics Bank, and has several other prospects, said Roger Loar, CoreLink's president.

CoreLink was set up four months ago, with principal backing from Concord Holding Corp., a New York company that distributes bank-managed mutual funds.

Concord and other investors capitalized CoreLink with $5 million.

Oversight of Sales Reps

CoreLink will hire, train, and oversee sales representatives over other third-party marketers, said John Rubin, vice president in charge of Mechanics' trust business.

Mechanics senior vice president Steven Barlow had a prior business affiliation with A. Ray Freeman & Co., a broker-dealer for community banks that CoreLink acquired early on.

That connection helped CoreLink get in the door, but did not clinch the sale.

Alumnus of Franklin

"We were very impressed by the caliber of their entire team," Mr. Rubin said.



Roger Loar
Franklin Resources veteran

CoreLink has used some of its capital to accumulate blue-chip talent. Mr. Loar was a senior vice president and chief financial officer at Franklin Resources, a big mutual fund company.

Richard Saalfeld spent 20 years with BankAmerica Corp., and was president of Equitec Financial Group, an asset management firm, before joining CoreLink as chairman.

The two executives say they are eager to go after banks that don't have investment products programs and banks that already work with third-party marketers.

The CoreLink officers won't specify whose marketing programs they feel are most vulnerable, but industry speculation is rife.

Observers say Mr. Saalfeld's former connections with BankAmerica make it a natural for CoreLink to go after annuity business the bank farms out to giant GNA and another, smaller, marketing company, Talbot Financial Services.

But Mr. Saalfeld denies that such plans are in the offing □



Richard Saalfeld
Earned wings at BankAmerica

who will be the backbone for the two banks' first retail "investment-products programs.

In other options, clients can have their own employees get securities licenses and do the selling themselves or they can bring CoreLink's people in-house as they become more comfortable with them, Mr. Loar said.

He concedes that the market is filled with companies that want to sell investment products through banks, but he says CoreLink has two tricks up its sleeve. Among them: plans for a computer system that will create a data base that banks can use to gain immediate 'access to customers' personal histories.

CoreLink also holds out the possibility of building up enough bank clients to create proprietary mutual funds from their pooled assets.

Out of the Mainstream

Among clients' mutual fund choices are bank-run funds that Concord distributes. But CoreLink executives acknowledge they may be walking a fine line by including these non-mainstream bank funds in the product mix.

Banks' proprietary funds "are not something we're stressing over any other groups," Mr. Loar said. "It's up to our clients what funds they sell."

The data base and CoreLink's promise to keep bank customers' names out of the hands of whatever mutual fund company they choose are reasons Mechanics Bank selected CoreLink

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BankAmerica Acquitted of Charges It Fixed Card Prices

Continued from page 1

sell the bank on a settlement.

He described their approach as follows: "Your potential exposure is going to be about $2 billion. If you have a 1% chance of losing, give us $20 million, if you have a 2% chance, $40 million."

Accusation Denied

"We said we will not play that game," the BankAmerica counsel said.

Lawrence J. Appel, lead attorney for the plaintiff group, denied making such an offer. "We've never seen it as anything other than a case that needed to be tried and resolved by a jury," he said.

Mr. Spencer characterized the evidence as flimsy: "They tried to take bits and pieces of speeches and memos over a 30-year period and stitch them together as proof of conspiracy."

BankAmerica's legal fees were about $3.5 million, including the cost of in-house counsel, officials said. The plaintiffs could be held liable for only about $25,000 in court costs.

The jury verdict vindicated BankAmerica's strategy of not settling out of court. A loss could have cost the company $2.8 billion.

'Marginal' Claims Decried

Mr. Appel and his colleagues received about $8 million of the settlements from the other banks, while the cardholders in the group made $3 to $30 each.

Mr. Spencer said the case illustrated the need to change California law on summary judgment, which gives the courts little latitude to dismiss "marginal" claims before trial.

The stock market did not seem to react to BankAmerica's good news. The company's shares were up late Wednesday by 37.5 cents to $46.25, in line with the overall market. "Considering what the other banks settled for, I don't think it was a major risk item" for BankAmerica, said Ronald I. Mandle, a Sanford C. Bernstein & Co. analyst.

Some observers also noted that today's wider variety of credit card rates have likely made card price-fixing claims less appealing to litigators.

"If [opportunistic lawyers] see that juries are responsible and not acting emotionally, and that they aren't going to make any money, maybe they'll go away," said H. Robert Heller, president of Visa U.S.A. □

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Great Western To Join Interlink In Florida

SAN FRANCISCO — Great Western Bank will become the first financial institution to offer Interlink debit cards in Florida, Interlink announced Wednesday.

Great Western, the nation's second-largest thrift, already participates in Interlink in its home state of California, where the network originated. Visa U.S.A., which has owned the debit network since 1991, is marketing it nationally.

Usable at 2 Million ATMs

All 2.2 million Great Western automated teller machine cards can be used to pay for goods and services at any of the 20,000 merchants in the Interlink system.

Once the customer's checking-account balance is verified through a point-of-sale terminal, the money is transferred out immediately.

"We selected Interlink as our national program because of its longstanding experience, top quality, and expanding market presence," said Jerry D. Ollock, senior vice president of operations at Great Western, which is based in Beverly Hills, Calif. Mr. Ollock is a member of the Interlink board.

Including the $36 billion-asset Great Western, Interlink now has 21 million operational cards and is projecting 67 million by the end of 1995. More than 400 financial institutions have committed to issue the debit cards.

Interlink, with several years' head start on MasterCard International's competing Maestro system, processes more than half of direct debit point-of-sale transactions in the United States.

MasterCard, Visa Covering Their Backs in Washington

By MICKEY MEECE

WASHINGTON — In the credit card industry, "Remember D'Amato" resonates like "Remember the Alamo."

MasterCard International and Visa U.S.A. have put troops on the ground in Washington to make sure they don't get blindsided again.

Galvanized by Sen. Alfonse D'Amato's 1991 proposal to cap interest rates, which almost passed into law, MasterCard International and Visa U.S.A. joined with the American Bankers Association and other lobbyists to quash the initial threat.

Then MasterCard assigned public affairs expert Charlotte Rush to head a new Washington office. Visa hired veteran congressional staffer Lamar Smith.

Two Operations, One Message

They operate from separate offices less than a mile apart, but they confer frequently and send the same basic message: Don't tread on us.

If these lobbyists have their way, legislators will think twice about regulating surcharges, requiring more consumer disclosures, or anything else seen as hindering the growth and smooth operation of the bank card business.

The card companies want input into legislation affecting them.

Government meddling "undermines the confidence of the economy and has a real cost to the economy," Mr. Smith said in a recent interview. "My role is to explain that to congressional and administrative policymakers."

"We have a very dynamic industry that offers a wide range of products for consumers," Ms. Rush said. "Our role is to help everybody understand the product so that it can be used and regulated wisely."

Washington Experience

Mr. Smith, 36, is well versed in economic and banking theory. He wrote his doctoral thesis on the public policy implications of electronic fund transfers.

For six years before taking charge of Visa's legislative office, Mr. Smith was Republican staff director of the Senate Banking Committee. Prior to that, the Oklahoma native was chief economist for Texas Commerce Bank.

Both Mr. Smith and Ms. Rush have used the eight months since their respective appointments to learn about their organizations and to put their lobbying skills to work.

Before being named vice president of public affairs at MasterCard, Ms. Rush spent five years as group manager of communications at the conservation group Ducks Unlimited in Chicago. The 42-year-old Ohio native was director of Gulf Oil's Washington office prior to that.

To help her on legislative matters, MasterCard hired Washington insider William P. Binzel, the former Republican counsel for the House Banking Committee's subcommittee on consumer credit and insurance.

Eventually, MasterCard might hire another person to head consumer affairs.

Putting Someone on Scene

Before opting for the in-person Washington presence, MasterCard and Visa relied on the Washington office of Morrison & Foerster, the San Francisco law firm, for legislative and regulatory matters.

"You miss something by never having someone [in Washington] who is actually MasterCard," Ms. Rush said. "We were disadvantaged by that." Officials in the capital "didn't think to call MasterCard. They would think of banks or American Express or Discover. That was really a void we needed to fill."

Now the card associations have a constant presence.

To concentrate their efforts, Ms. Rush and Mr. Smith meet informally each week. Visa and MasterCard have a joint Legal-Legislative Advisory Committee that meets quarterly.

"It's a good deal for our members to have both of us here because we do cover a lot of territory," Ms. Rush said.

Welcomed by ABA

Philip Corwin, director of retail banking for the American Bankers Association, said his organization welcomed MasterCard and Visa into a lobbying arena historically dominated by trade groups.

"It's helpful to have more folks available," Mr. Corwin said. "They can take a different approach. They are specialized."

The ABA is asked to deal with dozens of issues, he said, "but we can't focus every day on credit cards like Visa and MasterCard can."

Pending Legislation

Visa and MasterCard are concerned about a variety of pending legislation affecting bankruptcy, telemarketing fraud, disclosure, and fair credit.

"Clearly, the members are concerned about anything that disrupts the national credit card marketplace," Mr. Smith said.

The two associations have taken issue with both the House and Senate versions of Fair Credit Reporting Act changes.

Many states have begun passing their own fair credit bills, Ms. Rush noted. "We believe there should be strong pro-consumer laws on the books," she said. "But it should be uniform across the country. Otherwise it will increase the cost of credit and it will make it less available for consumers."

Where Agendas Diverge

Despite their similar concerns, there are differences in



Lamar Smith
Says meddling hurts everyone

MasterCard's and Visa's agendas.

For example, Mr. Smith sees Visa's future determined by how well it can protect its technological edge.

"Over the longer term," he said, "we're very interested in expanding the scope of the card, expanding our ability to apply modern telecommunications and data processing to other aspects of the payment system."

A bill that would allow state governments to permit surcharges could derail this path, he said. "I would argue society as a whole suffers if the government artificially puts road blocks in the way of implementing new technologies."

Convincing the Policy Makers

Last summer, MasterCard surveyed government officials and "opinion leaders" about their perceptions and concerns about credit cards.

"We found out, basically, that most people in the administration and Congress did not really want more regulations on the industry," Ms. Rush said. "They felt that market forces really would be the most effective" form of regulation.

The caveat was the card industry had to do a better job of educating consumers, she said.

But the Washington players were skeptical Visa and MasterCard would do this, Ms. Rush said. They asked, "Why would the industry want to teach consumers to shop around for a better rate on their credit card?

"Because at the end of the day anybody in business benefits from a consumer being smart rather than being uninformed," Ms. Rush said. A savvy consumer chooses a product wisely, doesn't get deep in debt, and as a result, doesn't become a chargeoff statistic, she added.

The survey also revealed that politicians on the state and national level were not familiar with the two card associations.

Getting the Word Out

MasterCard responded by orchestrating a consumer outreach program. Ms. Rush prepared materials, including a "Smart Credit Quiz," for members and consumer groups to distribute to consumers.

For its part, Visa has continued its "Choices and Decisions: Taking Charge of Your Life," a consumer education program developed two years ago in cooperation with the U.S. Office of Consumer Affairs and the National Consumers League.

The interactive, multimedia program will be used in nearly 10,000 high schools this fall to teach students how to manage their money, said Stephanie Caracristi, manager of public relations for Visa.

Also, Visa has distributed "Credit Cards: An Owner's Manual," featuring Cathy, the comic-strip character, to Congress and consumers.

Ms. Caracristi said Visa operates these consumer programs from corporate headquarters in San Mateo, Calif. The association also tracks state legislative developments from there.

Visa recently commissioned a study by the University of California-Berkeley, which said California could lose 4,500 of its 21,000 credit card jobs to such states as Colorado, Arizona, and Nevada, if rate caps were imposed.

Jobs as Leverage

Bankers used the study to support their state lobbying and threatened to relocate their card operations. The legislative rate-cap effort was scuttled.

MasterCard reports a similar success story.

In February, MasterCard sponsored a study by DRI McGraw-Hill, Lexington, Mass., to evaluate state business climates for credit grantors. Colorado, for example, was identified as undesirable because it had restrictions on late fees.

After lobbying by Colorado issuers, the state legislature passed a bill to relax the late-fee rules.

"That was a wonderful victory," Ms. Rush said. "We learned something from it." □

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Opinion

Comment

By William W. Wyman

Frank Talk About Meeting Challenge of Mutual Funds

Let's start with a basic proposition: Banks have to go where their customers are.

Because so many borrowers now use the capital markets instead of banks (at least as their primary funding source), the banks don't need as many deposits as in the past. So it is perfectly natural that the demand for credit will migrate from banks to the mutual funds to be channeled more directly to those who are able to tell their stories to the public markets.

The smart banks want to follow their deposit customers just as many tried to follow their former borrowers – by underwriting more than just loans.

Advisers to the Affluent

Some proactively try to convert their depositors into owners of mutual fund shares. They do so because (1), in the short run, they can make more money as managers of some types of mutual fund (equity and fixed-income) than they can from issuing some types of deposits (the average CD) and (2), in the long run, they need to establish credibility not simply as deposit takers but also as low-cost financial planners and investment advisors to the affluent component of their customer base.

Let's consider each of these points. Don't banks lose money when their depositors move into mutual funds? If they move from a demand deposit, the answer is yes. If they move from a CD, most likely the answer is no, provided the money moves from the CD into a mutual fund managed by the same bank.

The average CD has a relatively high interest cost and a relatively limited term to maturity. So it just isn't very profitable. In fact, our members suggest that the business of issuing CDs actually destroys shareholder value. That is, it helps to depress the stock price.

Managers Make the Money

In contrast, managing an equity fund is generally highly profitable,. That's largely because of the hefty annual management fees (around 1%). And while we expect that such fees will be declining sharply, they are still lofty enough to make managing funds a good business.

So if a bank is able to create the critical mass for an equity fund – about $500 million – then a management strategy should prove attractive even if the result is to cannibalized existing deposits (what banks that can create such a critical mass should do is the subject of a future column). Since most of these deposits are likely to be CDs, the bank should even welcome their departure.

By contrast, encouraging bank CD depositors to move into third-party rather than in-house or proprietary funds that are sold from one's own branch network is not sound strategy (at least, not currently).

That's because, not being the fund manager, the bank gets only a tiny slice of those annual fees. For the most part, its compensation comes from the up-front load. And this usually isn't enough to pay the direct and indirect expenses of a branch sales operation and still provide a decent profit.

Once again, our numbers show that, like the CD business, the practice of selling third-party funds through one's own branches destroys shareholder value. And it will continue to do so until banks negotiate with nonbank fund managers for a bigger (and, I might add, fairer slice of those annual fees.

Customers Want a Plan

Now let me briefly address my second point: the need for banks to establish a credible presence as financial advisors to the affluent. There can be no doubt that, given the mounting threats to their financial futures (uncertain Social Security, less generous private pensions, higher taxes, slowing appreciation of house values, etc.) most middle-class Americans need financial planning services.

An ABA survey showed that while only 3% of retail customers have used a planner at their bank, nearly 40% say they need one and might even be prepared to pay if their bank offered the service.

If banks are to halt the exodus of middle-income customers to competitors, they must offer planning and investment advisory services. And since the conventional wisdom is that you can't sell planning services at a high enough price, smart companies link planning to the provision of mutual fund services.

Witness IDS, which is a highly successful mutual funds company with a reputation as a good planner. In actual fact, only 1% of IDS' revenues come from planning. But by ordering this service, the company unlocks the door to the mutual fund revenues that sustain it.

Selling Information

The inevitable migration of banks into financial planning and investment advisory services for individuals is sympatomatic of a basic change in the nature of what the industry can sell. In the past, banks primarily sold or rented money.

Now, increasingly, they sell or rent information – information to the securities issuer on how to represent his company to the public and information to the rank-and-file investor on how to choose among these financial representations, based on his individual needs and long-term goals. It's all part of the ongoing transition from an economy of borrowers and savers to one of issuers and investors. □



THE MOVEMENT
of banks into mutual funds is part of the ongoing transition from a world of borrowers and savers to one of issuers and investors.

Mr. Wyman is managing partner of Oliver, Wyman & Co., a consulting firm in New York.

Comment

By Anat Bird

Ritz-Carlton Showing the Way With Highly Polished Service Culture

Ritz-Carlton Hotel Co. won the Malcolm Baldrige Quality Award. In the process, the company effected $50 million worth of savings. How did this service company do it? What are the lessons for our business?

The company set out to improve quality by affirming its commitment to customer-driven service. To do that, it went to the marketplace to identify guest preferences: fluffy towels, people available to direct visitors from the elevator to where they want to go, etc.

The Ritz-Carlton then restructured itself around meeting customers' wants. For example, guests wanted quick turnarounds at the reception desk. Front-desk employees are now empowered to make spending decisions up to $2,000.

Keeping Workers Happy

Guests wanted employees, and the atmosphere in which they work, to be pleasant. The Ritz-Carlton reduced its employee turnover from 110% to 60% to achieve that objective. In addition, it invests $4,000 a year in training each employee.

The quality initiative was driven by the senior leaders of the company. The senior executive group doubled as the senior quality committee, which devised the company's two original quality strategies.

The first involved quality assurance at new hotels. As a facility opens, there is a concentrated and intense seven-day countdown for company's senior management to work side by side with the workers to install the Ritz-Carlton "gold standards" – three simple steps to service, which require 100% compliance with customer requirements.

President Sets Example

The president and chief operating officer communicates the Ritz-Carlton principles to all employees. He personally sets the standard for employee-guest interaction and facilitates development of a vision statement for each work area.

The second quality initiative was the establishment of corporate values and vision, embodied in a company credo, or vision statement; the Ritz-Carlton Basics, which are 20 critical success factors to achieve corporate objectives; and the corporate motto, which is more than just a phrase. It is designed to create a culture that is experienced by customers and employees alike.

The culture change was a suc-

See **RITZ-CARLTON** *next page*

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Comment

By Anat Bird

Ritz-Carlton Shows the Way

Continued from *page 18*

cess. In employee surveys, 96% say "excellence in guest services is a top priority," even though Ritz-Carlton has added 3,000 employees over the past three years. In other words, the employees know what the organization's principles and culture are all about.

To continue to understand customers' preferences, Ritz-Carlton uses three outside, national surveys a year as well as its own internal surveys.

It has found that an improvement of 1% in the employee scores reduces customers' dissatisfaction by 22%. This proves that employee satisfaction is the key to guest satisfaction.

Accordingly, management meets with the employees on a regular basis to ensure that they are satisfied – they get good parking spots, locker-room facilities, a security department, late-night escorts for safety, and other amenities – and understand the corporate values.

Empowering people is an integral part of the quality initiatives. In a survey conducted recently by Xerox – another Baldrige winner – employees were asked to answer 960 questions; their answers matched managements' 97% of the time.

Same Wavelength

Empowerment makes sense since employees who are well educated know where management is coming from and will implement its policies day to day.

Ritz-Carlton also relies on specific measurements, for example, the "$1-$10-$100 rule: If we get to a mistake before the guest does, it could cost $1. If we catch it after the guest does, but handle it properly through apologies, etc., it could cost 10 times as much.

But if a departing guest leaves a negative comment card behind, it could cost much more in lost business and bad word-of-mouth. The Ritz-Carlton shoots for 100% customer retention.

The hotel company has other rules that specify response times and handling standards for all employee activities. This way, measurement becomes more feasible. In one hotel, the company saved $750,000 by investing $52,000 in quality.

Out of "good idea boards" came ideas like recycling, which resulted in $62,000 of savings in the first year, or the wearing of weight-support belts, which reduced medical costs by $100,000 a year.

Finally, Ritz-Carlton uses a highly quantitative approach to measuring and monitoring quality. Each employee has specific performance goals, each activity is benchmarked, and all activities are incorporated into a detailed daily quality report for each hotel.

The process is eminently applicable to banking, particularly to service-oriented institutions. Ritz-Carlton's core vision principles, the importance of customer satisfaction, empowerment of employees to make decisions, and an intense commitment to quality management are all clearly applicable to commercial banks.

Ritz-Carlton learned that when senior managers personally communicate a strong vision and set of principles to employees, and give them the confidence, freedom, and authority to act, workers take full responsibility and do what is necessary to satisfy customers. □



Letters to the Editor

Sears Deal Creates Conflict of Interest For Rights Group

To the Editor:

The Aug. 10 article "Sears Hiring Civil Rights Group to Scrutinize Its Lending for Bias" [page 2] uncovers a shocking conflict of interest.

As reported, a Washington nonprofit organization [the National Fair Housing Alliance] was about to sign a contract with Sears Mortgage Corp. and was talking with other mortgage lenders and banks about "advice on fair lending."

The story also noted that the alliance just won a $1 million contract from the Department of Housing and Urban Development to "look for lending bias by mortgage lenders in three undisclosed cities."

Playing Both Sides

So with the right hand the group seeks to collect fees from lenders for fair lending guidance, while with the left hand it receives $1 million from HUD to root out lending bias.

The laws of human nature seem to suggest that the left hand will be aware of what the right hand is doing.

Can anyone see this housing group blowing the whistle on a financial firm that has hired it? Congratulations.

HUD Secretary Henry Cisneros should look into this matter before fair lending gets a bad name, to ensure that those hired to test for bias don't fail a conflict-of-interest test.

Kenneth A. Guenther
Executive vp, president
Independent Bankers Association of America
Washington

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File No. 966/93
C I T A T I O N
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FREE AND INDEPENDENT.

TO
To the heirs at law, next of kin and distributees of WALTER HERRMANN, deceased, if living and if any of them be dead, to their heirs at law, next of kin, devisees, legatees, executors, administrators, assignees and successors in interest whose names are unknown and cannot be ascertained after due diligence, The Administrator of the County of New York Attorney General of the State of New York

Leroy Hollin
Gordon Hollin

A petition having been duly filed by Ryo Kawa Executor of said Decedent, whose office is at 535 West 31st Street, New York, New York 10019

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court, New York County, at Room 503, 31 Chambers Street, New York, on Sept. 28, 1993, at 9:30 a.m., why a decree should not be made in the estate of WALTER HERRMANN, late a resident of Nassau at 350 West 31st Street, New York, New York 10019 in the County of New York, administering to probate as a will of real and personal property a paper dated March 7, 1991, (a copy of which is attached), and ordering that Letters of Testamentary issue to Kevin J. Nolan.

Dated, Attested and Sealed, Aug. 12, 1993.
(L.S.) HON. RENEE R. ROTH
Surrogate, County of New York
ANTHONY DIMARCO
Clerk of the Surrogate's Court

Name of Attorney:
O'Connor & Morgan, P.C.
Address of Attorney:
20-27 41st Avenue
Long Island City, NY 11101
Telephone Number:
(718) 361-7950

This citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that you do not object to the relief requested.

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**Garagaman's lien sale & Loader L. Stoll DCA LIC # 885319 auction & Storer DCA LIC # 769437 Sale 9/1/93 8:30AM 136-31 SPRINGFIELD BLVD 32/BG 1991 CHEVROLET Cavalier #1GIJC5467M1160157 Inv. Jerry Cathy, 1979 TOYOTA Celica #RA62179683 Per Belen, Pamela; 9:15AM 85-15 MAIN ST QNS 1987 MITSUBISHI Starion #JA3CC54N3HZ017887 Re: Maddox, Stacey; 9:45AM 136-02 ROOSEVELT AVE QNS 1988 ISUZU P/U #JAACL11L1J7013649 Re: Schaefer, Steve or Natasha; 10:15AM 121-11 14TH RD QNS 1987 CHEVROLET Blazer #1GNCT18B0H0187150 Re: Duggan, Pat & Patrick; 10:45AM 108-06 ASTORIA BLVD QNS 1991 OLDSMOBILE 98 #1G3AL51W4KG328890 Re: Foster, Douglas; 11:30AM MERCURY Sable #1MEMC50U5MA652747; Re: Ford Motor Credit Co; 11:15AM 75-09 NORTHERN BLVD QNS 1976 MGB #GHN5UG3920118G Re: Stone, Joseph; 11:45AM 55-08 70TH ST QNS 1989 PLYMOUTH GRND VOYAGER #1P4GH5536KX170555 Re: Stavro, Jorge; 12:15PM 56-20 GRAND AVE QNS 1987 TOYOTA CAMRY #JT2SV21E3K3342858 Re: Wolpert, Rosemary; 1:00PM 111 58TH ST QNS 1984 TOYOTA Celica #JT2RA64C2E-0187339 Re: Mack, Kenneth; 1:30 PM 43-07 ASTORIA BLVD QNS 1980 CHEVROLET Citation #1G1AJ8748AJ-E21 Re: SD Computer Sys Inc; 2:00PM 53-21 VAN DAM ST QNS 1986 JEEP CJ7 #1JCCM7780GT150144 Re: Lee, Ronald; 3:00PM 6324 RICHMOND RD SI1989 NISSAN Maxima #JN1HJ01P2KT234638 Re: Espinosa, Raymond; 3:30PM 65 GRASMERE AVE STATEN ISLAND 1989 Escort #1FAEP41Y4KW110544 Re: Adams,Cole. Garagaman's lien sale & Storer DCA LIC # 769437 Sale 8/30/93 9:00AM BLVD QNS 1988 HONDA MOC #JHMCM56403C-000000 Re: Capo, Vincent; 5:00PM 5801 HUDSON AVE SI 1986 Cruiser #1FTCR14T1GPA-11278 Acct. Mansion Ave, Qns. 1993 Honda MOC #JH2PC1212PM100708 Acct. B. Garcia; 9:45AM 144-20 146-33 Jamaica Ave, Qns 1986 Linc 4 dr. #1LNBP97F3GY633286 Acct. C.T. Perez; 12:30 PM at 20-11 36 Ave Lic. #1HUE096 Acct. C.T. Perez; 1:30PM 54-05 60667 Acct. Z. Gilad; 1987 Sterling #JL6AH4D3HM142137 Acct. K.L. Parker; 1990 Honda 4 dr. #1HGCB7661LA-011715 Acct. L.T. White; 1987 Plymouth 4 dr. #1P3BS48D1H4B5840 Acct. J. Gerard; 2:30 PM at 57-11 79 Ave. #1HA12T1F1H7059965 Acct. Mansion Ave; 1FUDH0368 Acct. J.R. Baer; 1987 Chevy # 1Y1VJ81C1H5114302 Acct. Mansion Ave; 1990 Honda MOC #JH2PC1212LM100708 Acct. B. Garcia

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Garagaman's Lien Sale L. Stoll DCA 1IC # 848519 andie S. Sperber DCA 1IC # 769437 Sale Date 9/9/93 9:00AM 3270 HYLAN BLVD SI 1974 SEACRAFT 20' Outbd Pupk #SE300474F Bet: Vincent Salvatore; 9:45AM 1724 RICHMOND TER SI 1991 CHEVROLET Corsica #1G1JU5337MW184290 Re: Lawrence Auto Rental Corp; 1965 CHEVROLET Impala #1643937283137 Re: Montalvo, Miriam; 10:00AM 39 RECTOR ST SI 1992 LINCOLN Towncar #1LNLM81-W1NY805858 Re: Leonard Claude; 11:00AM 101-02 ROCKAWAY BCH BLVD QNS 1983 LINCOLN Cont' #1lnbm9507F-9DY664496 Re: Permento, Jacqueline; 11:45AM 130 SPRINGFIELD BLVD QNS 1991 ACURA Integra #JH4DB166-2MS002676 Re: Jenkins, Dora; 12:30PM 127-16 NORTHERN BLVD QNS 1990 HONDA Civic #1HGED26585L004917 Re: Young-Ho Cho/Wha Cha Cho; 1:00PM 105-19 NORTHERN BLVD QNS 1988 BMW 325I #WBAAA1302J8416401 Re: GEC Auto Lease Inc; 1:45PM 86-52 102ND ST QNS 1984 TOYOTA Camry Canada #JT2MX63E7E0030933 Re: Castano, Fabio; 2:30PM 101-15 ROCKAWAY BLVD QNS 1986 CHEVROLET Cavalier #1G1JF1272GG7206004 Re: Zapata, Asorte; SELLS 5/10/93 8:00AM 774 ALA-BAMA AVE BKLYN 1988 AUDI 5000 #WAUFB0444GN099885 Re: Cirese, James; 1986 FORD Taurus #1FABP53-U4GG181936 Re: Wilsms, Prudence; 8:30AM 36 MILFORD ST BKLYN 1982 MAZDA 626 4DM1GBM15C0616435 Re: Martinez, Felix; 9:00AM 3394 ATLANTIC AVE BKLYN 1987 FORD T-Bird #1FAPP6232HH110168 Re: Mushtaev, Isaac; 9:15AM 33-20 ATLANTIC AVE BKLYN 1985 NISSAN Maxima #JN1HU-15D1FU036043 Re: CarsCarlos; 9:45AM 830 ROCKAWAY AVE BKLYN 1983 OLDSMOBILE Cla #1G1AB47-6ADD402-20968 Re: Wechsler, Barry; 10:00AM 132 EAST 93RD ST BKLYN 1986 OLDS-MOBILE Cda #1G3AJ19ROGG419332 Re:Commodores Corp; 10:30AM 1877 ATLANTIC AVE BKLYN 1984 BUICK Park Ave #1G4CW54H7E1947916 Re: Grenard, Herclie; 11:00AM 429 HEWES ST BKLYN 1981 CHEVROLET Citation #1G1AV8790BE-1167417 Re: Fuentes, Marcos Wenceslao; 11:30AM 980 ATLANTIC AVE BKLYN 1986 CHRYSLER 5TH AVE BKLYN #1C3BF6AF8GC939264 Re: Hughes, Reginald; 12:00PM 212 3RD ST BKLYN 1972 CHEVROLET New Yorker #C52T2-C195262 Re: Cassidy, Norma; 12:15PM 150-20D AVE BKLYN 1983 HONDA Accord #1HMSZ3420DC004687 Re: Rojas,Jorge; 1982 CHEVROLET Chevette #1G1AB48CXCY197854 Re: Kalish,Scott; 12:30PM 442 3rd AVE BKLYN 1986 NISSAN 300ZX #JN1HZ15S8GX094544 Re: Alaimo, Stefano; 1:30PM 1114 36TH ST BKLYN 1990 PLYMOUTH Sundance #1P3XP46T0LN120328 Re: Headley, Heather; 1987 OLDSMOBILE Royale Brgham #1G3HY54U3HW315309 Re: Empire Inv. Co.; 1985 BUICK Electra #1G4-BV35Y7FX404709 Re: Schwartz, Sidney; 1986 HONDA Accord #1HGBA7444EL045-4389 Re: Rivera, Rose; 2:00PM 1529-35 CORNEY ELMHU AVE BKLYN 1987 MAZDA 323DX #JM1BF2228H0500983 Re: Hamaoka, Cynthia; 2:30PM 1602 MC-DONALD AVE BKLYN 1987 MERCU-RY Sable #1MEBM53U1HA646383 Re: Rassone, Raymond; 3:00PM 1670 UTI-CA AVE BKLYN 1991 KAWASAKI Ninja #JKAZXDJ10MA008708 Re: Orekimo, Eugene; 3:15PM 405 DASHIL RD BKLYN 1977 MERCEDES-BENZ 300SD #12130120239S2 Re: Wayne Motors Inc; 3:45PM 3086 CROPSEY AVE BKLYN 1988 VOLKSWAGON Gen #WB-WGA0307JP027251 Re: Eglantine, Marine; 4:00PM 2772 West 15TH ST BKLYN 1990 FORD Taurus #1FACP4-2E0LF142105 Re: Panama,Jose; 4:30PM 3939 EMMONS AVE BKLYN 1991 LUHRS 32' lshd Flgb NYREG#1823CV NO HULL# Hmiendg, Zhigavov; 5:00PM 2624CONEY ISLAND AVE BKLYN 1981 INTERNATIONAL 4900 #1HYBAA17B4BH282486 Re: Pinckney, D Wayne.

L. Posner lic #847081 sells for cash 8/27/93 at 10:30AM at 33-25 Parkington St, Qns. 83 Buick Subu #1G4AR35Y4DX403926 Re Chi Jing Wang 1YVBM80-14-6-15 Yellow/Blk Qns. 85 VW Golf #1VWDB0172FV0-30369 Re: J. Hall. 1PM at 4199 Boston Post Rd. Bx. 84 Ford #1FTHE34E9PC-HB43440 Re: J. Russo.

C.Laudio & Assocs, Inc. DCA#0696654 auct'n web Sept. 1, 1993 at 10AM. Sale at 711 Mott Ave. Inwood 1988 Nissan 4 dr. #JN1HU11P2JT043073 Acct. H.B. Stuart; 10 AM at 170-28 Jamaica Ave. Qns. 1990 Acura 2 dr #JH4DA9355LL003950 Acct. S.M. Schwartzman; 1988 Renault Sdn. #VF1-FF45B2J277956 Acct. B.J. Earp; 12:30 PM at 70-11 50 Ave., Qns. 1987 Honda S/W #JHMEC5728HC001302 Acct. P. Sherman; 1989 BMW 4 dr. #WBAHD2316-K2091000 Acct. BMW Leasing Corp. and/ or G. Esposito and/or Hertz; 1988 Merc. 4 dr. #2MEB74FXJX619324 Acct. Han. Ac Sou and/or Han. Leasing. Hwy 1993 Post. 4 dr. #1G2HX53L6P1220396 Acct. Allen Imports & Trans Corp.; 1990 Volvo S/W #YV1GA8757L0032504 Acct. J.M. Terry and/or W. Pace. 1 PM at 96-14 Northern Blvd., Qns. 1990 Post. 4 dr. #KL2TN34641B328604 Acct. M.A. Betancourt; 1983 Toyota 2 dr. #JT2MA-67LDD0060635 Acct. M.A. Zezas; 1991 Chevy 4 dr. #1GNDM19W2MB122373 Acct. Bae, Jin. Hwan and/or Kim, Jeong. Bae; 2 PM at 57-11 197 Ave., Qns. 1988 Chevy 2 dr. #1G1LV11192E253228 Acct. L.Acevedo. 9 PM at 30 Goodell Pl., Brklyn 1991 Mazda 929 Mazda 2 dr. #JT2EL32D7J-0188333 Acct. R. Esposito. Published Aug. 19th & Aug. 26th, 1993.

DEFAULT In Security Agreement Made by Tucker Discount Muffler Shop, Inc. to Capital National Bank and Assignment by National Financial Co. I Will Sell On 8/20/93 At 10:30 AM At 2nd Bonner Rd., Bx., N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Now Or Hereafter At All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Attorney 718 231-2134 of F.E.S. AUCTIONS INC. As Agents.

FOUNDATION NOTICE

NOTICE

The annual report of the **CHARITABLE TRUST U/W OF LOUIS SCHWEITZER** for the fiscal year ended April 30, 1993 is available at its principal office located at c/o Dunnington, Bartholow & Miller, 230 Park Ave., New York, NY 10017, (212) 697-2310 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Daniel G. Ross.

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Highlights for Wednesday, August 18

TOP 10 GAINERS %

NBT Bancorp	6.1
Kings National Corporation	5.5
F & M National Corporation	4.7
Tompkins County Trust Company	4.6
Fulton Financial Corporation	4.2
National Commerce Bancorp.	4.0
National Bancorp of Alaska	3.7
Chittenden Corporation	3.7
Community Trust Bancshares	3.6
United Counties Bancorporation	3.5

TOP 10 LOSERS %

City Holding Company	-9.7
Omega Financial Corporation	-4.6
UJB Financial Corp.	-4.4
Grenada Sunburst System Corp.	-4.0
Collective Bancorp, Inc.	-3.6
Suburban Bancorp, Inc.	-3.3
Pikeville National Corporation	-3.1
One Valley Bancorp of WV, Inc.	-3.0
California Bancshares, Inc.	-3.0
Pinnacle Banc Group, Inc	-2.9

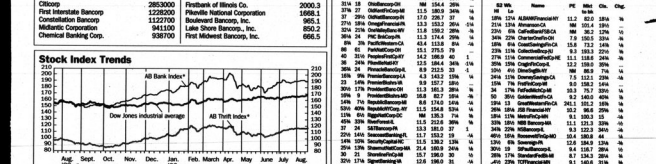
MOST SHARES TRADED

Citicorp	2853000
First Interstate Bancorp	1228200
Continental Bancorp, Inc.	1127700
Midlantic Corporation	941100
Chemical Banking Corp.	938700

VOLUME AS % OF AVERAGE

Firstbank of Illinois Co.	2000.3
Pikeville National Corporation	1668.1
Dolphin Bancorp, Inc.	965.1
Lake Shore Bancorp., Inc.	850.2
First Midwest Bancorp, Inc.	666.5

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.49	0.60	1.69	0.16	-1.21	0.91	0.80	0.51	2.25

Top 225 Banks

52 Wk				PE	Mkt	Cu.	Chg.
Hi	Lo	Name					
26¾	20	1stSourceCorp/IN	H	11.4	185.8	24%	-¼
27¼	18¾	AMCORE Fnc/IL	H	11.2	127.0	24%	
17½	8¾	AmBkrsInc/FL		15.7	282.3	24%	-¼
35¾	26¾	AmSouthBncorp/AL		10.8	145.8	31	-¼
36¾	27¼	AssocBanc-Corp/WI	H	13.2	330.1	36¾	-¼
35¾	28½	BB&T Fin/Corp/NC		11.8	152.8	34	
27½	22	BancFirst/OK		11.0	59.2	25½	
33	21¾	BT Fin/Corp/PA		11.0	126.3	30¾	+¼
31¾	24	BancTexas/Grp/MD		10.1	124.8	25¾	-¼
31¾	24	BancTexas/Grp/TX		10.1	124.8	25¾	-¼
61	42½	BancOne/Corp/OH		11.4	2,233	57¾	-¼
53½	40¾	BancOne/Corp/WV		11.4	126.0	49¾	-¼
40¾	27½	BancorpSouth/MS		11.3	144.3	38	½
54¾	41	BankAmerica/CA		9.7	137.3	48¾	-¼
30¾	26	BankUnion/Corp/CA		17.1	267.0	29¾	
19¾	9¾	BankVermont/VT		11.5	119.1	19¾	
80	59	BankersTrust/NY		8.6	171.9	78¼	-¼
28½	18¾	BankAtlantic/FL	H	15.0	165.6	23¾	
28½	18¾	BankNorth/MN	H	8.8	110.6	24¾	+¼
61¾	39¾	BankofBost/MA		8.3	1,027	58¾	-¼
50¾	34¾	BarnettBanks/FL	H	17.4	188.5	45	-¼
34¾	24¾	BayBanks/MA	H	14.2	183.0	33¾	-¼
64¾	49¾	BeaconFdrl/Bncs/MD	H	11.8	155.3	60¾	-¼
28¾	12¾	BeneficialCp/DE		31.5	170.2	25¾	-¼
31¾	24½	BrenhamBncs/TX	H	17.4	188.5	45	-¼
31¾	24½	BrenhamBncs/TX	H	17.4	188.5	45	-¼
34¾	23¾	CBI Bancshares/LA	H	16.2	194.3	33¾	
34¾	23¾	CNB Bancshares/IN	H	16.2	194.3	33¾	
22¾	22¾	CPB Inc /IL	H	8.7	126.4	22¾	
13¾	7¾	CNB FinCorp/CA		9.4	154.2	13	¼
14¾	9¾	CalFed/Bancorp/CA		13.5	1,015	12¾	
24	13¾	CathayBancorp/CA		16.7	145.5	14¾	
28¾	19¾	CenFed Fin/Corp/CA		11.2	178.2	28¼	
34¼	22¾	CentralFidelity/VA	H	11.5	177.1	29¼	
34¼	22¾	CentralFidelity/VA	H	11.5	185.6	33¾	
34½	16½	CentrustBnks/Inc	NO	10.5	150.2	20	
37¾	21	ChaseManhattan/NY		8.1	1027	33¾	-¼
44	30¾	ChemicalBanking/	H	8.4	168.0	40	
30¾	24¾	ChemicalFin/Corp/	H	14.2	183.0	30¾	
22	13¾	ChittendenCorp/VT		11.5	113.2	21	¾
22¾	14¾	CitizensBncg/MI		12.0	157.7	20¾	
22¾	18¾	CitizensBancorp/MD		14.3	185.7	20¾	¾
22¾	18¾	CitizensBancorp/MD		14.3	185.7	20¾	¾
22¾	18¾	CitizensBancorp/MD		15.4	171.6	20¾	¾
31¾	17¾	CityHoldingCo/WV		15.4	181.9	26	3
11¾	4¾	CoastFed/Bncp/WA		14.3	182.4	10¾	
39½	17¾	ColoradoBancg/CO	H	9.5	136.6	21¾	¾
39½	17¾	ColoradoBancg/CO	H	9.5	136.6	21¾	¾
28¾	16¼	CommercialNtl/Bncs/	H	16.5	152.5	28¾	¾
28¾	16¼	CommercialNtl/Bncs/	H	16.5	152.5	28¾	¾
33¾	25¾	CommercialNtl/Bncs/MD		11.5	194.1	27	
33¾	25¾	CommercialNtl/Bncs/MD		11.5	139.5	29¾	¾
33¾	25¾	CommercialNtl/Bncs/MD		14.5	221.1	29¾	¾
33¾	25¾	CommercialNtl/Bncs/MD		14.5	221.1	29¾	¾
39¾	19	CommBkSys/Inc/NY		8.9	138.4	29	¼
10¾	3¾	Constellation/NJ	H	4.7	60.3	3¾	
40¾	27¾	CoreStates/Fin/PA	H	11.0	178.9	35¾	-¼
40¾	25¾	CoreStates/Fin/PA	H	11.0	178.9	35¾	-¼
65¾	21	CullenFrost/TX		11.9	180.6	24¾	
28	18¾	CustomerGrowth/GA	H	11.9	160.6	24¾	
40¾	27¾	CvstSystsFin/Cp/VA	H	11.0	178.9	35¾	-¼
40¾	25¾	CvstSystsFin/Cp/VA	H	11.0	178.9	35¾	-¼
17¾	13¾	F & M NatCorp/VA		12.7	198.2	16¾	
27¾	17¾	FAMSBancorp/MO		9.8	136.4	20	
18¾	9¾	FNB Corp/PA	H	17.0	120.3	15¾	
29	24	FarmersCapital/KY		14.0	137.1	26¾	
45¾	28¾	FifthThirdBncp/OH		17.7	296.7	53¾	-¼
41½	28¾	FirstAmerBncp/TN		14.7	210.1	41¾	
59¼	43¾	FirstFedFin/NE		13.0	206.2	50¾	

FOR SALE
Bank Stock Table Explained: The table lists all publicly traded banks with at least daily composite stock prices at 4:30 p.m. (unless otherwise noted) in the New York, American and NASDAQ markets. Included are the 25 largest publicly traded thrifts as measured by the market value of common shares outstanding, (As of June 30, 1993) the market value count for banks was $1,000 and for thrifts was $500. The 52 Wk Hi and 52 Wk Lo columns list the 52 week high and low prices for the stock. The PE column is the ratio of the current stock price divided by the trailing four-quarter earnings per share. Earnings are calculated for latest annualized period. Data is used for companies with less than four quarters of data. Mkt. Sz. is the market value of the current day's closing price by the stock's issue value, expressed as a percentage. Bids and asks is adjusted for stock splits and stock dividends greater than 5%. Chg. is the change in the closing price from the previous day's close. Footnotes: **H** for high, **L** for low, **NO** for New Issue and **Theft Indexes:** A weighted average of the top 225 banks in market capitalization and the top 25 thrifts in market value, respectively. **Highlights** show largest percent gainers/loses in price and two volume leaders and shows stocks most actively traded by volume as a percentage of average shares traded daily over the past year.

Source: Bloomberg Financial Markets, Charlottesville, Va. 804/977-1600, produced the tables. Financial News Network, Vienna, Va, provides the, info on the indexes.

Bank and Thrift Stocks

52 Wk				PE	Mkt	Cu.	Chg.
Hi	Lo	Name					
35¾	24¾	MercBancorp/IN	H	11.9	158.6	33%	¼
64¼	42¾	MichiganNatCorp/MI		NM	115.0	57¼	-¼
19¾	14½	MidAmerica/KY		14.2	134.7	19	¼
29¾	14¾	MidSouth Corp/LA		11.3	145.3	21¾	-¼
25¾	13¾	MidlanticCorp/NJ		13.5	135.4	25¾	¼
41¼	35¾	MonumentalCp/MD	H	14.3	419.0	41¼	
37¾	27¾	NBD Bancorp/MI	H	13.6	167.4	32¾	
21½	17¾	NBSC Corp/SC		13.6	138.7	19	
17¾	13¾	NBTBancorp/NY		15.1	130.6	17¾	¼
30	21	NationalBncp/TX	H	10.9	180.0	24¾	-¼
30	21	NationalPenn/PA	H	19.7	325.2	30¾	-¼
19¾	9¾	NationsBncp/GA		9.9	153.9	19½	¼
19¾	9¾	NationsBncp/GA		11.7	147.1	19½	¼
19¾	9¾	NationsBncp/GA		11.7	147.1	19½	¼
19¾	9¾	NationsBncp/GA		11.7	147.1	19½	¼
32¾	23¾	NatCommerce/TN	H	14.7	249.8	32¾	¼
32¾	23¾	NatCommerce/TN	H	14.7	249.8	32¾	¼
50¼	37¾	NorthernTrust/IL		15.0	242.6	43¾	-¼
50¼	37¾	NorthernTrust/IL		15.0	242.6	43¾	-¼
37¾	25¼	OHBANC/WV		10.3	153.7	35¼	
37¾	27	OldKentFin/Cp/MI	H	13.4	1,054	36¾	
37¾	27	OldKentFin/Cp/MI	H	11.5	180.9	36¾	
37¾	27	OldKentFin/Cp/MI	H	11.5	180.9	36¾	
37¾	27	OldKentFin/Cp/MI	H	13.3	153.2	36¼	¼
32¾	23¾	OmegaFinancial/PA	H	11.8	159.2	28¾	-¼
28¾	24	PAC Bncs/Inc/PA		13.1	174.4	29¾	¼
43¾	31¾	PNC Bank Corp/PA	H	13.4	1,114	43¾	-¼
43¾	31¾	PNC Bank Corp/PA	H	15.1	370.5	43¾	-¼
32¾	24¾	PeoplesFinCp/LA		11.3	145.3	30¾	
32¾	24¾	PeoplesFinCp/LA		11.3	145.3	30¾	
36¾	24	PeoplesBancorp/IL		8.9	212.3	33	-¼
18¾	9¾	PeoplesBancorp/LA		9.4	145.2	18¾	
23	14¾	PeoplesBshrs/VA		9.9	157.7	18½	
23	14¾	PeoplesBshrs/VA		9.9	157.7	18½	
19¾	9	PeoplesBshrs/MD		16.8	82.7	19¾	
19¾	9	PeoplesBshrs/MD		16.8	82.7	19¾	
40¾	30¾	RepublicNYCorp/NY		11.5	154.8	33¾	-¼
40¾	30¾	RepublicNYCorp/NY		11.5	154.8	33¾	-¼
45¾	33¾	RiverFond/IL		11.5	212.8	36¾	-¼
24	17¾	SNTBancp/PA		9.3	122.3	24¾	
32¾	14¾	SeacoastBnk/Bncp/FL		11.7	153.2	19	-¼
32¾	14¾	SeacoastBnk/Bncp/FL		11.7	153.2	19	-¼
30¾	19	SignetBanking/VA		21.4	159.0	24¾	
30	23	SouthTrustCp/AL		11.4	160.0	29¾	-¼
30¾	17¾	SpartanBurg/SC		10.5	178.2	30¾	
36¾	26¾	SunTrustBnks/Inc/GA		11.3	1,593	29¾	-¼
32¾	18¾	SunTrustBnks/Inc/GA		11.3	1,593	29¾	-¼
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Midlantic Gets 'Buy' Rating as Wall Street Sharpens Focus on N.J.'s Top Survivors

By GORDON MATTHEWS

Wall Street continues to focus on the major banks of New Jersey, where acquisitions this year have sparked takeover fever.

On Wednesday, Mabon Securities Corp. opened coverage of the six largest remaining independent banks in the state, and gave a "buy" rating to Midlantic Corp., Edison.

Stocks

UJB Financial Corp., Princeton, recently the hottest New Jersey banking stock, is rated "hold" by Mabon.

UJB was also cut to "neutral" from "buy" on Wednesday by Dean Witter Reynolds Inc. because of its strong price gains.

Before Wednesday, UJB shares had risen 20% since July 20.

Strategy Session at UJB?

Midlantic shares gained 12.5 cents on Wednesday to $25.125, while UJB was down $1.375 to $29.75.

UJB's stock was wrapped in uncertainty as the bank's board reportedly mulled a new strategic plan that might affect the bank's status among investors as a prime takeover target.

The bank declined to comment on the board's agenda for its Wednesday afternoon meeting.

"Recently, merger announcements and strong second-quarter results have sparked a rally" in the New Jersey banks, wrote Anthony Polini and Michael Doppelt of Mabon in a report released this week.

"Most stocks appear fully valued, based solely on their fundamental appeal," they wrote.

Also ranked "hold" were First Fidelity Bancorp., Lawrenceville, the state's largest bank; Summit Bancorp, Summit; Valley National Bancorp, Clifton; and Citizens First Bancorp, Glen Rock.

'Well on the Way'

The Mabon analysts said they recommended Midlantic as a "buy" because "the turnaround is starting to blossom" and because this stock is attractively valued.



Management, led by chief executive Garry J. Schceuring, "has clearly demonstrated that Midlantic is well on the way to recovery," they said.

The bank suffered huge real-estate-related losses of $5.22 per share in 1990 and $14.38 per share in 1991, suffering heavily at the end of New Jersey's 1980s boom.

The company earned 8 cents per share in 1992 and $1.28 per share in the first half of 1993.

At Bank Since 1991

Mr. Schceuring arrived at Midlantic in April 1991 after having served as vice chairman of Continental Bank Corp., Chicago, during that company's turnaround.

The Mabon analysts think shares of Midlantic could hit $36 by yearend 1994.

If an acquisition deal should be struck, they estimated, the takeover price would be in the low to mid-40s.

Trading at 135% of Book Value

Currently, the stock trades at 135% of book value and only 5.8 times 1994 estimated earnings of $4.35 per share.

Mr. Polini and Mr. Doppelt noted that by this yearend, nonperforming assets will have dropped 60% at Midlantic in two years, that its capital ratios are strong, that the bank still has $190 million in tax credits worth $3.76 per share, and that pretax earnings will likely boom from a currently depressed level.

Bank of N.Y. Deal Stirred Pot

Speculation about takeovers in New Jersey has been stirred by Bank of New York Co.'s recently completed $560 million acquisition of Maywood-based National Community Bancs. and CoreStates Financial Corp.'s pending $312 million deal for Constellation Bancorp, Elizabeth.

WEDNESDAY'S MARKET

Falling interest rates again cast a pall over major bank stocks as stocks in general moved higher.

NationsBank Corp. was off 50 cents to $51, and Barnett Banks Inc. fell 37.5 cents to $45.

Some banks rebounded from recent weakness. Banc One Corp. rose 12.5 cents to $52.125. Citicorp advanced 62.5 cents to $33.

Imperial Credit Industries, a mortgage banker, slumped $1 to $15.25 after being downgraded to "source of funds" from "neutral" by analyst Sy Jacobs of Alex. Brown & Sons Inc. □

Long-Term Interest Rates Reach New Lows as the Bond Rally Resumes

Markets

After a one-day respite, the bond market rally resumed on Wednesday, sinking long-term interest rates to new lows.

Stocks soared, with the Dow Jones industrial average and Nasdaq composite index setting records. The dollar was mixed.

The yield on the 30-year bond flirted with 6.25% but met resistance at that level. In late trading, the bond yielded 6.26%, down from 6.31% on Tuesday.

Impetus from Japan

Rate changes were less sharp in the intermediate sector.

Ten-year notes yielded 5.68%, off 2 basis points; five-year notes yielded 5.03%, down 3 basis points; and two-year notes yielded 3.96%, down 2 basis points. The bond-equivalent yield on three-month Treasury bills was 3.04%, down 2 basis points.

John Canavan, market analyst at Stone & McCarthy Research Associates, said good bidding in Japan overnight provided a firm tone for the market, causing U.S. dealers to cover shorts set up during Tuesday's drop in bond prices.

Treasury Issue Expected

He said the market also was aided by reports that municipalities had bought about $1 billion in Treasuries and unconfirmed rumors that the Federal Reserve was likely buying Treasuries.

The gains came despite the prospect of new issuance by the Treasury next week. The Treasury said it will sell $16 billion of two-year notes on Tuesday and $11 billion of five-year notes on Wednesday. These amounts were unchanged from July.

Strength in consumer issues again bolstered stocks. Pharmaceuticals gained after Roger Altman, deputy Treasury secretary, said he did not expect the White House health care plan to include mandatory price controls.

The Dow gained 17.88 points to 3,604.86. The Standard & Poor's 500 rose 2.91 points to 456.04, just shy of the record 456.33 set in March. And the Nasdaq composite index advanced 3.81 points to 734.82.

In late New York trading, the dollar was at 101.55 yen, up from 101.10 on Tuesday, and at 1.6795 German marks, down from 1.6931.

— Bart Fraust

NationsBank Adds To Debt Offering

CHARLOTTE, N.C. — NationsBank Corp said it was increasing by $50 million its 10-year subordinated note offering because of strong demand.

The issue, which now totals $600 million, is part an offering that also includes $400 million of senior notes.

Both portions of the offerings were part of a $4 billion shelf registration for debt securities and preferred and common stock previously declared effective by the Securities and Exchange Commission.

The 10-year, noncallable subordinated notes have a coupon of 6.50%. Merrill Lynch & Co. is lead manager.

Moody's Investors Service announced late Thursday — after the offering was priced — that it had upgraded NationsBank debt. — Reuters

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TOP PERFORMERS IN 20 QUARTERS

AMERICAN BANKER

VOL. CLVIII NO. 160 Friday, August 20, 1993 158th year

Minority Banks Seen Lagging In CRA Arena

By ROBERT B. COX

You'd think banks and thrifts owned by minorities would do a better job of lending to low- and moderate-income people within their communities than a white-owned bank in the suburbs.

But that doesn't seem to be the case, according to a study of Community Reinvestment Act data by a private consultant, and a Federal Reserve analysis of home lending patterns at minority banks obtained by the *American Banker*.

Minority banks and thrifts, on average, scored far lower on their CRA ratings than did all other banks, according to a study by William M. Cunningham, a Washington consultant who analyzes CRA ratings for corporations looking to work with minority financial institutions.

"You would expect minority banks to blow everybody else away with outstanding ratings, but they actually have worse than average CRA ratings," said Mr. Cunningham.

Richest Singled Out

A separate analysis of Home Mortgage Disclosure Act data found that minority banks, while they make overwhelmingly more housing loans to minorities, are singling out the richest segment of their communities for a greater degree than all other banks.

Applicants earning 120% or more of median family income accounted for a full 60% of all applicants for mortgage loans at minority banks. The average for all banks was 53%.

"Minority banks had a fairly high income group of borrowers," said Fed economist Glenn Canner, who analyzed the conventional home purchase loan data of 80 randomly selected minority banks.

Minority bankers – like their mainstream brethren – complain that enforcement of CRA has unjustly focused on paperwork and detracted from their ability to make loans.

Flaws Seen in CRA

"CRA is statutorily flawed, and is incapable of being an agent of change for poor neighborhoods without modification," said William T. Johnson, president of Omni Banc Corp., River Rouge, Mich. Mr. Johnson recently made a bid to buy Indecorp, Chicago, the nation's largest African-American-owned banking company. Mi-

See MINORITY page 8

NEWS ANALYSIS

INSIDE NEWS

WASHINGTON

THE OFFICE of Thrift Supervision released regulations that tell some depositor-owned savings associations how to structure sales of minority stakes to the public. *Page 2*

REGIONAL BANKING

CORESTATES is willing to pay dearly for troubled Constellation Bancorp in order to secure a stronghold in New Jersey. *Page 4*

COMMUNITY BANKING

SCOTT BRAWLY, the new CEO of Los Angeles-based Hawthorne Savings Bank, has to deal with more than $200 million in nonperforming assets, the weak Southern California economy, and the 33-year legacy of his predecessor. *Page 9*

CREDIT UNIONS

WHILE MEMBERSHIP in credit unions is rising nationwide, several New England states have been bucking the trend. *Page 10*

MORTGAGES

RESOURCE BANCSHARES Mortgage Group, started from scratch just four years ago, is on track to produce more than $4.6 billion of loans this year. *Page 12*

INVESTMENT PRODUCTS

ONLY A FEW banks remain committed to art services and exhibitions, but these stalwarts swear by art, calling it a vital part of their private banking programs. *Page 14*

CREDIT /DEBIT ATMs

STAR BANK CORP. of Cincinnati, squeezed by the low-interest-rate, direct-mail solicitations of national card competitors, is fighting back. *Page 16*

TECHNOLOGY

LIBERTY NATIONAL Bancorp, an early participant in a group of midwestern banks looking to form a large automated teller machine network, has instead decided to join the MAC network. *Page 1*

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And the Winners Are...

Top-performing banks in the second quarter

		ROA	ROE
Megabanks	Banc One Columbus	1.53%	
Superregionals	Society Cleveland	1.52	
Large regionals	Fifth Third Cincinnati	1.79	

See full table on pages 6 and 6

Source: American Banker

In a Banner Second Quarter, High Marks for Ohio Banks

By SAM ZUCKERMAN

Is there something in the air that makes Buckeye State banks so good?

The second quarter was a banner period for the nation's largest bank companies – the 59 with assets over $10 billion. Strong margins and sharp improvements in credit quality caused returns on assets and equity to soar during the period, according to the *American Banker*'s quarterly roundup of performance ratios.

But nowhere did banks do better than Ohio. When the companies were divided into size categories, institutions from that state topped the charts.

Among megabanks with more than $70 billion of assets, Banc One Corp., Columbus, won top honors with a return on assets of 1.53% for the quarter.

For superregional banks with assets of between $20 billion and $70 billion, Cleveland's Society Corp. led the pack with a 1.52% ROA.

And Cincinnati-based Fifth Third Bancorp notched a sparkling 1.79% ROA, best among large regional bank companies with assets of between $10 million and $20 million.

Repeat Performances

The pacesetting performance of the Ohio bank companies is hardly surprising. Each led its size category in ROA a year ago.

"They each have their unique stories," Keefe, Bruyette & Woods analyst Joseph Duwan said of the three banks. But, he noted, strong margins and excellent credit quality are common threads.

There were plenty of other

See OHIO page 4

Private Mart To Get Piece Of Stephens Buyout Deal

By WILLIAM GOODWIN

NationsBank is turning to the private placement market to absorb a portion of a $500 million underwriting commitment backing Stephens Group's planned purchase of Donrey Media Group.

Stephens, based in Little Rock, Ark., said late last month that it agreed to buy a "controlling interest" in Donrey but did not elaborate on the size of the investment, the purchase price, or how it would be financed.

Price Close to $1 Billion

But Stephens and its affiliates are said by sources to be buying all of the media company for nearly $1 billion.

A Donrey spokeman said Thursday that the companies would not comment beyond the original statement.

Sources said NationsBank's tactic of turning to the private placement market is aimed at stretching out the amortization.

Privately placed debt often carries longer maturities than banks are willing to accept.

There was also speculation that NationsBank might be shifting about trying to raise $500 million of acquisition debt sole-

See NATIONSBANK page 26



Friend and Foe

EDS has become one of the top suppliers of computer services to banks. But at the same time, it competes with many of those customers. So far, chairman Lester Alberthal is pulling off the balancing act.

See story on page 18

NEWS *briefs*

Glenfed Holders Back Reorganization Plan

GLENDALE, Calif. — At a special meeting of Glenfed Inc., shareholders narrowly approved a reorganization plan aimed at recapitalizing the company's Glendale Federal Bank unit, fending off a federal takeover.

The company said on Thursday that 52.8% of its shares were voted in favor of the plan and 14.4% were voted against. Separately, enough debtholders and preferred stockholders accepted the company's offer – to exchange their holdings for newly issued common stock – to allow the reorganization to proceed.

Meanwhile, a U.S. appeals court has granted Glendale Federal's request for a rehearing on an earlier decision against the California thrift in its lawsuit over treatment of acquisition-related goodwill.

The latest ruling means the entire U.S. Court of Appeals for the Federal Circuit will review a May 1993 decision by three appellate judges that reversed a lower-court order in favor of Glendale Federal.

Glendale, a unit of Glenfed Inc., sued the federal government, claiming it had reneged on an agreement to allow goodwill from government-sponsored acquisitions to be counted as regulatory capital.

OCC Plans to Ease Some Capital Rules

WASHINGTON — The Comptroller of the Currency is planning to drop capital requirements for some assets backed by cash.

The agency, in a plan to be published this week for public comment, is proposing to drop the capital requirements for securities lending and repurchase agreements and certain collateralized letters of credit. The OCC said these transactions "pose virtually no credit risk, and only minimal operational risk."

Currently, under risk-based capital rules, banks must put these assets in the 20% risk-weighting category.

Huntington Raises Its Dividend by 10%

COLUMBUS, Ohio — Huntington Bancshares has increased its quarterly dividend by 10%, to 20 cents a share. The dividend is payable on Oct. 1 to shareholders of record on Sept. 13. Huntington has $15.7 billion of assets.

First National of Georgia to Buy Metro

GAINESVILLE, Ga. — First National Bancorp said it had signed a letter of intent to acquire Metro Bancorp of Douglasville, Ga.

The company said Metro shareholders may elect to receive $4 in cash or 0.2 share of First National common stock for each Metro Bancorp common share.

First National Bancorp has $2 billion of assets. Metro Bancorp has $135 million of assets.

Provident Bankshares Restates Its Results

BALTIMORE — Provident Bankshares said it had determined that a change in accounting for purchased-mortgage servicing rights should be retroactively applied and that results for the first and second quarters should be restated.

Net income for the first quarter 31 has been restated to $870,000, or 14 cents a share, from the previous $1.6 million, or 25 cents a share. Net income for the second quarter was restated to $2.6 million, or 40 cents a share, from the previous $1.9 million, or 29 cents a share.

Earnings for the first six months were unchanged.

The briefs were compiled from staff and wire reports.

OTS Unveils Rules on Public Sale Of Minority Stakes in Thrifts

By ROBYN MEREDITH

WASHINGTON — The Office of Thrift Supervision on Wednesday released regulations that tell some depositor-owned savings associations how to structure sales of minority stakes to the public.

The regulations, which take effect Sept. 20, are aimed at mutual holding companies, a recently created corporate structure for thrifts that combines the attributes of mutual ownership with those of stock-owned companies.

Mutual holding companies allow federally chartered mutual thrifts to sell minority shares of stock to the public. At the same time, the thrift creates a holding company for itself that holds a majority of the thrift's stock and remains a mutual – or depositor-owned – institution.

Structure Offers Flexibility

Wendy B. Samuel, regulatory counsel at Savings and Community Bankers of America, said thrifts that have used the mutual holding company structure "have been very pleased with the flexibility – they have gotten the result that they wanted."

The OTS views mutual thrifts converting to stock-owned institutions – whether using the new MHC structure or through a standard stock conversion – as one way for the thrift industry to raise capital.



Chris Lewis
A step against fraud

Consumer groups praised the new OTS rules for safeguarding depositors' interests by stipulating that they have the right to buy stock before management, and by requiring independent appraisals of the company's value.

"It is injecting some fairness where there was a great potential for rip-offs," said Chris Lewis, director of banking and housing policy at the Consumer Federation of America. The OTS rules help to "limit the windfall any initial stock purchasers would reap from fraudulent appraisals," he said.

The MHC rules parallel those that govern standard conversions in that they set limits on the amount of stock thrift executives can buy and allow the mutuals' depositor/owners to buy stock before management.

Previously, some thrifts got OTS permission to let management buy large amounts of the new stock before the depositor-owners were allowed to buy shares.

Although this is the first regulation governing a MHC structure for federally chartered thrifts, the OTS had already approved 20 applications from thrifts with $7 billion in assets for such deals at the end of July. The agency took each application on a case-by-case basis.

Most Pending Deals on Hold

However, since July, when the Internal Revenue Service said it would review the tax liability of thrifts that converted to MHCs, most of the pending deals have been put on hold.

"The IRS says that the way they have been done in the past ...makes it taxable," said Bob Freedman, the partner in charge of financial institutions at Silver, Freedman & Taff, a Washington law firm. The IRS is reviewing how it will treat bad-debt reserves – the main tax break for thrifts – in MHC transactions.

The OTS has met with the IRS to discuss how MHCs will be taxed, said John C. Price, acting assistant director for policy at the OTS. □

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REPRINTS REPRINTS REPRINTS REPRINTS REPRINTS

Liberty of Ky. Spurning New Group for MAC

By MATT BARTHEL

A group of midwestern banks looking to form a large automated teller machine network lost a second potential member earlier this week.

Liberty National Bancorp, an early participant in the Midwest group, has instead decided to join the MAC network. The Louisville, Ky.-based company will maintain its membership in the regional Quest ATM system, displaying both MAC and Quest logos on its automated teller machines.

Liberty National is the second defection in the last month from the Midwest group, which now consists of 13 banks, including First Chicago Corp. and Norwest Corp.

In late July, Provident Bank broke from the circle to join the Jeannie network, which is owned and operated by another Cincinnati company, Fifth Third Bancorp.

Autonomy Seen as Factor

Experts are split on what effect, if any, the defections will have on the Midwest study group's talks. However, most agree that Liberty National and

One issue: the ability to operate one's own ATMs.

Provident were at least partially motivated by a desire to be able to operate their own ATMs.

The still-forming Midwest network, which has tentatively taken the name Electronic Transactions Inc., will likely require that the ATMs of its equity holders be "driven" by the network.

ATM driving is a processing function that determines such things as the look of an ATM's display screen and the range of tasks that the terminals will perform.

'A Huge Hurdle'

"For some banks that have made an investment in computer equipment to drive their ATMs, handing over [the function] to a network is a huge hurdle to get over," said Richard Westelman, a senior consultant at Dove and Associates in Boston.

Its approach to ATM driving is one of the fundamental ways that Electronic Transactions differs from MAC, which experts say would be its primary competition in a number of states, including, Ohio, Kentucky, and Indiana.

MAC became a model for the electronic funds transfer industry when it became part of Electronic Payment Services Inc., a Wilmington, Del.-based joint venture formed last summer by CoreStates Financial Corp., Banc One Corp., PNC Bank Corp., and Society Corp.

MAC rules do not require its owning institutions to process with the network, although ob-

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servers believe that the four bank owners will eventually let the network drive their ATMs.

Condition of Ownership

Electronic Transactions, on the other hand, is making network ATM driving a condition of ownership.

The driving business is a huge part of the network's planned revenue stream – and one of the ways the network will measure each bank's equity share.

"The way that you will get equity in ETI is to sign a long-term processing contract, and you will allow ETI to drive your ATMs at a market rate," said Phillip A. Parker, a Star Banc Corp. executive vice president and a spokesman for the Midwest group.

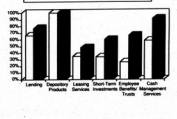
A report on the results of three months of meetings between the 13 remaining Midwest banks is expected by the end of this month.

Mr. Parker also noted that early versions of the report, which is being written by Speer & Associates Inc., an Atlanta-based consulting firm, indicated that Electronic Transactions should allot a significant sum of money for the research and development of new electronic banking products.

If all of the remaining 13 institutions in the study group buy into the network, Electronic Transactions would have almost 10,000 ATMs in 20 states. □

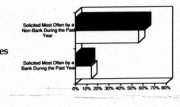
How Much More Corporate Business Will You Lose to Non-Banks?

Small businesses use many services in addition to credit, particularly depository and investment products. The business potential is significant and taking these companies' business for granted would be a mistake.



Non-banks now market aggressively to small businesses and middle market companies. And their products and services often are rated superior to or better priced than those offered by banks.

In fact, 80% of middle market companies that chose a new provider last year selected a non-bank.



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CoreStates Taking Strategic Gamble on N.J. Thrift

By KAREN GULLO

Trade-offs are a fact of life in any acquisition of a troubled bank.

In the case of CoreStates Financial Corp.'s planned acquisition of Constellation Bancorp., gaining a stronghold in strategically important New Jersey is a prize for which CoreStates' bankers will pay dearly.

On the face of it, the deal is a stock swap valued at $320 million, or two times Constellation's book value. But analysts say that with costs associated with Constellation's loan problems, Philadelphia-based CoreStates will actually pay closer to three times book – a hefty price for a troubled bank.

Trade-Off
CoreStates asset quality before and after Constellation acquisition; dollars in millions

	Before	After*
Nonperforming loans	$243	$379
Foreclosed real estate	62	109
Total nonperforming assets	$305	$488

*As of June 30 on pro forma basis

Source: CoreStates

Benefits Offset Cost

CoreStates bankers admit that the deal is costly, but say the benefits of the acquisition are worth the price.

"The trade-offs were at the heart of the decision," said Jorge Leon, vice president in charge of mergers and acquisitions, in a recent interview.

The acquisition, announced last week, will give CoreStates a leading share of consumer deposits in the attractive middle section of the Garden State.

When CoreStates merges Constellation's $2.3 billion in assets and 49 branches into its existing New Jersey subsidiary, it will become the state's fourth largest banking organization, with $6.5 billion in assets.

But these prizes aren't cheap. Nearly 10% of Constellation's assets are nonperforming. The acquisition will add $183 million in nonperforming assets to CoreStates' books on a pro forma basis, bringing its ratio of nonperformers to total loans plus foreclosures from 1.90% to 2.73%.

Adding to Loan-Loss Reserves

To cover the problems, CoreStates will add $107 million to loan-loss reserves and charge off $41 million of nonperformers and $38 million of foreclosed real estate.

Dennis Shea, an analyst at Morgan Stanley & Co., estimates that these charges, combined with the other restructuring costs and potential capital contributions that may be necessary to shore up the New Jersey bank, bring CoreStates' total investment in Constellation up to approximately $446 million, or nearly three times the New Jersey bank's book value.

"We find this particular deal economically unexciting and symptomatic of the extraordinary premiums being offered in recent mergers," wrote Mr. Shea in a recent report on the transaction.

At least one other bidder agreed. First Fidelity Bancorp walked away from the deal because it wasn't willing to pay such a high price, said Anthony P. Terracciano, Fidelity's chairman and chief executive officer.

Mr. Jorge said CoreStates has taken steps to make sure all risks have been identified and has laid plans to deal quickly with Constellation's problems.

No Hidden Problem Credits

First, Mr. Jorge says that all problem credits have been unearthed. CoreStates has looked at Constellation's loan files twice – once during the bank's last year and again over the last few months. More than 50 officers reviewed 85% of the portfolio, leaving the bank confident that it has identified all the problem credits.

"We really think we have this one nailed down," said Mr. Jorge.

Second, the bank is already in discussions with several buyers about the sale of $50 million to $100 million of nonperforming assets. CoreStates retained Merrill Lynch & Co. to review the reality portfolio and put together packages for accelerated disposition. Mr. Jorge said the bank hopes to complete a sale as soon as the acquisition closes early next year.

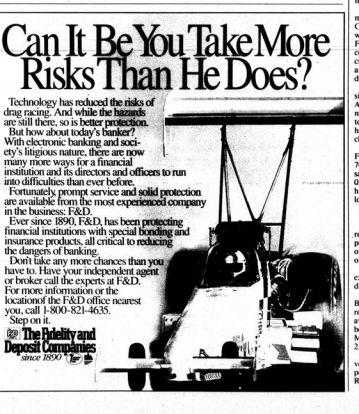
CoreStates also plans to sell Constellation's sizable mortgage servicing operation, which is deemed nonstrategic.

The New Jersey bank services a $2 billion portfolio of residential mortgages.

CoreStates walked away from mortgage servicing in the 1980s, and has no intention of reentering the business, said Mr. Jorges. CoreStates will probably write down a small portion of the mortgage portfolio when the acquisition closes, then sell it as quickly as possible.

With such portfolios fetching around 1% of the total servicing contracts, CoreStac can expect to realize about $20 million from the sale.

CoreStates estimates that with the disposition of the mortgage business and the assets earmarked for quick sale, Constellation will contribute $29.4 million in earnings in the first year of the merger. □



Ohio Banks Ranked High In Banner Second Quarter

Continued from page 1

standouts. A total of 12 companies – two megabanks, six superregionals, and four large regionals – recorded ROAs above 1.30% for the quarter. A year ago, just five banks were above that level.

One noteworthy case was Milwaukee's Firstar Corp., No. 2 among large regionals with a 1.58% ROA.

Turning It Around

Even last year's laggards did well. Citicorp fared worst among megabanks, but its 0.79% ROA was more than 4x its performance of a year ago.

Among superregionals, Shawmut National Corp., Hartford, Conn., quintupled its ROA, while Wells Fargo & Co., San Francisco; First Interstate Bancorp, Los Angeles; Fleet Financial Group, Providence, R.I.; and First Chicago Corp. nearly doubled their ratios.

Few institutions experienced significant declines in returns. Among the superregionals, Minneapolis-based First Bank System saw its ROA more than halved due to merger-related charges.

Among large regionals, San Francisco-based Union Bank – 70% owned by Bank of Tokyo – saw its ROA drop to 0.65% from 0.81% a year ago because of higher provisions for loan losses.

Bankers Trust Tops in ROE

Analysts increasingly look to return on equity as a measure of performance as the income and other off-balance-sheet sources of revenue gain in importance.

Several bank companies with extensive wholesale operations did very well by that measure.

Boosted by fat trading profits, Bankers Trust New York Corp. registered a lofty 26% return on average equity for the quarter, best among megabanks. J.P. Morgan & Co. was next with a 23.4% ROE.

First Chicago, helped by hefty venture capital gains, led the superregional pack with a 20.8% ROE.

Last year, First Chicago's 9.05% second-quarter ROE put it 23d among the 27 bank companies in its size category.

Another Chicago bank, LaSalle National Corp., topped large regionals with a 25.74% ROE.

Lower Credit Costs a Key

Banks profits are soaring in large part because the gap between the cost of funds and earnings on interest-bearing assets is at the widest levels in memory.

But interest margins appear to have peaked. In the most recent quarter, lower credit costs have been a key engine of profit growth.

"Among the major driving factors in bank profitability, the most significant is the decline in nonperforming assets," said Reid Nagle, president of SNL Securities.

"That has freed up a significant amount of assets that are now earning interest."

Three wholesale banks with wide-ranging sources of noninterest income and low loan-to-deposit ratios posted the best second-quarter credit quality numbers.

Big Jump for First Chicago

J.P. Morgan had a 0.22% ratio of nonperforming assets to total assets, the lowest among megabanks. Republic New York Corp.'s 0.46% ratio led superregionals. And State Street Boston Corp. was the standout superregional bank, reporting a 0.26% ratio.

Thanks to bulk asset sales, First Chicago registered one of the most notable improvements in credit quality – jumping from 18th to fourth in nonperforming-asset ratios among superregional banks.

Not surprisingly, Wall Street's assessment of the bank companies is closely linked to their performance.

Banc One's 242.1% market-to-book-value figure was the highest among megabanks. And Fifth Third led its large regional class at 298%.

Minneapolis-based Norwest Corp., with 265.5%, led superregionals.

Second Quarter Performance of Top U.S. Banking Companies

Second quarter of 1993 compared with the second quarter of 1992

Mega Banks - Assets of $70 billion or more on 6/30/93

Return on Average Assets

Rank 2Q93	Rank 2Q92		ROA 2Q93	ROA 2Q92
1	1	Banc One Corp.	1.53	1.51
2	4	First Union Corp.	1.39	1.04
3	2	J.P. Morgan & Co., Inc.	1.18	1.34
4	3	Bankers Trust New York Corp.	1.16	1.08
5	8	BankAmerica Corp.	1.06	0.56
6	6	Chemical Banking Corp.	1.04	0.70
7	5	NationsBank Corp.	1.00	0.90
8	7	Chase Manhattan Corp.	0.93	0.61
9	9	Citicorp	0.79	0.26
		Mean Values	**1.12**	**0.89**
		Median Values	**1.06**	**0.90**

Return on Average Equity

Rank 2Q93	Rank 2Q92		ROE 2Q93	ROE 2Q92
1	2	Bankers Trust New York Corp.	26.00	25.56
2	1	J.P. Morgan & Co., Inc.	23.43	25.66
3	4	First Union Corp., Inc.	19.88	15.10
4	3	Banc One Corp.	17.86	17.73
5	9	Citicorp	16.91	4.96
6	5	Chemical Banking Corp.	15.93	10.42
7	6	Chase Manhattan Corp.	14.79	10.84
8	5	NationsBank Corp.	14.61	14.13
9	8	BankAmerica Corp.	13.06	7.53
		Mean Values	**18.06**	**14.66**
		Median Values	**16.91**	**14.13**

Nonperforming Assets Ratio

Rank 2Q93	Rank 2Q92		Ratio 2Q93	Ratio 2Q92
1	1	J.P. Morgan & Co., Inc.	0.22	0.59
2	2	Banc One Corp.	0.98	1.28
3	3	NationsBank Corp.	1.36	2.28
4	4	First Union Corp., Inc.	1.77	2.30
5	5	Bankers Trust New York Corp.	2.01	2.69
6	6	BankAmerica Corp.	2.81	3.31
7	8	Chase Manhattan Corp.	3.15	5.63
8	7	Chemical Banking Corp.	3.34	4.61
9	9	Citicorp	5.97	6.49
		Mean Values	**2.40**	**3.24**
		Median Values	**2.01**	**2.69**

Superregional Banks - Assets between $20 billion and $70 billion

Return on Average Assets

Rank 2Q93	Rank 2Q92		ROA 2Q93	ROA 2Q92
1	1	First Chicago Corp.	1.52	1.50
2	2	Wachovia Corp.	1.51	1.36
3	5	Comerica, Inc.	1.45	1.24
4	9	National City Corp.	1.45	1.19
5	4	Norwest Corp.	1.40	1.26
6	6	PNC Bank Corp.	1.35	1.22
7	11	Boatmen's Bancshares, Inc.	1.28	1.10
8	7	SunTrust Banks, Inc.	1.28	1.21
9	13	First Fidelity Bancorp.	1.26	1.05
9	14	KeyCorp	1.26	1.04
11	27	Comerica, Inc.	1.25	0.34
12	16	Bank of New York Co., Inc.	1.24	0.84
13	19	National Westminster Bancorp.	1.23	0.66
13	12	NBD Bancorp., Inc.	1.23	1.07
15	10	U.S. Bancorp.	1.23	1.13
16	25	First Chicago Corp.	1.18	0.51
17	23	First of America Bank Corp.	1.17	0.59
17	21	Wells Fargo & Co.	1.17	0.68
19	7	Mellon Bank Corp.	1.15	1.21
20	15	CoreStates Financial Corp.	1.13	0.93
21	19	Barnett Banks, Inc.	1.11	0.66
22	24	First Interstate Bancorp.	1.10	0.53
23	21	First Financial Group	1.05	0.63
24	26	Shawmut National Corp.	0.89	0.16
25	18	Republic New York Corp.	0.83	0.79
26	17	Bank of Boston Corp.	0.80	0.80
27	3	First Bank System, Inc.	0.53	1.33
		Mean Values	**1.19**	**0.92**
		Median Values	**1.23**	**1.04**

Return on Average Equity

Rank 2Q93	Rank 2Q92		ROE 2Q93	ROE 2Q92
1	23	First Chicago Corp.	20.80	9.05
2	2	Wachovia Corp.	20.76	18.69
3	1	Society Corp.	20.33	20.90
4	7	KeyCorp	18.94	16.34
5	6	CoreStates Financial Corp.	18.70	16.36
6	24	First of America Bank Corp.	17.57	8.68
7	11	PNC Bank Corp.	17.54	15.12
8	5	Wachovia Corp.	17.27	16.92
9	8	First Fidelity Bancorp.	17.07	16.01
10	21	Wells Fargo & Co.	16.72	9.57
11	9	SunTrust Banks, Inc.	16.69	15.97
12	10	National City Corp.	16.57	15.22
12	22	First Interstate Bancorp.	16.57	8.93
14	16	Boatmen's Bancshares, Inc.	16.19	14.27
15	20	Barnett Banks, Inc.	16.13	10.41
16	13	NBD Bancorp., Inc.	15.60	14.70
17	14	U.S. Bancorp.	15.77	14.51
18	27	Comerica, Inc.	15.68	3.40
19	19	Fleet Financial Group	15.47	11.24
20	26	Shawmut National Corp.	13.32	2.62
21	17	Republic New York Corp.	15.23	14.12
22	18	Bank of New York Co., Inc.	15.09	12.04
23	15	Continental Bank Corp.	14.64	14.49
24	25	National Westminster Bancorp.	14.39	8.17
25	3	Mellon Bank Corp.	13.47	17.39
26	12	Bank of Boston Corp.	12.32	14.84
27	4	First Bank System, Inc.	4.78	17.03
		Mean Values	**15.82**	**12.70**
		Median Values	**16.19**	**14.51**

Nonperforming Assets Ratio

Rank 2Q93	Rank 2Q92		Ratio 2Q93	Ratio 2Q92
1	1	Republic New York Corp.	0.46	0.56
2	2	Norwest Corp.	0.62	0.71
3	3	Wachovia Corp.	0.68	0.92
4	18	Comerica, Inc.	0.83	2.69
5	6	NBD Bancorp., Inc.	0.84	1.04
6	3	First of America Bank Corp.	0.85	0.92
7	11	SunTrust Banks, Inc.	0.91	0.95
8	8	National City Corp.	0.94	1.56
9	10	KeyCorp	1.14	1.63
10	15	First Interstate Bancorp.	1.15	2.45
11	7	Boatmen's Bancshares, Inc.	1.20	1.50
12	12	First Chicago Corp.	1.25	2.01
13	9	First Bank System, Inc.	1.28	1.58
14	14	U.S. Bancorp.	1.30	2.03
14	12	CoreStates Financial Corp.	1.30	2.01
16	16	Banc One Corp.	1.34	2.66
17	20	Mellon Bank Corp.	1.32	2.82
18	17	SunTrust Banks, Inc.	1.35	1.77
19	17	Bank of New York Co., Inc.	1.75	2.67
20	21	Barnett Banks, Inc.	1.84	2.86
21	22	Fleet Financial Group	1.90	3.39
22	19	First Fidelity Bancorp.	2.06	2.76
23	26	Shawmut National Corp.	2.25	5.86
24	24	Bank of Boston Corp.	2.35	4.25
25	23	First Interstate Bancorp.	2.45	3.45
26	25	Wells Fargo & Co.	4.52	5.67
27	27	National Westminster Bancorp.	4.78	6.57
		Mean Values	**1.62**	**2.49**
		Median Values	**1.30**	**2.03**

Large Regional Banks - Assets between $10 billion and $20 billion

Return on Average Assets

Rank 2Q93	Rank 2Q92		ROA 2Q93	ROA 2Q92
1	1	Fifth Third Bancorp	1.79	1.75
2	2	Firstar Corp.	1.58	1.38
3	8	Huntington Bancshares	1.39	1.06
4	14	Signet Banking Corp.	1.38	0.94
5	7	Synovus Corp.	1.29	1.09
6	10	Meridian Bancorp, Inc.	1.23	1.01
7	4	LaSalle National Corp.	1.20	1.13
8	22	Huntington Bancshares	1.19	0.19
9	13	Integra Financial Corp.	1.15	0.96
10	9	SouthTrust Corp.	1.10	1.02
11	20	Crestar Financial Corp.	1.09	0.57
12	12	Marine Midland Banks, Inc.	1.08	1.01
13	5	Bancorp Hawaii, Inc.	1.07	1.11
13	18	Harris Bankcorp., Inc.	1.07	0.71
15	15	Mercantile Bancorp. Inc.	1.06	0.93
16	5	Northern Trust Corp.	1.05	1.11
16	16	Bancorp Inc.	1.05	0.92
18	12	State Street Boston Corp.	0.97	1.00
19	3	First Empire State Corp.	0.96	1.24
20	23	MNC Financial, Inc.	0.77	0.05
21	17	Union Bank	0.65	0.81
21	21	UJB Financial Corp.	0.65	0.31
23	19	Michigan National Corp.	0.62	0.58
		Mean Values	**1.10**	**0.91**
		Median Values	**1.08**	**1.00**

Return on Average Equity

Rank 2Q93	Rank 2Q92		ROE 2Q93	ROE 2Q92
1	1	LaSalle National Corp.	25.74	22.68
2	11	Huntington Bancshares	19.81	15.14
3	10	Synovus Financial Corp.	18.87	15.15
4	5	Firstar Corp.	18.72	17.60
5	12	Signet Banking Corp.	18.64	14.22
6	3	Northern Trust Corp.	18.07	19.00
6	22	Meridian Bancorp, Inc.	18.07	4.22
8	6	Fifth Third Bancorp	18.06	17.34
9	4	State Street Boston Corp.	17.03	17.89
10	9	SouthTrust Corp.	15.92	15.99
11	14	Meridian Bancorp, Inc.	15.62	13.85
12	2	First Empire State Corp.	15.74	20.18
13	7	Bancorp Hawaii, Inc.	15.34	16.57
14	16	AmSouth Bancorp.	15.23	13.35
15	9	Marine Midland Banks, Inc.	15.17	15.50
16	18	Integra Financial Corp.	14.96	12.07
17	13	Mercantile Bancorp. Inc.	14.48	14.11
18	17	BanPonce Corp.	14.09	12.76
19	19	Crestar Financial Corp.	13.60	8.41
20	23	MNC Financial, Inc.	11.33	0.85
21	21	Liberty Financial Cos.	9.56	4.92
22	15	Union Bank	9.10	13.37
23	20	Michigan National Corp.	8.44	8.08
		Mean Values	**15.73**	**13.62**
		Median Values	**15.74**	**14.22**

Nonperforming Assets Ratio

Rank 2Q93	Rank 2Q92		Ratio 2Q93	Ratio 2Q92
1	1	State Street Boston Corp.	0.26	0.33
2	4	Fifth Third Bancorp	0.27	0.78
3	3	Northern Trust Corp.	0.40	0.70
4	5	Firstar Corp.	0.59	0.83
5	7	AmSouth Bancorp.	0.67	1.20
6	7	SouthTrust Corp.	0.78	1.12
7	9	Synovus Financial Cos.	0.81	0.44
8	10	Huntington Bancshares	0.98	1.33
9	6	First Empire State Corp.	1.01	1.10
9	14	Mercantile Bancorp. Inc.	1.01	1.71
11	13	Harris Bankcorp., Inc.	1.06	1.39
12	11	LaSalle National Corp.	1.08	1.36
13	16	Signet Banking Corp.	1.08	2.42
14	17	Crestar Financial Corp.	1.09	2.74
15	11	BanPonce Corp.	1.29	1.36
16	15	Meridian Bancorp, Inc.	1.35	1.87
17	8	Integra Financial Corp.	1.45	1.19
18	18	Marine Midland Banks, Inc.	2.75	3.04
19	19	UJB Financial Corp.	2.95	4.08
20	22	MNC Financial, Inc.	3.35	8.38
21	21	Liberty Financial Cos.	4.24	7.07
22	20	Union Bank	4.91	4.67
23	23	Midlantic Corp.	7.39	10.58
		Mean Values	**1.81**	**2.60**
		Median Values	**1.08**	**1.36**

Data Sources: SNL Securities, Charlottesville, Va. and **American Banker**'s quarterly earnings roundup. **Definitions and methodology:** For a complete description of the information contained in this table, see the footnotes on page 6. Panel groupings, ranks, and summary statistics were compiled by *American Banker*. Please note, the second-quarter 1992 data are as reported in 1992 and have not been restated for mergers or changes in accounting practices. For comparative purposes, the 1992 means and medians are for the current (1993) panel (*)— An American Banker publication
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Second Quarter Performance of Top U.S. Banking Companies

Second quarter of 1993 compared with second quarter of 1992

How the Market Looks at Banks

Mkt Bank Class 2Q93	2Q92	Mega Banks	Ratio of Market- to-Book Value 2Q93	2Q92	Price Earnings Ratio 2Q93	2Q92	Dividend Yield (%) 2Q93	2Q92
1	1	Banc One Corp.	242.1	228.8	13.92	13.11	2.49	2.54
2	5	First Union Corp.	177.9	124.5	9.19	10.52	2.89	3.27
3	2	J. P. Morgan & Co., Inc.	173.5	175.7	8.00	7.23	3.54	3.88
4	4	Bankers Trust New York Corp.	162.3	156.5	6.26	6.15	4.21	4.77
5	3	NationsBank Corp.	149.7	164.4	10.43	11.91	3.22	3.11
6	8	Citicorp	125.7	98.1	9.18	16.60	0.00	4.71
7	6	BankAmerica Corp.	119.6	129.5	9.51	17.61	3.09	2.93
8	7	Chemical Banking Corp.	118.6	119.6	7.57	11.18	3.23	3.23
9	9	Chase Manhattan Corp.	98.1	87.8	6.72	8.32	3.72	4.34
		Mean Values	**151.9**	**146.1**	**8.97**	**11.40**	**2.93**	**3.64**
		Median Values	**149.7**	**164.5**	**9.18**	**11.18**	**3.22**	**3.27**
		Superregional Banking Firms						
1	1	Norwest Corp.	265.5	201.2	13.16	11.18	2.41	2.63
2	2	Society Corp.	211.9	200.7	10.71	9.91	3.19	3.36
3	4	SunTrust Banks, Inc.	210.4	195.7	12.53	12.35	2.36	2.47
4	8	KeyCorp	203.6	168.4	10.99	10.51	2.97	3.21
5	3	Wachovia Corp.	202.1	200.0	12.28	12.33	3.14	3.25
6	6	PNC Bank Corp.	194.5	169.5	11.53	11.54	3.48	3.93
7	7	CoreStates Financial Corp.	187.4	168.5	10.17	10.43	3.74	4.06
8	18	Wells Fargo & Co.	181.6	132.5	11.20	14.03	1.81	2.68
9	9	First Bank System, Inc.	179.0	167.8	10.56	10.10	3.24	3.43
10	17	Barnett Banks, Inc.	178.8	133.1	12.06	13.85	3.02	3.56
11	13	First of America Bank Corp.	169.6	150.7	10.06	10.67	3.98	3.86
12	15	First Fidelity Bancorp.	168.9	147.3	10.87	9.97	3.01	3.17
13	14	BB&T Bancorp., Inc.	168.0	150.2	10.79	10.68	3.34	3.49
14	10	National City Corp.	166.1	163.7	10.50	11.15	4.13	4.13
15	5	Comerica, Inc.	163.7	180.9	10.58	12.34	3.44	3.17
16	19	Shawmut National Corp.	159.3	130.4	10.66	50.35	1.68	0.00
17	11	U.S. Bancorp.	158.7	160.6	10.25	11.17	3.52	3.15
18	23	First Interstate Bancorp.	157.5	122.0	9.80	13.71	2.55	2.92
19	12	Fleet Financial Group	157.0	158.5	11.72	16.46	2.96	2.70
20	16	Mellon Bank Corp.	155.0	135.7	9.74	9.54	3.71	4.31
21	24	Bank of New York Co., Inc.	149.1	110.1	10.45	9.61	2.56	3.76
22	20	Republic New York Corp.	147.9	127.5	10.09	9.40	2.12	2.51
23	22	Mellon Bank Corp.	141.6	122.8	10.68	7.29	2.70	3.40
24	25	First Chicago Corp.	113.4	100.8	5.96	11.19	2.92	3.39
25	21	Bank of Boston Corp.	111.2	124.4	9.52	9.05	1.62	0.00
26	26	Continental Bank Corp.	87.9	81.5	6.28	5.85	2.51	3.29
		National Westminster Bancorp.	N/A	N/A	N/A	N/A	N/A	N/A
		Mean Values	**166.8**	**150.2**	**11.39**	**12.79**	**2.95**	**3.07**
		Median Values	**167.1**	**150.5**	**10.67**	**11.15**	**3.09**	**3.27**
		Large Regional Banking Firms						
1	2	Fifth Third Bancorp.	298.0	277.4	16.64	17.36	1.80	2.01
2	3	Northern Trust Corp.	244.0	266.7	14.36	15.05	1.76	1.63
3	1	State Street Boston Corp.	243.2	303.0	14.79	17.88	1.57	1.23
4	5	Huntington Bancshares	209.2	175.6	10.82	11.59	2.92	3.14
5	4	Firstar Corp.	191.7	182.9	10.42	10.55	3.20	2.92
6	13	Signet Banking Corp.	190.8	141.4	10.63	10.29	2.65	2.03
7	9	Virginia Financial Corp.	187.2	165.9	10.28	10.65	2.99	2.41
8	7	SouthTrust Corp.	156.9	164.7	10.09	10.55	3.03	3.03
9	11	Mercantile Bancorp., Inc.	156.6	144.1	10.16	10.08	3.54	4.36
10	14	Crestar Financial Corp.	154.4	125.7	11.86	15.00	2.68	2.67
11	10	Bankers Bancorp.	154.0	153.7	10.23	11.59	3.54	3.62
12	8	First Empire State Corp.	149.4	156.3	10.35	8.59	1.46	1.26
13	15	Huntington Bancshares, Inc.	147.8	143.1	10.26	10.32	3.01	4.32
14	6	Bancorp Hawaii, Inc.	143.4	168.8	9.51	10.40	3.08	2.74
15	16	UJB Financial Corp.	136.0	114.40	14.24	23.36	2.61	3.06
16	17	MNC Financial, Inc.	122.4	104.5	13.54	9.66	0.00	0.00
17	19	Midlantic Corp.	113.8	85.1	6.77	20.31	0.00	0.00
18	18	Michigan National Corp.	111.5	88.40	14.12	11.12	3.54	4.32
19	15	SunPence Corp.	108.2	125.3	7.81	9.96	3.05	2.91
20	20	Union Bank	88.0	82.2	9.69	6.59	5.23	5.83
		Harris Bankcorp., Inc.	N/A	N/A	N/A	N/A	N/A	N/A
		Labelle National Corp.	N/A	N/A	N/A	N/A	N/A	N/A
		Marine Midland Banks Inc.	N/A	N/A	N/A	N/A	N/A	N/A
		Mean Values for Group	**166.2**	**157.9**	**11.33**	**12.72**	**2.66**	**2.72**
		Median Values for Group	**154.4**	**148.4**	**10.39**	**10.68**	**2.96**	**2.92**

Data Sources: Data are from **SNL Securities,** Charlottesville, Va. Panel groupings, ranks, and summary statistics were compiled by the **American Banker.** The 1992 data are as reported in 1992 and have not been restated for subsequent mergers. N/A— Not applicable.

Performance Study Peer Groups

Asset Size 6/93	Mega Bank Companies	Total Assets, $ Million 6/30/93	6/30/92
1	Citicorp, New York	216,285	218,342
2	BankAmerica Corp., San Francisco	185,466	186,582
3	Chemical Banking Corp., New York	145,522	142,405
4	J.P. Morgan & Co., Inc., New York	132,532	107,538
5	NationsBank Corp., Charlotte, N.C.	123,784	110,678
6	Chase Manhattan Corp., New York	99,085	97,284
7	Bankers Trust New York Corp.	83,987	74,685
8	Banc One Corp., Columbus, Ohio	75,466	48,430
9	First Union Corp., Charlotte, N.C.	71,959	47,720
	Superregional Banking Companies		
1	PNC Bank Corp., Pittsburgh	53,818	45,455
2	Wells Fargo & Co., San Francisco	51,329	52,111
3	First Chicago Corp.	49,936	47,391
4	First Interstate Bancorp., Los Angeles	49,488	49,492
5	Norwest Corp., Minneapolis	47,790	40,575
6	Fleet Financial Group, Providence, R.I.	44,841	44,624
7	Bank of New York Co., Inc.	41,045	41,337
8	NBD Bancorp, Inc., Detroit	40,389	31,091
9	SunTrust Banks, Inc., Atlanta	37,608	34,483
10	Barnett Banks, Inc., Jacksonville, Fla.	37,255	32,360
11	Republic New York Corp.	36,005	33,350
12	Mellon Bank Corp., Pittsburgh	36,166	29,245
13	Washington, D.C., Wilson Salem, N.C.	33,248	31,455
14	Bank of Boston Corp.	32,765	32,277
15	First Fidelity Bancorp., Lawrenceville, N.J.	32,324	29,332
16	KeyCorp, Albany, N.Y.	32,049	23,118
17	National City Corp., Cleveland	28,690	28,627
18	Comerica Inc., Detroit	27,404	26,755
19	Shawmut National Corp., Hartford, Conn.	25,958	22,639
20	Society Corp., Cleveland	25,600	23,528
21	First Bank System, Inc., Minneapolis	25,580	17,766
22	Bankers Bancshares, Inc., St. Louis	24,007	19,744
23	CoreStates Financial Corp., Philadelphia	23,504	21,588
24	National Westminster Bancorp., New York	23,041	22,265
25	Continental Bank Corp., Chicago	22,352	23,677
26	U.S. Bancorp., Portland, Ore.	20,830	19,284
27	First of America Bank Corp., Kalamazoo, Mich.	20,480	19,452
	Large Regional Banking Companies		
1	State Street Boston Corp.	18,170	17,011
2	MNC Financial, Inc., Baltimore	17,122	16,597
3	Marine Midland Banks Inc., Buffalo, N.Y.	16,736	16,547
4	Northern Trust Corp., Chicago	16,289	12,796
5	Union Bank, San Francisco	16,048	16,875
6	Huntington Bancshares Inc., Columbus, Ohio	15,655	12,882
7	Integra Financial Corp., Pittsburgh	13,883	10,535
8	Midlantic Corp., Edison, N.J.	13,842	16,350
9	SouthTrust Corp., Birmingham, Ala.	13,673	11,282
10	UJB Financial Corp., Princeton, N.J.	13,538	13,643
11	Harris Bankcorp, Inc., Chicago	13,370	13,246
12	Crestar Financial Corp., Richmond, Va.	13,242	11,539
13	Firstar Corp., Milwaukee	13,018	11,939
14	Bancorp Hawaii, Inc., Honolulu	12,746	11,775
15	Mercantile Bancorp., Inc., Reading, Pa.	12,179	11,912
16	Signet Banking Corp., Richmond, Va.	12,044	11,218
17	LaSalle National Corp., Chicago	11,367	9,972
18	Amsouth Bancorp., Birmingham, Ala.	11,083	9,267
19	Fifth Third Bancorp, Cincinnati	10,959	9,486
20	SunTrust Banks, Inc., San Jose, Fla.	10,889	10,586
21	Michigan National Corp., Farmington Hills	10,542	10,635
22	First Empire State Corp., Buffalo, N.Y.	10,457	8,752
23	Mercantile Bancorp. Inc., St. Louis	10,136	9,618

Sources of Asset Data: American Banker quarterly earnings roundup and **SNL Securities.** **American Banker** has changed its reporting panels. The only criteria for inclusion in a panel is now asset size at the end of the performance period.
Mega banking companies are banks that have assets— rounded to the nearest billion dollars— of $70 billion or more on June 30.
Superregional banking companies are banks with assets between $20 billion and $70 billion on June 30.
Large regional banking companies are banks with assets between $10 billion and $20 billion on June 30.

Definitions and Methodology

Data Sources: Data are provided by **SNL Securities,** Charlottesville, Va. The **SNL** data were taken from two sources: (1) the **SNL Bank Database,** which contains GAAP financials on market and per share data on all publicly traded commercial banks and bank holding companies; and (2) the **SNL Bank Securities Monthly,** which contains the stock price information needed for this survey. In addition, data from **American Banker's** quarterly earnings roundup are also used.

A listing of the 39 banking companies in the study appears above. The companies are divided into three peer groups: peer group 1 — nine mega banking companies; peer group 2 — 27 superregional banking firms; and peer group 3 — 23 large regional banking companies. In the table above, entitled **Performance Study Peer Groups,** the companies are listed in order of their asset size on June 30, within their respective peer group.

In the table appearing on page 5, within peer groups the banks are ranked by three measures of performance: the return on average assets, the return on average equity; and nonperforming assets as a percentage of total assets. All performance ratios, for the current quarter, are calculated on an after accounting change basis. Data for the prior previous quarter **have not been restated** for subsequent mergers or changes in accounting principles.

The return on average assets is net income after taxes and extraordinary items divided by average assets for the period.

The return on average common equity is net income after taxes and extraordinary items minus preferred stock dividends divided by average common shareholders' equity for the period.

Nonperforming assets ratio is nonperforming assets as a percentage of end of period assets. Nonperforming assets are the sum of nonaccrual loans, restructured loans and other real estate owned net of reserves.

Market-to-book value is the stock price on June 30, divided by the book value per share on June 30.

The price earnings multiple is the stock price, as defined above, as a multiple of fully diluted earnings per share.

The dividend yield for the second quarter is the indicated annual dividend for the second quarter as an annualized percentage of the June 30 price.

The group **means** are **unweighted** means calculated by **American Banker** by summing all of the values within a peer group and dividing that number by the total number of observations. The **median** is obtained by finding the midpoint of the array of values.

All rankings, means, and medians for 1992, are for the current report panels"

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EXECUTIVE *changes*

Bank of America Names Buhler, Its Canada Chief, a Senior VP

Bank of America, San Francisco, has named **Fred Buhler** a senior vice president.

Based in Toronto, Mr. Buhler, 53, will continue as president of **Bank of America Canada,** where he is responsible for all of the corporate banking activity for the bank's Canadian operations.

Mr. Buhler has headed the bank's wholly owned Canadian subsidiary since July 1992, and reports to **Barbara Z. Otto,** group executive vice president of the Latin America and Canada division.

Ms. Otto noted that the promotion reflects the parent bank's recognition of both Buhler's international banking expertise and accomplishments and Bank of America's strong commitment to the Canadian market. **— Franklin Smith**

NEW ENGLAND

BANK OF BOSTON has named **Robert Garty** director of sales in Massachusetts for its private bank.


Robert Garty

Mr. Garty was formerly a vice president of sales for Chase Manhattan's private bank, where he managed a staff of 20 salespeople responsible for providing a full array of products and services to high-net-worth individuals.

Before he worked at Chase, Mr. Garty was director of investment management services at United Jersey Bank.

Catherine Elder has been named director of lending at the private bank.


Catherine Elder

For the past 12 years, she has worked in several divisions at Bank of Boston. Most recently, Ms. Elder was the team leader for southern Europe in Bank of Boston's foreign multinational division.

FLEET BANK of Massachusetts, Boston, a unit of Fleet Financial Group, said **Deborah Lawrence-Swallow** has joined the bank as vice president in the commercial banking division. She is responsible for loans and banking services for middle-market companies.

Ms. Lawrence-Swallow joined Fleet from BayBanks Inc., Boston, where she was vice president in charge of banking services for midsize to large corporations.

David N. Grenier has been hired as a vice president in the managed asset division. He was formerly with First N.H. Bank in Manchester.

Carol A. Sexton has been promoted to vice president in the bank's consumer banking division. She manages sales and customer service at seven branches in the Worcester region.

She joined Fleet from BayBanks, where she had management responsibility for 10 branches in Worcester.

MIDWEST

NBD BANK, Fort Wayne, Ind., has named **Martha Z. Crane** regional Community Reinvestment Act officer.

In her new post, Ms. Crane will be responsible for maintaining the bank's current "outstanding" rating.

ABN AMRO North America Inc., Chicago, announced several appointments in its capital markets and trade finance groups.

Robert Buhler has joined the bank as senior vice president of ABN Amro Holding's capital markets originations group, responsible for syndications, short-term asset sales, private placements, and tax advisory functions.

He also will comanage the asset securitization unit.

Mr. Buhler was with Canadian Imperial Bank of Commerce as a corporate senior vice president and senior managing director, responsible for all capital markets functions in the United States.

Tracy Turner has become senior vice president of the private placement group, with responsibility for marketing private placements with hedging products.

Mr. Turner previously worked for Canadian Imperial Bank as managing director of the private placement group.

George Radakovich has joined the bank as senior vice president of the derivatives sales group. Mr. Radakovich was also with Canadian Imperial Bank, where he was managing director for the interest rate management group.

Kristen Fletcher has joined ABN Amro USA as senior vice president of the structured trade finance group. She will lead a team responsible for marketing and structuring complex trade finance transactions using a wide range of capital-markets-driven techniques.

Ms. Fletcher had been a senior vice president and manager of the structured trade group for Standard Chartered Bank in Los Angeles and First Interstate Bank.

Michael Stoddard has joined as a vice president in the structured trade finance group, responsible for managing originations, structuring syndications, and executing complex trade finance packages.

He had been a vice president in structured trade finance at Standard Chartered Bank in Los Angeles and First Interstate Bank. □

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Minority Banks Lag in CRA Arena, Study Finds

Continued from page 1

nority borrowers are also more likely to have flawed credit histories, making the job of lending especially difficult for minority banks, 58% of whom are located in neighborhoods where more than half of residents are minorities according to the Fed data.

"Regardless of whether we are minority owned or not, we are regulated by the same regulators who examine majority institutions," said Ron Thigpen, executive vice president at Family Savings Bank in South Central Los Angeles. "People with poor credit histories who can't prove that they will be able to repay their loans will not get a loan."

What's more, minority banks are on more precarious footings than all other banks: This year six minority banks have failed, accounting for almost 20% of the 32 bank failures.

NEWS ANALYSIS

The average weighted return on assets for minority banks was just 0.58%, and average return on equity was 5.53% in the first quarter, according to an *American Banker* analysis of data provided by Sheshunoff Information Services. The average ROA for community banks was 1.26% and ROE was 14.29% at the end of the first quarter.

Instability Cited

"Because many [minority banks] are not stable, they are not in a position to effectively reach out with the kinds of creative lending that is required to rebuild communities," said Mr. Johnson.

Minority bankers share the concerns of many community bankers who say regulatory bias makes it harder for community banks to comply with regulations such as CRA. No minority banks have more than $2 billion of assets.

Fewer Poor Applicants

"We are in a competitive business, and the larger banks have more resources than we have and can afford large signs and plenty of circulars," said Richard T. Greene, president and CEO of Carver Federal Savings Bank, a $320 million-asset Harlem thrift.

According to the Fed data, minority banks are also attracting fewer poor applicants for housing loans. Applicants with household incomes less than 100% of the median accounted for only 30% of all applicants at minority banks. At all other banks the rate was higher, at 35%.

The minority banks are also turning away a greater percentage of poorer applicants from their communities than all other banks. Denial rates for those applicants under 80% of the median family income median were 36% at minority banks, and 33% at all other banks.

Minority banks, however, do serve neighborhoods with great percentages of low- and moderate-income applicants. While poorer neighborhoods accounted for 10% of areas served by all banks, they accounted for 31% of the neighborhoods served by minority banks.

Wealth Is Relative

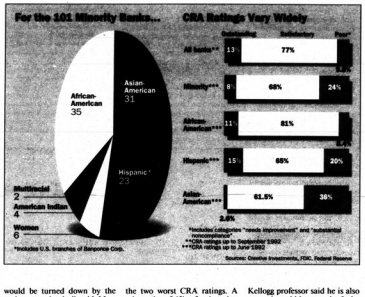
Part of the difference, said minority bankers, is explained by the fact that the median family income varies between neighborhoods and cities. An upper-income family in a predominantly minority inner-city neighborhood, for example, might earn substantially less money than an upper-income family in the suburbs.

inner-city banks tend to lend to the richest members of the community.

"We are dealing with a community that by and large makes only 60% of the average family income, so we inevitably end up" with borrowers whose credit histories are poor, said Steve Turner Jr., president and chief executive of Tri-State Bank of Memphis, and chairman of the National Bankers Association, a trade group representing minority banks.

Others suggested that minority banks accept loans from some minority borrowers who – because of their race – might be rejected at nonminority banks.

"Those upper-income blacks would be turned down by the mainstream banks," said Marcus Alexis, a professor of economics at the J.L. Kellogg School of Management at Northwestern University.



Asians Fare Worse

CRA performance also appears to vary between minority banks and thrifts, with Asian banks faring much worse than African-American and Hispanic banks, according to Mr. Cunningham, whose firm is Creative Investment Inc.

While 13% of all banks and thrifts received outstanding CRA ratings in the two-year period ended September 1992, only 8% of minority banks received such ratings in the two-year period ended June 1992.

Among the minority institutions, 15% of the nation's Hispanic banks and 11% of African-American banks received the highest CRA grade. Only 2.6% of Asian banks received outstanding ratings.

'Needs to Improve'

Nearly 10% of all banks received "needs to improve" or "substantial noncompliance," the two worst CRA ratings. A whopping 24% of minority banks were given such low CRA ratings.

But among the minority groups, only 8% of African-American banks received the two lowest grades, while 20% of Hispanic banks and 36% of Asian banks received low ratings.

The Asian-American banks "serve a tight-knit, well-defined community," sharing a similar language and culture, said Mr. Cunningham. "They don't make a lot of extra efforts to go outside their community."

"It is more related to culture than anything else," said one Asian-American banker, who like most of the Asian-American bankers contacted for this article, asked to remain anonymous.

Room for More Loans

Some minority bankers concede that there may be room to make more loans to lower-income borrowers in their communities.

"Part of the issue is being sophisticated about how to make loans," said Mr. Alexis. The Kellogg professor said he is also preparing a bid to acquire Independcorp, the Chicago-based black banking company.

"Many of the minority bankers may be disposed to lend to low-income borrowers but don't have the techniques to do it efficiently."

Others question whether they are being held to a higher standard because they are minority banks. Indeed, minority banks have differing mission statements: Some claim to have a special obligation to extend credit to poor borrowers; others say that obligations to shareholders override any claims of social responsibility beyond those of mainstream banks.

Beyond the Bottom Line

Alpha Johnson, chief executive and president of Commonwealth National Bank, a black-owned institution in Mobile, Ala., said, "Our mission goes beyond the bottom line: We have to serve the low- and moderate-income people in our community." Mr. Johnson's bank recently received a $350,000 capital infu-

See STUDY next page

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Calif.'s Hawthorne Pins Hopes on New Chief

By TERRENCE O'HARA

Scott Brawly, the new chief executive of Los Angeles-based Hawthorne Savings Bank, has to deal with more than $200 million of nonperforming assets, the weak Southern California economy, and the 33-year legacy of his predecessor.

He's just thankful he doesn't have to deal with a capital problem.

"Thrifts either have plenty of capital and no problem assets, or no capital and lots of problem assets," Mr. Brawly said. "Notwithstanding our asset quality problems, we have an enviable capital and reserve base."

Mr. Brawly, 39, took over as chief executive of $999 million-asset Hawthorne on July 14. It's a job that for 33 years was held by Vernon D. Herbst, who opted for retirement after a damning federal examination in which the Office of Thrift Supervision threatened to fine him and his board if changes weren't made in Hawthorne's management and internal controls.

Hawthorne has had a series of run-ins with the OTS since 1990. In December of that year, the agency directed the thrift to cease origination of non-owner-occupied single-family loans because Hawthorne's problem construction loans soared that year.

In February 1991, Hawthorne consented to a cease and desist order calling for it to become "comprehensive regulatory compliance strategy."

Penalty Assessed

In December 1992, the OTS ordered Hawthorne to limit its loan originations to owner-occupied single-family permanent loans only. But last year, the OTS told Hawthorne's board that it had failed to comply with the order. In March 1992, the OTS assessed a $20,000 penalty against the thrift.

The problems with the regulators came to a head in March as the OTS completed an examination. In its March 5 examination report, the OTS said "the future viability [of Hawthorne] was threatened by perceived inadequacies in the board of directors and management, deteriorated asset quality, and moderate-to-high interest rate risk."

The thrift's leader retired after a series of run-ins with the OTS.

The report called on Hawthorne to strengthen its management and improve its internal controls. The OTS indicated that it would consider assessing money penalties against each of the directors.

First Loss Ever

Because of the examination, Hawthorne's holding company posted a $22.1 million loss in 1992, its first-ever annual loss. Herbst retired March 31.

Though Hawthorne's capital remains strong, with risk-based capital equaling 11.27%, nonperforming assets remained at an alarmingly high $211.9 million on March 31, or 10.9% of total assets. More than $100 million of nonperformers are foreclosures. The thrift rebounded with a $1.6 million profit in the March quarter.

Mr. Brawly, a former executive vice president of Fidelity Federal Bank FSB and a former chief executive of Valley Federal Savings and Loan, said he plans to put in new senior executives for most operating areas.

"We'll be staffing a special asset group with seasoned professionals," Mr. Brawly added. "That's something this thrift hasn't had until now."

He said the board of directors hasn't changed since he came on board – yet.

"It's too early to evaluate how the board will change," he said. □

Study of CRA Finds Minority Banks Lag

Continued from page 8

sion from NationsBank Corp.

"We are operating a commercial bank that's a minority financial institution in the United States," said Arnoldo Cisneros, senior vice president at International Bank of Commerce, Laredo, Tex. "The only distinguishing feature is that our stock is Hispanic owned."

Sometimes, however, minority banks put themselves into the spotlight by taking advantage of government and corporate programs designed to increase deposits, said Mr. Cunningham, who analyzed the CRA data.

Minority banks are less stable than mainstream ones.

"When we deposit funds in a bank, we expect that bank to invest in the community," said Marj Halperin, spokeswoman for Illinois state treasurer Patrick Quinn, an active supporter of minority banks.

"Many of these banks turn around and say, 'Support us because we are minority,' " said Mr. Cunningham. "But the implicit assumption behind a lot of these minority deposit programs is that you are helping out the community by helping out the minority financial institutions. That assumption may not hold entirely." □

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New England's Ranks Thinned as U.S. Membership Grew

By JAMES B. ARNDORFER

While credit union membership is rising nationwide, several New England states have been bucking the trend.

Massachusetts, Rhode Island, and Connecticut were the biggest losers. Total credit union membership for those three states fell to 2.8 million in 1992, a 14.5% dive since 1989, according to statistics compiled by the Credit Union National Association, an industry trade group.

Nationwide, membership increased 5.5%, to 63.9 million during those years.

"I'd suspect the attrition is over by now," said William Hampel, the trade group's chief economist. "If the economy comes around, I have no reason to say it will continue."

New Hampshire's membership in 1992 was 293,000, down 0.5% from 1991, but up 0.07% from 1990. Maine and Vermont posted solid membership increases in the same period.

Hardest-Hit State

Rhode Island experienced the largest loss. In 1993 the Ocean State had 255,000 credit union members, down 11.4% from 1992 and 41.5% from 1991.

The decline can be largely attributed to the Jan. 1, 1991, failure of the Rhode Island Share and Deposit Indemnity Corp., a private insurance company that insured deposits of credit unions and cooperative banks.

In the fallout, four of the state's largest credit unions, unable to merge or get reinsured, were forced to liquidate.

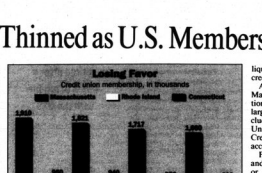
Initially 30,000 people were stranded without access to $735 million in deposits. Currently $55 million of deposits belonging to 18,000 people remains frozen, said Anthony Somerfield of the Depositors Economic Protection Corp., which is managing the liquidation.

Another 33,000 people were struck from the rolls when Northeast Savings in Hartford, Conn., purchased assets of three Rhode Island credit unions.

'People Lost Faith'

Resentment against credit unions runs high, said Connie Thornton of Warwick, who still is awaiting a share of her deposits from the liquidation of Rhode Island Central Credit Union.

"A lot of people lost faith in credit unions," said Ms. Thornton, who founded a depositor Bailout Recovery Association, which claims 300 members. "A lot of people lost faith in any sort of financial institution."



Membership in Massachusetts credit unions was 1.7 million in 1992, down 3.2% from 1991 and 8.8% from 1990.

Unemployment a Factor

The recession was a major factor in the decline. The state's unemployment skyrocketed to 9% in 1991, when the national average was 6.8%.

"When somebody becomes unemployed sometimes it becomes harder to maintain a relationship with the credit union," said Robert Kimmett, spokesman for the Massachusetts CUNA Credit Union League.

The recession also spurred liquidations and mergers. Members were forced to seek relationships with other financial institutions.

Federal Groups Liquidated

Massachusetts felt ripples from the Rhode Island crisis, too. Not wanting to follow in their neighbors' footsteps, privately insured credit unions converted to federal insurance. Those that didn't qualify were liquidated or merged into other credit unions.

Also depleting the ranks in Massachusetts were the liquidations in 1990 and 1991 of several large federal credit unions, including Blue Hill Federal Credit Union and Wollaston Federal Credit Union, which together accounted for 62,000 members.

Frequently in liquidations and mergers, dual membership or overlaps would be struck from the books.

Connecticut Group Absorbed

In neighboring Connecticut times were just as tough. Membership in 1992 stood at 900,000, down 0.5% from 1991 and 4.5% from 1990.

In 1991, the 27,000-members of the troubled Community Service Credit Union in Groton, which served Navy and Coast Guard personnel and community groups, were swallowed by Navy Federal Credit Union of Arlington, Va. As in other out-of-state mergers, members of Community Service are now considered members of the Virginia credit union.

"They were not as strong as they wanted to be in reserves. It was questionable if they could continue," said Robert Foster, Navy's director of operations. □

Industry Profits Jumped 25% in First Half

By JAMES B. ARNDORFER

Federally insured credit unions earned $3.5 billion in the first six months of the year, up 25% from the corresponding period of 1992, according to the National Credit Union Administration.

The 12,500 institutions weighed in with a 1.5% return on net income to average assets, compared with 1.4% at year-end 1992 and 1.3% at midyear 1992.

"Even with difficulties in certain sections of the country and certain sections of the economy, overall the numbers are excellent," said Robert Loftus, vice president of public and congressional affairs for the NCUA, the regulatory agency.

Credit unions improved profitability largely through lowering their dividend rates to 3.1% for the midyear, from 3.9% at year-end 1992.

As a result, capital grew for the seventh consecutive year. The net capital ratio, which is the total of regular reserves, other reserves and undivided earnings, moved up to 8.5%.

Loans increased 3.5% to $144.5 billion for the midyear, compared to a 4.6% loan growth for all of 1992.

Charles W. Filson, president of the credit union consulting firm Callahan and Associates, expects the number to increase substantially by the end of the year.

Rise in Confidence Seen

"Now that the [Clinton administration's] economic program is behind us, confidence will pick up," he said.

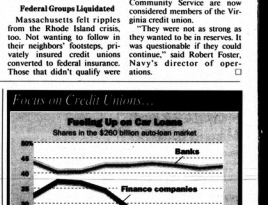
"I think people were concerned over whether the taxes in the program were going to hurt them. Now they see it affected a narrow group."

First mortgage loans remained the largest loan category at 21.4% of the total.

The loan delinquency rate fell to 1.1% for the midyear, from 1.4% in June 1992.

Deposits increased 3.6% to $241.4 billion. The loan-to-share ratio remained constant from yearend 1992 at 60%.

And as loan growth kept pace with share growth, credit union investments slowed to a 5.1% increase to $112.9 billion, compared with a 19.3% increase in the first half of 1992. Assets grew 4.2% to $269.3 billion. □



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Regulator Preparing to Ban Low-Balance Accounts

Faced with major opposition from consumer groups as well as bank and thrift trade associations, the National Credit Union Administration is poised to ban so-called low-balance accounts under its version of the Truth-in-Savings regulation. The NCUA has decided that it's impossible to calculate an annual percentage yield for such accounts.

Capitol Notes



By ED ROBERTS

Truth-in-Savings requires federally insured depositories to make that calculation for all savings accounts so that consumers yardstick for comparing rates at various institutions.

Under the low-balance method, a financial institution advertises one rate of return on a savings account (or share account for credit unions) but only pays the rate on the lowest balance in the account during the interest period (dividend period for credit unions).

Under a variation of that method called a "rollback," a depositor earns interest or dividends on money placed in the account during the first two weeks or so, as long as that money remains untouched for the rest of the month.

The accounts run afoul of Truth-in-Savings rules.

If any funds are withdrawn, the depositor earns no interest on the account. Money placed in the account after the two-week period also earns no interest. But institutions advertise the rate as though it applies for the entire month.

60% Use the Method

These kinds of accounts are used widely by credit unions. A recent survey by the Credit Union National Association, the industry's largest trade group, found that more than 60% of the nation's 13,900 credit unions used some variation of the low-balance account.

The Federal Reserve Board, in drafting its regulation implementing the Truth-in-Savings law, prohibited banks and thrifts from future use of these accounts. The staff of the NCUA will recommend that its three-member board also outlaw them when it votes for a final rule on Sept. 9, according to top agency officials. The board is expected to take their advice.

This will be a real problem for the 1,500 small credit unions that use these accounts exclusively. The regulators say they will assist the institutions in converting their accounts. □

Mr. Roberts is editor of *NCUA Watch* and *Credit Union Accountant*, which are produced by *American Banker* Newsletters. For information about the newsletters, call 800-733-4371.

U.S. Central's Medium Note Gets Top Ratings

By JAMES B. ARNDORFER

A new medium-term note program being developed by the U.S. Central Credit Union has received excellent ratings from four rating agencies.

Three rating agencies assigned their highest long-term debt rating to the program: Standard & Poor's (AAA); Fitch (AAA); and Thomson BankWatch (A++).

Moody's assigned its second-highest rating (Aa1).

Combined with the company's short-term ratings, the

The company is now one of the highest-ranked depository institutions.

new ratings make U.S. Central one of the highest-rated depository institutions in the world, said Kevin Keller, a spokesman for the credit union.

Morgan Guaranty Trust Co. of New York is the only domestic company with equivalent ratings.

U.S. Central, a corporate credit union with $27.1 billion of total assets as of June 30, 1993, developed the program in anticipation of credit-union lending needs, Mr. Keller said.

Although credit union lending is currently in a slump, U.S. Central "sees a need now — one narrow in scope," Mr. Keller said.

"We have identified a core group [of credit unions] that may be in the 80 percent-to-90 percent, loan-to-deposit ratio that are very active in mortgage lending," he said.

Mr. Keller said no date had been set for the note's release.

A medium term note gives issuers flexibility similar to commercial paper, but with terms that may range from nine months to 30 years.

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Southern Upstart Soaring in Loan Production

By PHIL ROOSEVELT

When it comes to pure heat, few mortgage leaders can match Resource Bancshares Mortgage Group. It simply sizzles.

Started from scratch just four years ago, the Columbia, S.C., company is on track to produce more than $4.5 billion of mortgages this year. That should easily put it among the top 50 players in the country.

The company, which went public in May, has achieved its heft by specializing in "correspondent" mortgage banking, the fastest growing segment of the industry.

Rather than run a costly branch system, Resource gets its loans through a network of 233 banks, thrifts, and mortgage companies. Small feeder lenders like these have proliferated in the wake of the thrift crisis and a mortgage banking shakeout in the the late 1980s.

Resource is "the right company in the right place at the right time," says Joseph A. Jolson, an analyst at Montgomery Securities, San Francisco.

The company specializes in "correspondent" mortgage banking.

The rapid growth, however, is also raising some eyebrows.

Industry veterans privately question whether the upstart has what it takes to weather a serious spike in interest rates. If Resource ever crashes, they warn, the fallout could hurt the many other mortgage banks that have gone public since the beginning of last year (See related story, facing page).

Big Paychecks at Top

Then there's the matter of executive pay. Resource's co-vice chairmen, David W. Johnson Jr. and Lee E. Shelton, each pulled down more than $1.6 million in cash compensation last year.

That topped the paychecks of such mortgage heavyweights as James A. Johnson, chairman of the Federal National Mortgage Association ($1.1 million), and James F. Montgomery, chairman of Great Western Financial Corp. ($1.4 million).

Resource defends the payouts as the just rewards for creating a valuable mortgage bank from the ground up. With its stock recently trading at $10 – up from $8.75 at the offering – the company has a market value of more than $100 million.

Backed by Venture Capital

Indeed, Resource was born with entrepreneurship in its blood. It is a child of Resource Bancshares Corp., a small-bank holding company backed by Patricoff & Co. and other heavyhitting venture capital concerns. Resource Bancshares still owns 42% of the mortgage unit.

Edward J. Sebastian, founder of the parent company, recruited Mr. Johnson – an alumnus of Bear, Stearns & Co. – to start the mortgage unit in 1989.

Mr. Shelton signed up two years later, fresh from leading a spectacular expansion of BarclaysAmerican Mortgage Corp. Christopher C. Bowen, another Barclays man, rounded out the management team as chief financial officer.

While the executives had the background to run a full-service mortgage company, they quickly narrowed their focus to correspondent lending.

Seized an Opportunity

No other company was serving that market exclusively, they recall, and more and more small lenders were looking to sell their production to bigger players. A number of the feeder companies were small operations set up by survivors of failed thrifts and restructured mortgage banks.

"Everybody talks about service but this is all we do," says Mr. Shelton. "If a correspondent calls to talk with our company, they'll probably speak with David or myself – not a whole bunch of regional representatives."

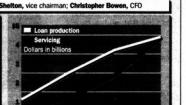
"We don't compete against our correspondents," he adds. "A lot of companies that are involved in correspondent lending are also involved in retail and may, in fact, have branch offices in the same towns as the correspondents."

Coming On Strong
Resource Bancshares Mortgage Group



Left to right: **David Johnson Jr.,** vice chairman; **Lee Shelton,** vice chairman; **Christopher Bowen,** CFO

Headquarters:	Columbia, S.C.
Founded:	1989
Employees:	208
Business:	Buys loans from more than 230 banks, thrifts, and mortgage companies
Earnings, first-half 1993:	$8.9 million, up 120% from year earlier
Stock price:	$10, up 14% since initial public offering in May



Source: Company reports, Montgomery Securities

In addition to steering clear of retail lending, Resource avoids mortgage brokerages, preferring to deal with companies that have more capital.

So far, Resource has been reselling all its new loans and most of the related servicing rights. As a result, its servicing portfolio stands at a relatively small $1.2 billion.

Vulnerable to Rate Hike?

Some observers maintain that this leaves Resource vulnerable to rising interest rates. As rates rise, they say, Resource will face dwindling loan volume and won't have substantial servicing fees to fall back on.

Mr. Shelton, however, is unfazed. For one thing, he says, Resource intends to steadily increase its market share in correspondent lending, meaning a drop in industrywide lending won't necessarily diminish the firm's own volume.

Moreover, Resource is steadily building its servicing business. In fact, that was one of the main reasons for going public.

As a unit of a bank company, Resource had been subject to stiff capital requirements for servicing, said Mr. Sebastian, who heads Resource Bancshares Corp. With that company now holding only a minority stake, the capital rules no longer apply, he said.

Mr. Jolson of Montgomery, whose firm was lead manager of the public offering, figures the servicing portfolio will hit $4.4 billion by the end of next year.

As for executive pay, it has been reigned in somewhat by a compensation plan that took effect with the offering. Mr. Sebastian, however, offers no apologies for last year's payout to the two vice chairmen.

"Like I always tell people, I wish they'd made twice as much," he says. "The company, instead of being worth a $100-plus million, might have been worth $200 million." □

Sadly for you, politicians in Washington agree on something.

Lawyers, legislators and lobbyists in Washington—people who've made careers out of being contrary—all are declaring the same thing these days: that government's relationship with the secondary mortgage market is going to change drastically.

They all know about HUD plans to toughen enforcement, new pressures on Fannie and Freddie, and the revival of Ginnie Mae as a major player in the market. And if you want more evidence, look to Capitol Hill, where Congress is toying with mortgage bankers subject to the same regs as commercial banks.

How should you react? You could wax nostalgic—and get clobbered by the government and your competitors. Or you could read *The Mortgage Marketplace.*

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Mortgage Marketplace

Shares of Five Companies Confounding the Stock Pickers

By JAMES H. SAFT

Stock pickers have had a hard time in dealing with the five largest mortgage companies to go public since the beginning of last year.

Strong movement, both up and down, has been characteristic of the group, whose members are Plaza Home Mortgage Corp., Margaretten & Co., American Residential Mortgage Corp., North American Mortgage Co., and Fleet Mortgage Group Inc.

The stocks of the five, all of which went public between January and October 1992, are trading at least 20% above or below their initial offering prices.

Margaretten Was First

Much of the stocks' fate has been ruled by interest rate movements and the perceptions, or misperceptions, of the investment community.

Margaretten, based in Perth Amboy, N.J., was the first of the five to go public. It was offered for $20 a share on Jan. 29, 1992.

All are trading at least 20% above or below the initial offering price.

The shares came to market at a time of great enthusiasm for mortgage stocks, says Gareth Plank, an analyst at Mabon Securities Corp. "There was refinancing fever and Countrywide Funding Corp., at the time the only publicly traded mortgage stock, was red hot." The stock has never exceeded its offering price of $20 and rests today at about $14.50.

NationsBanc Deal Cited

Several analysts, including Peter Treadway of Smith Barney, believe that Margaretten has suffered from its decision to buy NationsBanc Mortgage Co. of Virginia from NationsBank.

Though Bruce W. Harting of Salomon Brothers believes the move has positive long-term implications, most agree Margaretten bought servicing at close to the top of the market.

Ironically, the poor performance of Margaretten's stock may have contributed to the success of some of the other mortgage offerings.

'Very Attractive Valuation'

"Margaretten laid the foundation for North American Mortgage to come out at a very, very attractive valuation," said Mr. Plank. That initial offering, on July 8, 1992, was at $11.50 a share. The stock now trades at around $27.

The company has exceeded most analyst estimates.

Next out of the gate was Fleet Mortgage Group, offered for $23 a share on July 31, 1992.

According to Mr. Jacobs, Fleet went for a high price because, "the bond market had rallied like mad all through August and Wall Street thinks that low rates are good for mortgage companies."

Hurt by Heavy Prepayments

But lower rates proved to be poison for Fleet because of heavy prepayments.

Fleet Mortgage's stock, which trades at around $17.25, also suffered from recent changes in the way the company accounts for excess servicing rights.

American Residential Mortgage, first offered on Aug. 14, 1992, at $13 a share, has performed well, trading now at around $20 a share.

Mr. Jacobs thinks that the company's balance between originations and servicing has put it in good stead for a variety of interest rate environments.

Plaza Home Mortgage Corporation, of Santa Ana, Calif., the last of the five to go public, is smallest in terms of market capitalization. Its stock, first offered at $6.50 a share on Oct. 2, is now trading at around $9.

Mr. Plank relates Plaza's low offering price to the fact that it came to market when it appeared interest rates might rise. □

A Mixed Bag
Price changes in selected mortgage stocks since their IPOs

	IPO date	Offering price	Middleberg Tuesday
Margaretten Financial, Perth Amboy, N.J.	1/29/92	$20.00	$14.375
North American Mortgage, Santa Rosa, Calif.	7/8/92	11.50	27.875
Fleet Mortgage Group, Columbia, S.C.	7/31/92	23.00	17.375
American Residential, La Jolla, Calif.	8/14/92	13.00	19.75
Plaza Home Mortgage, Santa Ana, Calif.	10/2/92	6.50	8.875

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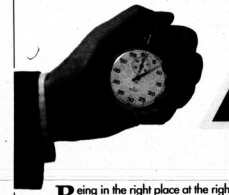

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Despite Art Crash, Some Banks Remain in Picture

By MICHAEL O'D. MOORE

Banks thrived on the art boom of the 1980s. They made loans on art, mounted exhibitions, acquired art, and advised their clients about purchases and sales.

Then, as the economy weakened in the late '80s, the art market tanked. Objects that had commanded millions of dollars a few years earlier sold for just a fraction of those prices. Banks jettisoned or pared down art activities.

Today, only a few banks remain committed to art services and exhibitions.

But these stalwarts swear by art, calling it a vital part of their private banking programs.

"It's been a very successful hook to get us into new clients and new referrals," said Katharine E. Bouckley, who heads Citibank's art advisory services for the private banking unit.

Even banks that have pulled back from the field still recognize that knowledge of art is valuable.

As a result, they are retaining consultants to make sure their people can discuss, say, that Andy Warhol hung in a client's hallway.

What follows are profiles of the art programs at two banks — Citibank and Chase Manhattan Bank, plus a look at some of the consulting services available to banks.

* * *

Chase Gets Mileage From Role as Curator

The importance of art to Chase Manhattan's international private banking unit is visible to clients as they walk through the door of the Sixth Avenue offices in New York.

Greeting them are paintings hung to mimic an art gallery exhibition.

Off the main hall, conference rooms have smaller installations around a regional or genre theme.

The exhibit was recently installed by the director of Chase's art program, Manuel E. Gonzalez.

With 13,000 bank-owned works to choose from, Mr. Gonzalez assembled a Who's Who of domestic and foreign artists including David Salle, Antonio Lopez Garcia, and Mr. Warhol.

Hook for Referrals

Already the works are paying dividends.

One client recently visited the office just to show a friend one of the works. That makes for good referrals, said Maria Elena Lagomasino, senior vice president in charge of international private banking.

Chase is making prodigious use of art to build business outside the United States.

Mr. Gonzalez, together with Lisa Phillips, curator of the Whitney Museum of American Art, assembled a collection of photographs that has been traveling around Central and South America.

How effective has it been?

'A Household Word'

On a trip to Monterrey, Mexico, a year ago, Ms. Lagomasino found that Chase Manhattan was not well known.

Things quickly changed, however, after its Photoplay exhibit opened and attracted 1,000 to 1,700 visitors daily to the Museo de Arte Contemporaneo de Monterrey.

"By the time I landed there Chase Manhattan, was a household word." she said.

Chase also has other exhibitions. It recently installed a technological exhibit in Brooklyn, N.Y., and opened a gallery in Kohuo, Japan, at the community's request.

The bank's art is considered one of the premier collections in the country. The 13,000 works were assembled over the past 34 years.

Most of those works are in Chase's banking offices, Mr. Gonzalez said.

B: ·ing Less

The bank is not acquiring works as fast as in the past, but Mr. Gonzalez said it continues to purchase works by younger,

See next page



Scott Peeler

E. WILLIAM JUDSON, left, says his warehouse's business with banks has peaked. "It's still very civilized," says warehouse director Thomas Pelham, bottom right: "We're not the repo men of the art world." Above right, artworks are being stored and crated.

Where Repossessed Masterpieces Come to Roost

By MICHAEL O'D. MOORE

Lawyers for a big bank recently called Judson Art Warehouse and asked the Queens, N.Y.-based company to repossess work of art that had served as collateral for a loan gone bad.

Two days later a big, air-conditioned truck was rumbling over the broken streets of Manhattan toward an uptown restaurant, accompanied by a warrant-carrying marshal.

Art handlers quickly photographed and packaged the paintings. By day's end they would be catalogued and safely stored in cavernous Judson warehouse just across the East River from the United Nations.

Common Occurrence

In the weak economy of the past few years, bank repossessions of art have become increasingly common. Judson prides itself on carrying out the work with style – avoiding the pitched conflicts with onetime owners that often arise in repossessions of automobiles and other items.

"It's still very civilized – we're not the repo men of the art world," said warehouse director Thomas Pelham.

In fact, repossession is just one of the services the warehouse provides to banks such as Citibank, Banker's Trust, and Chase Manhattan.

Its "more positive" services include collection storage, estate viewings, and arrangements for traveling exhibitions.

For instance, Judson is handling all the travel arrangements for Chase's Photoplay exhibit, now traveling around South America and Latin America.

They are discreet, they are good, and I can trust them," said Manuel E. Gonzalez, director of Chase's art program.

Judson provides safekeeping to 130,000 works of art – more than any other warehouse in the country, it says. Most of works stored are paintings and sculpture, but furniture and other objects also find their way to Judson.

Just from Long Island City, however, never makes it into the building. This 125,000-square-foot warehouse is immaculate.

It is also cool. Even on a blistering summer day, the temperature will be 68 to 70 degrees, with a humidity of 45% to 55%.

In a special viewing room, Mr. Pelham and owner E. William Judson pause to discuss art and banks. Behind them are a Rubens and a De Kooning, repossessed for bank clients.

Today, banks account for about 20% of the warehouse's business. That source of the business peaked in 1991, Mr. Judson said.

The surge from banks came with more repossessions and the storage of art securitizing loans, Mr. Pelham added.

From Paint to Paintings

Mr. Judson bought the building, a paint warehouse, believing its East River location would make it a good investment. But the real estate market didn't cooperate and he contemplated other uses.

As landlord to many of New York's most prestigious galleries, he recognized their need for quality storage, he said. In 1985 he opened the old warehouse to store paintings instead of paint and hired Mr. Pelham, who was assistant director of Leo Castelli Gallery in Manhattan's trendy SoHo district.

As the art market slumped in the late 1980s, many works began looking for the warehouse. To meet the demand, in 1990 Judson bought an old ball-point pen factory next door, increasing storage space by 25%.

Of all the warehouse's services to banks, repossession is one of the most unpleasant, Mr. Pelham said.

At the uptown restaurant, Judson employees tried to be quiet as the marshal and restaurant owner argued over the repossession. Eventually, they left in the sandwich in that situation," Mr. Pelham said.

Continued from page 14

developing artists.

"To me, the art collection is not a separate part" of the bank, Ms. Lagomasino said.

"It's part of the tapestry of Chase."

* * *

Citibank Pares Back But Is Still Committed

Citibank's art advisory service, part of its private bank, was introduced in 1979 and built a reputation in the 1980s.

The unit is organized into estate, loan, and advisory segments. It has five full-time art historians on staff, despite widespread staff cuts at Citibank in the past few years.

Some observers maintain that Citibank does less overall with its service than five years ago.

"They've really pulled back," said Daniel P. Davison, chairman of the American branch of

Only a few banks remain committed to art services and exhibitions.

Christie's auction house.

Ms. Bouckley, in charge of the unit for about 18 months, wouldn't specifically discuss staff levels or the extent of art activities. But the service is here stay, she said.

Hanging In

"Banks seem to come in and out of the market," she said, "but they don't have the breadth of commitment to the business that Citibank has."

Her unit provides or arranges for services to maintain art collections. And Citibank is always busy in lending against artwork, she said.

The art historians' primary responsibility is to stay abreast of market changes. It's a task complicated by the wild price gyrations of certain artists and movements since the bubble burst at the end of the decade.

"Watching the market has been difficult," Ms. Bouckley said. "It's been something we've had to do very seriously."

Objective Advice

A solid grounding in market issues helps the private bankers give objective advice to clients about their art collections and purchases, she said.

If a client wants a particular artist's work, the bank tries to ensure that the price purchased is the best available for the money, she said.

"We look at every art advisory client as someone who we educate, making them comfortable with the art that they wish to buy."

* * *

Finding a New Role In Post-Crash Era

Though Citibank and Chase are continuing their art activities, the 1990s have brought a new restraint toward art at many banks.

"It is seen as one of the ostentatious activities that they can't be involved with if they are going to be 'lean and mean,' " said Lynne Sowder, a Chicago-based consultant who served for several years as director of art at First Bank Systems.

But even when a bank cools its art lending or relegates its own collection to the back room, bankers still have a variety of reasons for learning about the subject.

Margaret Mathews-Berenson, a New York-based consultant who has worked with several large banks, said she is often called upon to give crash courses to bank executives.

Brushing Up

Recently, a top executive at large bank realized he needed some firepower for conversations with fellow museum members in New York. He got it in several trips to the Metropolitan Museum of Art with Ms. Mathews-Berenson.

The simple goal is for the executive "to be seen not as a philistine, but as someone who is knowledgeable," Ms. Mathews-Berenson said.

And bankers will always have estate work with the collections of deceased clients. Christie's, for instance, does a brisk business providing auction services to banks, said the auction house's Mr. Davison, who used to be chief executive of U.S. Trust Company of New York.

Because of their role in helping manage large estates, banks mean "not only a very substantial portion of our business, but also the best," Mr. Davison said.

Much of the artwork squirreled away in mansions has been so long off the market that it is fresh, he explained.

About one-third of Christie's business is through banks, Mr.

The stalwarts say art is a vital part of their private banking programs.

Davison said. And lately, much of that business comes from "distress sales."

"We're in an economic downturn," he said. "And when friends are death, divorce, and bankruptcy."

The price crash in artworks hasn't been all bad, Mr. Davison said. It has restored a sense of reality, he believes.

"Art is not an investment," Mr. Davison said. "It's a purchase." □

First Bentonville Deal Clears a Fed Hurdle

LITTLE ROCK, Ark. — Worthen Banking Corp. said the Federal Reserve Bank of St. Louis had approved its application to acquire First Bentonville Bancshares.

Worthen said the acquisition was subject to a 30-day waiting period and approval by shareholders of First Bentonville, based in Bentonville, Ark.

Worthen said the acquisition should be completed by the end of the third quarter. The company announced in April that it agreed to acquire First Bentonville in a transaction valued at about $14 million. □

BankAmerica Names Matus to Oversee Private Bank, Investment Management

By DEBRA COPE

Gary J. Matus has been named executive vice president and head of private banking and investment management at BankAmerica trust services at BankAmerica Corp.

Mr. Matus, 45, had been senior vice president in charge of the San Francisco-based bank's global entertainment and media industries group since 1989.

In his new post, Mr. Matus will oversee management of individual investment portfolios totaling $20 billion. He will be based in Los Angeles and will report to Peter McPherson, group executive vice president for the asset management group.

12,000 Wealthy Clients

BankAmerica provides financing, domestic and international investment, asset management, and personal trust services to more than 12,000 high-net-worth individuals. It operates 22 private banking offices in the United States.

Mr. Matus began his career at BankAmerica in 1972 as a trainee in the world banking division. He later moved to Colgate Palmolive Co. in New York, working in product management and marketing.

Mr. Matus will run portfolios totaling $20 billion.

He then went to Security Pacific Bank. He held several management positions in the U.S. and abroad, and in trust services, private banking, and corporate banking. He rejoined BankAmerica in 1989.

Mr. Matus earned a bachelor's degree and a master's degree from California State University at Los Angeles. He also holds a master's in international management from the American Graduate School of International Management.

* * *

First Interstate Bancorp has increased its Westcore family of mutual funds to 21 by adding a blue-chip growth fund.

The new fund is for investors "willing to accept moderate to aggressive risk," said Peter D. Glidden, portfolio manager with the Los Angeles banking company.

The Westcore Growth Fund aims to invest mainly in U.S. companies with strong financial characteristics and growth prospects, Mr. Glidden said.

Up to 10% of its holdings will consist of foreign securities and American Depositary Receipts, which are securities that represent shares in foreign stocks or bonds.

First Interstate began offering the fund earlier this month through hundreds of branches in 11 western states. The Westcore family, with $1.8 billion in assets under management, is also offered through outside broker-dealers.

Alps Mutual Funds Services, Denver, is administrator and distributor for the Westcore funds.

— Karen Talley



Steve Calhoun

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Star Launches a Counterattack in Direct-Mail Wars

By LISA FICKENSCHER

Star Bank Corp. of Cincinnati is fighting back.

Issuing cards mainly in Ohio, Kentucky, and Indiana, Star began to feel squeezed by the low-interest-rate direct-mail solicitations of national competitors like Wachovia Corp. and Signet Banking Corp.

Pricing

Today, Star Bank begins its counterattack. Direct mailings to most of its current customers offer a standard Visa or MasterCard at prime plus 3.9%, currently 9.9%, if they transfer $1,000 in balances from other cards. Gold cards would be at prime plus 2.9%, or 8.9%.

Star is waiving annual fees for the first year and includes purchase protection in the package.

"We are very much a leader in our market, so our strategy is to save what we have and to get some of the attrition back," said Collin McKenney, senior vice president of Star's card services group.

In April, after four months of steady decline in sales, the bank sent a survey to 1,000 customers who had not used their cards since Christmas. A crisp $1 bill was tucked into each envelope as an incentive to participate.

At least 500 customers said they had not used their cards because the interest rate was too high and they believed their credit lines should be larger.

In response, Star Bank will increase a cardholder's credit line by the amount of debt transferred to the account.

Lower rates, higher credit lines, and fee waivers are being offered.

"When we saw our customers leaving for lower-rate cards, we decided to compete mainly on the basis of interest rates and annual fees," said Ms. McKenney.

Varied Menu

The new rate applies to the entire account, including current customers' old balances. And unlike programs that treat balance transfers as cash advances, Star's gives a 25-day grace period before interest accrues.

Star's mailing comes in several versions.

A customer with a 14.5% standard card (prime plus 8.5%) with a 25-day grace period and $20 annual fee will be offered the 9.9% rate for the year, and thereafter if the balance is at least $2,000. Similarly, a customer with a 13.5% card (prime plus 7.5%) with no annual fee or grace period can go to 10.9% (prime plus 4.9%).

Star also offers gold card options. A customer with a 13% card with a $40 annual fee and 25-day grace period would be offered the 8.9% rate. After a year, the credit balance would have to be at least $3,000. A 9.9% rate is offered to gold holders paying 12.5% and no annual fee.

New customers, to be solicited in the fall, would be eligible for all of the introductory rates.

Hopes Pinned on Fee Waiver

Star Bank, 74th in card loans at the end of the first quarter, hopes to make hay on its fee waiver. Signet and Wachovia, respectively 17th and 18th, charge annual fees on low-rate cards.

An official at Wachovia said it is looking at ways to lower its $49 annual fee and $30 and $10 more on gold cards.

Star's War

How low-rate offers stack up

		Interest rate	Annual fee
Star	Standard	9.9%* (prime plus 3.9%)	$20 (waived first year)
	Gold	8.9%* (prime plus 2.9%)	$40 (waived first year)
Signet	Standard	9.9% (fixed)	$18
	Gold	NA	NA
Wachovia	Standard	8.9% (prime plus 2.9%)	$30
	Gold	8.9% (prime plus 2.9%)	$49

* Requires $2,000 balance transfer

* * *

Rocky Mountain Bankcard System is the latest issuer to dangle a zero interest rate offer.

To build its card loan portfolio, now less than $1 billion, the Denver company is waiving finance charges through December on balances that customers transfer in.

The transfer incentive was announced along with a new variable-rate structure that will result in lower finance charges starting in November.

The rate for purchases with standard cards will be prime plus 9.9%, or 15.9%. The rate on gold cards would be 1 percentage point less. The rate for cash advances would be prime plus 11.9%.

First Bank System Inc., Minneapolis, recently acquired Rocky Mountain through purchase of its parent, Colorado National Bank.

— Stephen Kleege

* * *

Fleet Financial Group Inc. said its Fleet Bank unit forgave MasterCard and Visa interest for people affected by the Midwest floods, as well as deferring payment-due dates for 30 days.

The Rhode Island-based company said it extended the deadlines for 12,000 customers in Missouri, Illinois, Minnesota, Wisconsin, Iowa, Kansas, North Dakota, and South Dakota.

A. Christian Fredrick, senior vice president, said the bank used print and radio advertising to announce its offer while postal service was disrupted in the affected areas. □

AMERICAN BANKER /Bank Rate Monitor's℠ Consumer Money Index

Auto, personal and credit card rates

Market	CREDIT CARD 6/16	6/9	PERSONAL $10,000 6/16	6/9	AUTO 6/16	6/9
New York	18.19	18.19	16.80	16.80	9.70	9.70
Los Angeles	19.03	19.03	17.73	17.73	8.29	8.29
Chicago	17.93	17.93	13.98	13.98	8.70	8.70
San Francisco	19.58	19.58	17.79	17.79	8.27	8.27
Philadelphia	18.16	18.16	13.64	13.64	8.02	8.04
Detroit	16.85	16.85	15.00	15.00	7.39	7.50
Boston	17.93	17.93	15.76	15.76	8.71	8.71
Houston	17.62	17.62	15.56	15.56	7.64	7.69
Dallas	17.13	17.13	14.13	14.13	7.75	7.75
Washington D.C.	17.98	17.98	15.05	15.05	7.53	7.53
BRB Index	18.04	18.04	15.54	15.54	8.20	8.22

The Bank Rate Monitor Index is the average of rates being charged by the 100 largest banks and thrifts in the nation's 10 largest markets on the dates indicated. Other rates quoted are the lowest and highest offered at the same institutions. Auto loan rates are for a $13,000, 48-month, new-car loan to a 30 year-old person with good credit. Personal loans are for $10,000 unsecured loans with a 24-month term. Credit card rates are fixed rates only and do not take into account differing annual fees or grace periods.

SOURCE: ©Bank Rate Monitor, North Palm Beach, 33408
All inquiries: (407) 627-7330

LOWEST PERSONAL LOAN RATES	6/16/93
Main Line Fed'l Sngs Bk, Philadelphia	11.90%
Riggs National Bank, Wash., D.C.	12.00
Bank One, Texas, Dallas	12.15
HIGHEST PERSONAL LOAN RATES	
Wells Fargo Bank, San Francisco	19.75%
Bank of America, San Francisco	19.75
Wells Fargo Bank, Los Angeles	19.75
LOWEST AUTO LOAN RATES	
First of American Bank, Detroit	6.75%
First of America-Sexuality, Detroit	6.75
LaSalle Talman Bank, Chicago	7.00
HIGHEST AUTO LOAN RATES	
Citibank, Chicago	12.50%
Chemical Bank, New York	10.90
Shawmut Federal Svgs. Bk., Boston	10.00
LOWEST CREDIT CARD RATES	
Star Bank., Boston	14.40%
First of America Bank, Detroit	14.90
First of America-Sexuality, Detroit	14.90
HIGHEST CREDIT CARD RATES	
Bank of America Texas, Dallas	19.80%
Boston Fire Cents Svgs. Boston	19.80
Bank of Boston, Boston	19.80

Visa, Toys R Us in Tuition Sweepstakes

In an effort to attract back-to-school shoppers, Visa U.S.A. has teamed with Toys R Us Inc. to offer a scholarship sweepstakes.

Visa said it expects its sales volume in the stores to rise 20% during the promotion. Another objective is to promote education, the card association said.

A total of $40,000 will be awarded during the six-week sweepstakes, which runs through Sept. 13.

Automatic Entry

The program will be advertised throughout the chain. Shoppers automatically enter the sweepstakes each time they use a Visa card at any of the 538 stores.

Prizes can run into scholarship awards, which will range from $1,000 to $20,000, to help pay for elementary, high school, college, or continuing education programs. — Bethlee Tolosa

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MasterCard Teams Up with Nescafe USA for a Contest

By MICKEY MERCE

Almost every week, it seems, MasterCard International's name shows up in another Sunday newspaper insert.

The one on Aug. 8 was a joint promotion with Nescafe USA Inc., trumpeting their joint sponsorship of the "Anywhere in the World" sweepstakes.

MasterCard is looking for synergy, in this case between two independently powerful brand names. The sweepstakes brings together two corporations with global promotional ambitions.

Mava Heffler, MasterCard's vice president of U.S. promotions, said Nescafe approached MasterCard last year at-at a different idea, then eventually agreed to do the sweepstakes.

Alliances

In their strategic alliance, which is not connected to any other MasterCard promotion, no money exchanges hands, Ms. Heffler noted.

Nescafe is allowed to use the MasterCard name and logo in its coffee advertisements.

The coffee company distributed 49 million freestanding newspaper inserts, plus introduced five million product displays in supermarkets — for the MasterCard just happens to be aggressively promoting card usage.

Nescafe will put in the MasterCard accounts of each of 10 grand-prize winners $10,000 to finance a trip anywhere in the world.

MasterCard is looking for synergy, in this case between two independently powerful brand names, in a contest that brings together two companies with global ambitions.

"It's really expanding MasterValues coupons into food stores, which is our strategic objective," Ms. Heffler said.

MasterCard and Procter & Gamble are co-sponsors of the 36-city "Soccer Blast" this fall, a lead-in to the 1994 World Cup, of which MasterCard is a corporate sponsor. When consumers use MasterCard, they will get a free U.S. National Soccer Team pin.

Procter & Gamble will feature MasterCard in newspaper inserts to promote a range of soccer merchandise. Only MasterCard payments will be accepted.

"We've decided that strategic alliances are a smart, efficient, and effective way to do business," Ms. Heffler said. □

Visa Project Aids Meals on Wheels

By MICKEY MERCE

Visa U.S.A. is working with 11 Los Angeles-area restaurants again this year to raise money for Meals on Wheels, the group that provides meals for the disabled and home-bound.

Through Oct. 9, Visa will make a donation every time customers use Visa cards at the participating restaurants, including Wolfgang Puck's Spago.

A message about the Visa donation will be printed on menus and at the point of sale.

A Reputation Enhancer

Servers will wear pins promoting the campaign.

The effort is related to Visa's sponsorship role in the 11th Annual American Wine and Food Festival on Oct. 9, which also raises money for the Wolfgang Puck Charitable Foundation.

Thomas C. Edwards, Visa's vice president for travel and entertainment marketing, said such cause-related marketing helps merchants by increasing customer traffic and enhancing their local reputation.



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EDS Walks Tightrope as Friend and Foe of Banks

By BARTON CROCKETT

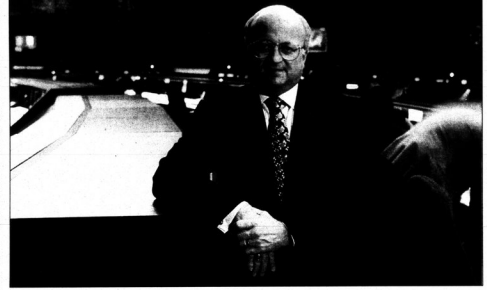
Few nonbanks, and no technology companies, have made as many incursions into the financial industry as Electronic Data Systems Corp.

Through aggressive salesmanship and acquisitions, the Plano, Tex.-based computer services company has built a billion-dollar business in technical corners of the financial industry that were once banks' exclusive domain.

And even though some bankers fret about a computer company treading on so much of their turf, EDS has a squadron of loyal customers that are tickled to do business with the vendor.

"I have tremendous admiration for them," said John B. McCoy, chairman of Banc One Corp., of Columbus, Ohio, which both competes with EDS and is one of its biggest customers.





LESTER M. ALBERTHAL says EDS' reputation as a bully stemmed partly from the early hard-charging culture created by Ross Perot.

Other Avenues

EDS is best known as an outsourcing company – the firm founded in 1962 by former International Business Machines Corp. salesman Ross Perot, who later sold the vendor to General Motors Corp.

But EDS does a great deal of business outside traditional outsourcing, including consulting, systems integration and electronic funds transfers.

EDS had net income of $636 million on revenues of $8.2 billion last year. About an eighth of the revenues came from the financial industry, primarily from outsourcing, check sorting, ATM switching, and credit card processing services for about 5,000 banks, thrifts, and credit unions.

In these areas, EDS' influence is considerable.

2 Top Thrifts Are Clients

Among other ventures, it runs computers and check sorting machines for the country's third- and fourth-largest thrifts, World Savings and Loan Association in Oakland, Calif., and First Nationwide Bank of San Francisco.

EDS also runs the computers of two large commercial banks, First Fidelity Bancorp., Lawrenceville, N.J., and Signet Banking Corp., Richmond.

A contract inked earlier this year to install 4,000 automated teller machines in 7-Eleven stores will make EDS the country's second-largest owner and operator of ATMs, after BankAmerica Corp.

GM's MasterCard Venture

EDS is also the country's fourth-largest processor of debit transactions, a business built on EDS' 1989 purchase of an ATM switching unit from Automatic Data Processing Inc., of Roseland, N.J.

EDS also runs the computers for GM's new MasterCard program. This deal has made EDS the country's fourth-largest processor of credit cards for banks, with 7.5 million accounts. EDS also authorizes some 900,000 MasterCard transactions daily, more than any other company.

"EDS is a leader in the whole bank services arena," said Coley Clark, group executive of EDS' financial industry unit, which employs more than 7,000 people.

Not surprisingly, EDS has gotten this large by making many of its bank customers extremely happy. Among them – State First Financial Corp. of Texarkana, Ark., which has been an EDS client for more than 20 years.

"We think its a great relationship, and wouldn't change it for anything," said Howard M. Qualls, president of the $720 million-asset holding company.

Above and Beyond

First Fidelity is also among its satisfied customers. Executive vice president Donald C. Pfaffenbach praises EDS for its flexibility in dispatching — at no extra cost — more than four times the initially agreed-upon number of technicians to handle a data center consolidation.

But, despite its successes, EDS is also dogged — company officials say unfairly — by a reputation for bullying customers.

And while such criticism could be expected from computer executives that lose their fiefdoms to EDS, sometimes it comes from EDS' staunchest allies, like Banc One chairman Mr. McCoy.

In a speech earlier this year at an IBM-sponsored bank technology conference, Mr. McCoy chided EDS for using hardball negotiating tactics over restructuring an outsourcing contract in Texas.

In a Corner

The contract called for EDS to run computers for units of MCorp that Banc One acquired in 1991. Banc One thought the contract was too expensive, and wanted out, Mr. McCoy said.

But EDS officials vetoed those plans, by threatening to dump computer tapes on Banc One without allowing for an orderly transition, Mr. McCoy said.

EDS and Banc One officials later said that Mr. McCoy's account was inaccurate.

"John would probably like to take that back," said Donald L. McWhorter, president of Banc One, who was directly involved in the talks with EDS. "EDS never said they would pull the plug or any such thing," Mr. McWhorter added.

Still Friends

Apparently, the tough negotiations over that contract haven't tainted the two companies' relationship with one another.

For example, Banc One signed a five-year contract in 1992 to have EDS run computers for Banc One's entire Texas franchise. Banc One is also teaming with EDS and Integrated Corp. of Minneapolis in a $100 million, 10-year project to build and install sophisticated new banking software, called the Strategic Banking System.

Nonetheless, Mr. McCoy has a warning for potential EDS customers.

"You've got to cross your t's and dot your i's," Mr. McCoy said. "You shouldn't do something on a handshake with them."

Dispute with NationsBank

Rumblings of another dispute have also emerged, in this case, between EDS and NationsBank. Similar to the Banc One situation, this dispute concerned the termination of an outsourcing agreement EDS had with National Banchares Corp. of Texas, which NationsBank acquired in 1990.

To resolve the dispute — which was never made public — NationsBank and EDS agreed to private arbitration.

M. Arthur Gillis, a bank technology consultant in New Orleans, said he was called in to testify on the reasonableness of a threat EDS made to be uncooperative in delivering vital computer tapes to NationsBank.

NationsBank, through a spokesman, Ellison Clary, declined to comment on the arbitration. But Bobby Grisham, the EDS executive who oversees the vendor's business with big banks, said that Mr. Gillis' account was wrong.

EDS never threatened to be uncooperative in delivering computer tapes, he said. Instead, the dispute centered on how much EDS should be paid.

Mr. Grisham added that arbitration resolved the issue fairly.

Mr. Grisham said that EDS continues to enjoy a good relationship with NationsBank, and does some consulting work for the bank.

Mr. Clary concurred: "We view EDS as a company with a lot of capability, and that's why we do business with them."

Lester M. Alberthal Jr., who took over as EDS' chairman and chief executive after Mr. Perot left in a highly publicized dispute with GM management, said that criticism that EDS bullies customers, while inaccurate, is nothing new.

He said the reputation stemmed partly from EDS' early corporate culture, imbued by Mr. Perot, where the company embraced a militaristic work ethic, and was "hard charging" and "egotistical."

Mellowing Trend

But Mr. Alberthal said that over the past decade EDS has softened the edge.

"I and every executive in our company are very focused on customer satisfaction," he said.

Mr. Grisham added that EDS regularly helps banks end out-

See EDS next page

Intuit Inc. Hopes to Allow Banking via TV

By DEIDRE SULLIVAN
Special to the American Banker

Intuit Inc., announced that it is working on a system to allow consumers to operate personal finance software on their television sets.

Based in Menlo Park, Calif., Intuit is best known for its personal computer-based financial software, called Quicken, that has sold more than 5 million copies since its introduction in 1984.

To develop this new system, Intuit is working in partnership with the EON Corporation, in Reston, Virginia. EON was previously known as TV Answer, Inc.

The system would be used for personal finance.

Interactive TV

Using wireless transmission technology, EON is pioneering an interactive television service that turns televisions into two-way communications devices.

Paul Sturiale, a spokesperson for EON, said interactive television will have its debut sometime in the early part of 1994, and that a more specific roll-out schedule will be determined by the Federal Communications Commission sometime next month.

At that time, the FCC will begin issuing regional licenses for wireless interactive video and data Services.

The arrangement between Intuit and EON represents an agreement to develop products and services to be used within the context on interactive television.

Specific Uses Outlined

According to Sheryl Ross, a spokesperson for Intuit, the two companies anticipate that consumers will soon be able to use the television to reconcile and update accounts, check transactions, and review the financial performance of selected accounts.

These activities would take place within the context of a Quicken-like program tailored for use on the television.

Although no banks are involved in the development efforts, Ms. Ross said that Intuit is receptive to the idea of creating alliances with banks."

Other Relations Established

Intuit has already established a relationship with Meridian Bancorp, the $12 billion holding company in Redding, Pennsylvania for home banking services via interactive TV.

Using EON's system, Meridian Bancorp customers will be able to use their televisions to check their accounts, transfer funds, and pay bills. The service is expected to be introduced sometime in 1994.

Ms. Sullivan is a freelance writer based in New York.

EDS Walking A Tightrope as Friend and Foe

Continued from *page 18*

sourcing contracts of acquired institutions without dispute.

"We couldn't be in business if we beat up on customers," Mr. Grisham said.

But in its ATM and credit card processing businesses, EDS continues to raise the eyebrows of those who view the company as a competitor.

Formidable Threat

EDS has emerged as a formidable threat in such banks as Synovus Financial Corp. and Banc One in the credit card processing business, and, in the ATM busiaess, to Electronic Payment Services Inc., a joint

EDS does a lot of business besides outsourcing.

ATM processing venture of Banc One, CoreStates Financial Corp., PNC Bank Corp. and Society Corp.

"Some see EDS as a tremendous competitor in the industry," said Richard Lyons, executive vice president of Internet Inc., Reston, Va., which runs the Most ATM network.

Yet, despite the potential for conflicts of interest, the vendor appears to not be suffering from its image.

"The competition doesn't concern us at all," said Banc One's Mr. McWhorter. "For a long time we've realized that its not a perfect world where we've got no competitors."

Yet EDS is sensitive to concerns customers may have about competing with the vendor, Mr. Alberthal said.

"All professional service companies have to deal with this," he said. □

NationsBank Tornado Aid

PETERSBURG, Va. — NationsBank announced that it was committing $50,000 for relief and to help rebuild those areas in and around the city that were damaged by tornadoes. NationsBank will match donations made by two local relief efforts.

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Comment

By Henry Miles

Industry's Recent Boom Masks Structural Problems

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Without the prospect of economic growth to support them, many bankers are bedazzled by wide margins and captivated by cost cutting, both of which can actually diminish long-term prospects. Mergers and acquisitions only hide the problem.

More than half of the 100 largest banks in the United States reported either a decline in loans or an increase that didn't keep pace with inflation in 1992. Their largest corporate customers have long since gone the way of the capital markets. Their smallest retail clients are served equally well outside the banking system.

Handwriting on the Wall

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Conventional wisdom has it that everything else – installment loans, small-business credit, receivable and inventory finance – will never leave their sights.

Nothing could be further from the truth. Interim construction lending, long the domain of the banking industry, is fast moving to "the street." Real estate investment trusts are coming back, this time without the leverage that the banks themselves provided in the 1970s. Well-capitalized pawn shops, no less, are thriving as intermediaries.

Easy to Raise Debt, Equity

In the Midwest, where seller financing on single-family homes is a rarity, nonbank intermediaries aggressively seek to discount contracts for deed. Medium-size companies have no difficulty raising quasi-debt and quasi-equity.

A lumber company here recently floated $10 million in subordinated term debt at a 10%

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yield by selling it off in $2,000 pieces through a second-tier investment house. A country bank privately placed noncumulative, nonconvertible preferred stock to help it through some rough times.

On the liability side of the balance sheet, the situation is also dim. Most new money is migrating into stocks and bonds, mutual funds, money-market accounts, and other instruments which have nothing, per se, to do with banks.

Deposits Drain Away

As with loans, over 50% of the top banks in the country saw their deposits either fall or not match the meager rate of inflation last year. As with loans, regional and community banks also see deposits slipping away.

Still, profits are way up. Net income rose over 100% and the market value of almost all major banks increased by at least 25% in 1992. However, this growth was generally uninspired.

Revenue increases were driven by wider spreads brought about by declining interest rates. Cost of funds fell faster than interest income, and bankers, through no effort of their own, enjoyed the benefit.

And what about costs? The top 100 banks experienced an overall decline in bad debt provisions of 19% in 1992 and it is well known that operating expenses trended downward, though with all the acquisition activity taking place it's hard to compute.

Cost Cutting Has Limits

Expense control is a logical strategy, arguably the only strategy if a bank is losing assets and deposits, margins notwithstanding. The problem is, productivity can't be managed forever by reducing expenses.

At some point, those reductions become self-perpetuating. Lower expense leads to lower income leads to lower expense. Without investment, the cycle eventually disappears into thin air. A number of divisions within banks – equipment leasing, as but one example – are generating safe and attractive returns in great markets.

However, because management cowers from risk or is caught up in restructuring, these businesses are denied resources by all but the most enlightened GE Capital, notable among

See **INDUSTRY** *next page*

Comment

By James J. Gilmartin

Develop a Strategy Now to Capture Fast-Growing 'Mature Adult' Market

Over the next 18 years, the "mature adult" market – people over 50 – will increase by about 50%, while the under-50 market will increase by only 1%.

Bankers would be wise to affirm or reaffirm their approach to this growing market. Unfortunately, most who target the older market segments take a programmatic or tactical, rather than a strategic, approach to increasing market share.

But age changes alone, as highlighted in the considerable attention to demographic trends, are not the appropriate focus.

Beyond 'Senior' Programs

Bankers have developed a frame of reference about the aging marketplace that too often causes them to focus on the development of "senior" programs as their sole method of serving this significant group of customers. But this approach is costing them market share.

Rather than designing services based on the age groups in a given market – programmatic or tactical approach – bankers should concentrate on developing strategies to improve customer satisfaction across all of their current services provided.

Such strategies will come only by better understanding the behavior of the mature adult and applying that knowledge to current business and marketing decision-making.

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Through a process that changes their frame of reference regarding the mature adult, and the frame of reference of employees, bankers can make significant progress and improve their position in an aging marketplace.

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To begin changing the frame of reference about a segment that makes up 60% to 80% of a bank's business, bankers might consider asking the following questions:

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• Are we integrating the implications of an aging marketplace into our vision, goals, and strategies as well as into your Total Quality Management and/or Continuous Quality Improvement efforts?

• Is leadership collaborating

See **AGING** *next page*

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Comment

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Aging Market Will Require New Strategy

Continued from *page 20*

to shape a culture that makes superior service as natural as thinking? In larger banks, has a leader surfaced and been empowered to champion the necessary vision, goals, and strategies of a mature-adult market improvement initiative? (In smaller banks the president is the "champion.")

• Have we begun developing an organizational culture to support the belief that the service-delivery staff are the most important people in the bank – since it is they who contact the customer? Do we understand that the environment we create for the staff is the world they will create for the customer?

• Do we know our internal capabilities, and have we declared war on bureaucracy?

• Have we begun analyzing our organization's service delivery or distribution system, with the goal of responding to the life satisfaction needs of this population?

• Do we know the needs, wants, and desires of an aging marketplace? Have we identified the service gaps through qualitative and quantitative research?

• Have we taken the time to acquire and apply our knowledge of an aging marketplace to operations management and to service planning and decision making?

Do we continue to use the age of the target market as the determining factor for service development or modification? Or do we use life-stage and lifestyle research to determine our approach to service development and improvement?

• Are we questioning our current approach to communicating with the mature adult? Do we consider perceptions, values, behaviors, and physical changes of the target market in our deliberations? Have we considered the age of those in our organization responsible for communications to the mature adult market?

Generation Gap

Generally, younger staff members have difficulty emphathizing with mature adults. Are we including members of the mature-adult population in our service design, delivery, and communications development process?

Bankers cannot continue to practice what they consider to be "tried and true" methods to attract and retain customers. The physiological, psychological, and behavioral changes brought about by the aging process demand a significantly different management and marketing approach than is currently being practiced by many bankers. □

Comment

By Henry Miles

Industry Boom Masks Problems

Continued from *page 20*

many other nonbank competitors, is distancing through the night while most banks have yet to open their eyes.

Merger Misconceptions

Acquisitions keep the illusion alive. Based on widely available formulas and active markets, most banks can bought and sold "fully priced." It's no secret that high premiums are justified by the costs that can be stripped out following purchase. Sellers get enriched in the process.

Employees get terminated or are left to do more with less. Shareholders get diluted; stock prices don't move up much. Executives get to announce that they are building the "franchise" even though, as we have seen, the underlying trends tell a much different story.

In a study of 134 bank mergers the Fed, not too long ago, found that nine out of 10 did no better than they could have as stand-alone institutions.

What is keeping this whole thing together? Probably blind loyalty.

Even though many customers were abandoned by their banks over the last five years, more than a few continue to pay 18% for credit card accommodations or for overdraft protection. Many accept 2% for their savings balances or as earnings credit for services not directly billed.

Manufacturers pay 2% over prime to finance Fortune 500 receivables. Mortgage companies leave big bucks on the table to get their inventories financed ostensibly with their own escrow balances, by banks. Governmental admonishments and sagging stock prices suggest that regulators and shareholders are beginning to question the reality of all this.

So where does the industry go from here? Those who haven't taken advantage of the near-term opportunities should do so with full understanding of the limitations.

Those who have exhausted this potential, should invest to evaluate markets to assess competitive position and to develop and implement plans to recapture share through better products, marketing, and service.

Those who have decided that they can't "beat 'em" should "join 'em," either by selling out to another bank or repositioning their business to confront nonbank competition head-on, even if it means giving up the charter. □

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AUCTION NOTICES

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell SEPTEMBER 9, 1993 10:00 AM 3318 DeLavall Ave Bronx 1983 Formula F-272 Boats THRDA2158M83A Re: Dodson Equipment & Leasing Co. / F. Kerman. 1988 Mercury Topaz 4 Dr Sdn 2MEPM-3752KB638962 Re: Bradley: 10:30 AM 750 Zerega Ave Bronx 1986 Hyundai Excel 4 Dr Sdn KMHLF12JXGU063140 Re: E. Simon Jr.: 1983 Buick Lesabre 4 Dr Sdn 1G4AG9456D1466496 Re: Hunter, T. / signor/ E. Stevenson: 11:15 AM 253 Jackson Ave Bronx 1986 Mazda RX-7 2 Dr H/B JM1FC331 1G0118186 Re: P.R. Dela; 1989 Mercedes Benz 300E 4 Dr Sdn WDBEA30D3KB036973 Re: Allstate Ins. Co./R. Sirsey: 11:45 AM 1941 Jerome Ave Bronx 1983 Dodge Ram350 Van 2B5-WB31W1HR230460 Re: White Mountain Inc./ Wiltex Express Limousine Inc.; 1983 Oldsmobile Delta 88 4 Dr Sdn 1G3B-N69Y3FY302317 Re: J. Boddie: 12:15 PM 1642 Broadway W.C. 1982 Toyota 2 Dr Sdn JT2TA12GXC3306629 Re: Bailey-1:00 PM 128-130 East 126th St N.Y.C. 1985 Chrysler Conquest Tsi 2 Dr Sdn 1C3BT56G0FC178553 Re: E. Fulmore; 1981 Honda Accord Lx 4Dr Sdn JGHDC18D1BF112951 Re: B. Murray; 1986 Mercedes Benz 190E 4 Dr Sdn WDBDA26D3GF154280 Re: A. Segure; 1991 Eagle Summit 2 Dr H/B 4USCU-4A9MU058319 Re: M. Sabater; 1977 Dodge B1D Van B15GBB187078 Re: Diglio Electric Inc.: 1:30 PM 137 West 100th St. N.Y.C. 1982 Cadillac Cimarron 4 Dr Sdn 1G6AG69G1C0-905714 Re: A. Garcia; 1976 Lincoln Continental Mark IV 4 Dr Sdn 6Y89A850561 Re: A. Sanchez/ D. Cruz: 2:00 PM 1080 Bronx Park East N.Y.C. 1989 Hyundai Excel GL 2 Dr H/B KMHLD12J6KU323416 Re: D. Holmes; 1986 Hyundai Excel GL 4 Dr Sdn JMHL-LF21JGU019693 Re: R Palma: 2:30 PM 35-101 West End Ave N.Y.C. 1989 Mitsubishi Montero Jeep JA7J22E8H0-33616 Re:P. Bedford: 2:45 PM 1080 East 30th St. N.Y.C. 1970 Mercedes Benz 300SL 2 Dr Conv. 11304410013537 Re: A. Soicher; 1987 Toyota MR2 2 Dr Coupe JT2AW15M0H0007987 Re: Ford Bowser. 3 :30 PM 285 St Nicholas Ave Bklyn 1982 Cadillac Seville 4 Dr Sdn 1G6AS6907CE-688456 Re: R.G. Castro-Lanfiance;1976 Ford Econoline Van E24H00J4T0-98799 Re: A. Jimenez, 1979 Ford Thunderbird 2 Dr Sdn 9G8FT877J2y F1 Re: Lillian Alexander. 1984 Cadillac Fleetwood 4 Dr Sdn 6d69S8Q2-64169 Re: C. Moses. Metropolitan Auc-tioneers, Inc.

M.SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell September 8, 1993 9:45 A.M. 1761 Hempstead Turnpike 1988 1988 Oldsmobile Cutlass Supreme 2 Dr Sdn 1G3GR11Y-9HP329569 Re: Allstate Ins. Co./ Ramos; 1987 24 Farmers Blvd QUEENS 1990 Nissan Stanza 4 Dr Sdn JN1HB01P2LU-000189 Re: K. Mangal: 11:00 A.M. 117-36 Farmers Blvd Queens 1985 Chevrolet Caprice Wgn 1G-NAN3350BH124773 Re: O Armwood: 11:45 A.M. 403-11th Ave Bklyn Peterbilt Ford F250PUU Truck 2FTHF250HPCA-91340 Re: S Kaagaonee: 12:15 P.M. 41-11 Fuller Place Queens 1986 Cadillac Eldorado 2 Dr Sdn 1G6AL5793BE631058 Re: J. Ahmed: 1:00 PM 20-02 Steinway Ave Queens 1979 Chrysler Lebaron 4 Dr Sdn 1T6HJ5F3FB-0-0-0 Re: Allstate Ins. Co. 12-14 Broadway Queens 1980 Chevrolet Caprice 4 Dr Sdn 1G1BN69H9BR-0-0-0 Re: Blance: 2:00 PM 38-03 21st St Queens 1988 Hyundai Excel 4 Dr H/B KMHLF2-3J9JU446876 Re:J Davis; 2:30 P.M. 49-25 Vernon Blvd Queens 1988 Nissan Sentra 2 Dr Sdn AL10074521 Re: S Samuel: 3:15 P.M. 125 Bennett St Bklyn 1985 Pontiac Trans Am 2 Dr H/B 1G2FW8781FL628-313 Re: M Rivera/ FAM Mastercraft 600 FSS 32 Arlington Ave Bklyn 1985 Toyota Cressida 4 Dr Sdn JT2MC53L4F0-164488 Re: Re: 1985 Buick Riviera 2 Dr Sdn 1G6-EZ57Y9FE420819 Re: G Foster: 4:30 PM 100-09 Glenwood Rd Bklyn 1987 Dodge Diplomat 4 Dr Sdn 1B3BC26478K735-976 Re:J Clapse 1986 Plymouth Reliant 4 Dr Sdn 1P3BJ36D0GC279721 Re: J Clapse Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell September 1, 1993 9:43 A.M. 500 Hillside Ave Bklyn 1988 Honda Civic Hatchback 4 Dr Sdn YV1AX4745J1982605 Re: S Farkasinski-Moore; 1985 Renault Alliance 4 Dr Sdn 1XMDC9531FK145220 Re: R Rezac: 10:30 A.M. 10-17 The New Haneda Queens 1984 Chevrolet 30 Truck 2GB-HG31M4E2-00-0 Re: The New Haneda Town Bakery Inc.; 11:00 A.M. 161-11 Cross Bay Blvd Queens 1966 Harley Davidson XLCH MC/ 66XLCH104021 Re: A. Prencide 11:30 A.M. 85-34 Rockaway Blvd Queens 1984 Ford Mustang 2 Dr Sdn 1FABP28S8EF214159 Re:S Grahmann; 4 Pokoraju: 12:15 P.M. 116-60 Sutphin Blvd Queens 1985 Nissan Sentra 2 Dr Sdn JN1SB12SDDU040225 Re: A. Vickers: 12:45 P.M. 150-18 Liberty Ave Queens 1986 GMC Sierra Classic 1500 P/U Truck 2GCEC14H4G1-03954 Re: Diamond Trading Co. Inc./P. Cuntro: 1:15 P.M. 108-15 Merrick Blvd Queens 1991 Chevrolet Geo Storm 2 Dr Sdn 1H1JE7326MW7-0884 Re: L.Widori/L Burwell: 2:00 P.M. 78-15 31st Ave Queens 1982 Mercury Lynx 2 Dr Sdn 1C3BT56G0FC178553 Re: E. Fulmore; 1981 Honda Accord Lx 4Dr Sdn JGHDC18D1BF112951 Re: B. Murray; 1986 Mercedes Benz 190E 4 Dr Sdn WDBDA26D3GF154280 Re: A. Segure; 1991 Eagle Summit 2 Dr H/B 4USCU-4A9MU058319 Re: M. Sabater; 1977 Dodge B1D Van B15GBB187078 Re: Diglio Electric Inc.: 1:30 PM 137 West 100th St. N.Y.C. 1982 Cadillac Cimarron 4 Dr Sdn 1G6AG69G1C0-905714 Re: A. Garcia; 1976 Lincoln Continental Mark IV 4 Dr Sdn 6Y89A850561 Re: A. Sanchez/ D. Cruz: 2:00 PM 1080 Bronx Park East N.Y.C. 1989 Hyundai Excel GL 2 Dr H/B KMHLD12J6KU323416 Re: D.Holmes; 1986 Hyundai Excel GL 4 Dr Sdn JMHL-LF21JGU019693 Re: R Palma: 2:30 PM 35-101 West End Ave N.Y.C. 1989 Mitsubishi Montero Jeep JA7J22E8H0-33616 Re:P. Bedford: 2:45 PM 1080 East 30th St. N.Y.C. 1970 Mercedes Benz 300SL 2 Dr Conv. 11304410013537 Re: A. Soicher; 1987 Toyota MR2 2 Dr Coupe JT2AW15M0H0007987 Re: Ford Bowser. 3 :30 PM 285 St Nicholas Ave Bklyn 1982 Cadillac Seville 4 Dr Sdn 1G6AS6907CE-688456 Re: R.G. Castro-Lanfiance;1976 Ford Econoline Van E24H00J4T0-98799 Re: A. Jimenez, 1979 Ford Thunderbird 2 Dr Sdn 9G8FT877J2y F1 Re: Lillian Alexander. 1984 Cadillac Fleetwood 4 Dr Sdn 6d69S8Q2-64169 Re: C. Moses. Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell August, 31, 1993 10:00 AM 2340 Bedford Ave Bklyn 1987 Nissan Maxima 4 Dr Sdn JN1HJ11Y0HT243235 Re: M. Miller; 10:30 AM 777 Bergen St. Bklyn 1987 Hyundai Excel 4 Dr Sdn KMHDF11J-XHU111235 Re: D.M. Hamilton; 11:00 AM 1025 Atlantic Ave Bklyn 1982 Chevrolet Impala Sedan 2G1AL35AC1194032 Re: Kings Second: Masters Inc./ E Sauteliey/ E. Cooly; 1986 Chevrolet Nova 4 Dr H/B 1Y5SB4634GZ218182 Re: F. Marcellus: 11:45 AM 1133 Greene Ave Bklyn 1983 Mercury Marquis 4 Dr Sdn 1MEBP9943FA647034 Re: M. Perez; 12:15 PM 2510 Bedford Ave Bklyn 1987 Hyundai Excel 4 Dr H/B KMHLA3J15-JU016943 Re: Bedford: 1:00 PM 1080 Bronx Inc./A. Gonzales: 12:45 PM 1773 Bushwick Ave Bklyn 1981 Toyota Tercel 2 Dr Sdn JT2AL21HDB2343891 Re: M. Rodriguez: 1:45 PM 36 Milford St. Bklyn 1981 Chevrolet 30 Van 2GCEG25M4B-4107800 Re: L. Braden Jr.: 2:45 PM 680 Utica Ave Bklyn 1984 Datsun 200SX 2 Dr H/B JN1PS26SXEW635961 Re: V. Soto: 3:15 PM 1104 Utica Ave Bklyn 1987 Nissan Sentra 4 Dr Sdn JN1PB2156-H154890 Re: A. Desai: 345 PM 1346 Utica Ave Bklyn 1982 Mazda 626 4 Dr Sdn JM1GC2211C0041155 Re: C. Ohaney: M. Achelat : Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell September 9, 1993 9 :30 A.M. 1711 Neptune Ave Bklyn 1967 Ford Mustang 2 Dr Sdn 7F08T118427 Re: A. Rodriguez: 10:00 10:30 A.M. 6202 3rd Ave Bklyn 1989 Peugeot 405DL 4 Dr Sdn VF3BC1MC-6KS501984 Re: Wass Auto/V Volmahos/S Sabel: 11:30 A.M. 40 Van St S.I. 1988 Mazda MX6 2 Dr Sdn 1YVGD31C3J511-7938 Re: L. Budhan: 12:00 PM 1449 Richmond Terrace S.I. 1990 Ford Bronco U/V 1FMEU15H0LLA14557 Re: Z Cruz: 3:00 PM 2313 E 19th St Bklyn 1985 Mitsubishi 4X2 P/U Truck JA7FP34G4EJ925330 Re: M. Hegaby/ Bonilla: 3:30 P.M. 1717 Gravesend Neck Rd. Bklyn 1991 Pontiac 944 2 Dr Sdn WP0AA0949DN454537 Re: Z Bromberg Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell September 7, 1993 10:00 A.M. 2201 Tilden Ave Bklyn 1990 Lincoln Town Car 4 Dr Sdn 1LNBP95F4GY700079 Re: A. Cadet/ E. Yurdi: 10:30 A.M. 329-339 Chrystie Street 1988 Ford Ford XLT Van 1FBHS-31G3CHB39324 Re: St Hilden & St Hospital School/Mr. Brizer; 1985 Volkswagen GTI 2 Dr H/B 1VWGR0817FC045340 Re: V. James: 11:00 A.M. 118-136 Waverly Ave Bklyn 1987 Chevrolet Chevy Van 30 Van 1GBEG25H6H7158006 Re:D Goff: 11:30 A.M. 37 Carlton Ave Bklyn 1983 Dodge Ram 350 Van 2B5WB31UDK313288 Re:S Sayer: 12:00 PM 106 Ft Hamilton Pkwy Bklyn 1973 Chevrolet Caprice Classic 2 Dr Coupe 1W69L5S280K 1 Re:C.A. Rucoupe Inc.: 12:30 P.M. 132 Franklin Ave Bklyn 1986 Chevrolet Chevy Van 10 Van 2GCGG13N9G4167722 Re: D Cabeal/V Frederick: 1993 Isuzu Amigo U/V 1A4AC80E0PB022222 Re: ECS Inc.: 1:15 P.M. 1177 Bedford Ave Bklyn 1978 Oldsmobile Notety Eight 4 Dr Sdn 3X69K-E119514 Re: R Ramsey; 1991 Volvo 740 4 Dr Sdn YV1FA8845M1001516 Re: Premium Resource Group-Ltd./G Spellman: 2:00 P.M. 15 Jefferson St Bklyn 1982 Audi 5000S 4 Dr Sdn WAUGD0863C-N010866 North 67 degrees 52 minutes 47 seconds west for a distance of 47.00 feet and North 67 degrees 52 minutes 47 seconds west for a distance of 314.91 feet to the point and place of BEGINNING; Containing 31.24 +/- acres and being Parcel 1 on the herein mentioned map.

PARCEL II

ALL that certain piece or parcel of land situate, lying and being in the Town of Taghkanic, County of Columbia and State of New York Being bounded and described as follows:

BEGINNING at a point on the southerly right of way line of Pumpkin Hollow Road which point is distant the following two courses and distances from the northwest corner of the residence on the premises (as of 6/28/74);

1) south 85 degrees 21 minutes 21 seconds east 188.04 feet and

2) south 67 degrees 52 minutes 47 seconds east 43.50 feet to a point marking the northeast corner of the herein described parcel, which point is also on a prolongation southwesterly of the easterly line of Parcel 1, to the south side of Pumpkin Hollow Road;

THENCE RUNNING south 22 degrees 08 minutes 08 seconds west for a distance of 554.75 feet to a point;

THENCE RUNNING south 67 degrees 52 minutes 47 seconds west for a distance of 533.03 feet to a point, marking the southeast corner of the herein described parcel;

THENCE RUNNING north 60 degrees 16 minutes 30 seconds east for a distance of 708.72 feet to a point;

THENCE RUNNING north 06 degrees 20 minutes 06 seconds east for a distance of 163.73 feet to a point on the southerly right of way line of Pumpkin Hollow Road, which being the northwesterly corner of the herein described parcel;

THENCE along the southerly right of way line of Pumpkin Hollow Road, south 73 degrees 40 minutes 31 seconds east for a distance of 304.51 feet and south 67 degrees 52 minutes 47 seconds east for a distance of 43.50 feet to the point or place of

BEGINNING. Containing 18.82 +/- acres and being Parcel 2 on the herein below mentioned map.

The above Parcel 1 and 2 are shown and delineated on a certain map entitle "Lands of Mildred Anna Ock, Town of Taghkanic, Columbia County, New York" by F. Robert Howard, dated 6/28/74 and filed in the Columbia County Clerk's Office on 11/8/74 in Map #3248.

LEGAL NOTICE

SCHEDULE A
DESCRIPTION OF
MORTGAGE PREMISES

PARCEL I

ALL that certain piece or parcel of land situate, lying and being in the Town of Taghkanic, County of Columbia and State of New York being bounded and described as follows:

BEGINNING at a point on the northerly right of way line of Pumpkin Hollow Road where the same is intersected by the westerly line of the premises herein described and being the southwest corner of the herein described premises;

RUNNING THENCE north 06 degrees 20 minutes 06 seconds east for a distance of 1735.02 feet to a point marking the northwest corner of the parcel herein described;

RUNNING THENCE south 71 degrees 51 minutes 51 seconds east for a distance of 1037.52 feet to a point marking the northeast corner of the parcel herein described;

RUNNING THENCE south 22 degree 08 minutes 08 seconds west for a distance of 1691.00 feet to a point marking the southeast corner of the parcel herein described;

RUNNING THENCE along the northerly right of way line of Pumpkin Hollow Road, north 67 degrees 52 minutes 47 seconds west for a distance of 47.00 feet and south 85 degrees 21 minutes 21 seconds west for a distance of 314.91 feet to the point and place of BEGINNING. Containing 31.24 +/- acres and being Parcel 1 on the herein below mention map.

PARCEL II

ALL that certain piece or parcel of land situate, lying and being in the Town of Taghkanic, County of Columbia and State of New York Being bounded and described as follows:

BEGINNING at a point on the southerly right of way line of Pumpkin Hollow Road which point is distant the following two courses and distances from the northwest corner of the residence on the premises (as of 6/28/74);

1) south 85 degrees 21 minutes 21 seconds east 188.04 feet and

2) south 67 degrees 52 minutes 47 seconds east 43.50 feet to a point marking the northeast corner of the herein described parcel, which point is also on a prolongation southwesterly of the easterly line of Parcel 1, to the south side of Pumpkin Hollow Road;

THENCE RUNNING south 22 degree 08 minutes 08 seconds west for a distance of 554.75 feet to a point;

THENCE along a stone wall on the following five courses and distances:

1) south 21 degrees 27 minutes 34 seconds west for a distance of 136.04 feet to a point,

2) south 20 degrees 02 minutes 16 seconds west for a distance of 193.95 feet to a point,

3) south 24 degrees 23 minutes 40 seconds west for a distance of 121.37 feet to a point,

4) south 23 degrees 31 minutes 07 seconds west for a distance of 207.89 feet to a point, and

5) north 66 degrees 16 minutes 24 seconds west for a distance of 207.89 feet to a point;

THENCE RUNNING north 66 degrees 16 minutes 24 seconds west for a distance of 1,001.51 feet to a point;

THENCE RUNNING north 53 degrees 28 minutes 23 seconds west for a distance of 533.03 feet to a point, marking the northwest corner of the herein described parcel;

THENCE RUNNING north 60 degrees 16 minutes 30 seconds east for a distance of 708.72 feet to a point;

THENCE RUNNING north 06 degrees 20 minutes 06 seconds east for a distance of 163.73 feet to a point on the southerly right of way line of Pumpkin Hollow Road, and being the northwesterly corner of the herein described parcel;

THENCE along the southerly right of way line of Pumpkin Hollow Road, south 73 degrees 40 minutes 31 seconds east for a distance of 304.51 feet and south 67 degrees 52 minutes 47 seconds east for a distance of 43.50 feet to the point or place of

BEGINNING. Containing 18.82 +/- acres and being Parcel 2 on the herein below mentioned map.

The above Parcel 1 and 2 are shown and delineated on a certain map entitle "Lands of Mildred Anna Ock, Town of Taghkanic, Columbia County, New York" by F. Robert Howard, dated 6/28/74 and filed in the Columbia County Clerk's Office on 11/8/74 in Map #3248.

NOTICE OF FORECLOSURE

SUPREME COURT OF THE
STATE OF NEW YORK
COUNTY OF COLUMBIA
Index No.:24893

Federal Home Loan Mortgage Corporation,

Plaintiff,

against- SUMMONS AND NOTICE

Stanley Johnan and Doraine Beyer if living, and if not living the heirs and persons who are spouses, widows, grantees mortgagees, lessees, heirs, devisees, distributees or successors in interest of such of them as may be dead, and their spouses, heirs, devisees, distributees and successors in interest, all of whom and whose names and places of residence are unknown to Plaintiff,

Defendants

PROPERTY ADDRESS:
111 Pumpkin Hollow Road,
Taghkanic, NY 12502

TO THE ABOVE NAMED DEFENDANTS:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance on the attorneys for the Plaintiff within twenty (20) days after the service of this summons, exclusive of the day of service, or within thirty (30) days after completion of service where service is made in any manner than personal delivery within the State. The United States of America, if designated as a defendant in this action, may appear within sixty (60) days of service hereof. In case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded in the complaint.

NOTICE OF NATURE OF ACTION AND RELIEF SOUGHT

THE OBJECT of the above captioned action is to foreclose a Mortgage to secure $75,000.00 and interest, recorded in the Office of the Clerk of the County of Columbia on April 1, 1987, in Liber 452 of Mortgages, at Page 1, covering premises known as 111 Pumpkin Hollow Road, Taghkanic, NY 12502.

The relief sought in the within action is a final judgment directing the sale of the premises described above to satisfy the principal balance of the Mortgage described above.

Plaintiff designates Columbia County as the place of trial. Venue is based upon the County in which the mortgage premises is situated.

Dated: June 3, 1993
Shapiro & Kreisman
Attorneys for Plaintiff
Powers Bldg. - Suite 100
16 West Main Street
Rochester, New York 14614
(716) 454-7700
Our File No. 8623-93

PARTNERSHIP NOTICE

Notice of Application for Authority of TWENTY FIRST CENTURY L.P. a foreign limited partnership (LP). Appl. for auth. filed with Sec. of State of State of New York (SSNY) on 12/29/1992. LP. organized under the laws of Delaware on 12/7/1992. NY office location: New York County. SSNY is designated as agent of the LP upon whom process against it may be served. SSNY shall mail a copy of any process against the LP served upon him/her of way line of Pumpkin Hollow Road, and being the northwesterly corner of the herein described parcel;

THENCE along the southerly right of way line of Pumpkin Hollow Road, south 73 degrees 40 minutes 31 seconds east for a distance of 304.51 feet and south 67 degrees 52 minutes 47 seconds east for a distance of 43.50 feet to the point or place of

BEGINNING. Containing 18.82 +/- acres and being Parcel 2 on the herein below mentioned map.

The above Parcel 1 and 2 are shown and delineated on a certain map entitle "Lands of Mildred Anna Ock, Town of Taghkanic, Columbia County, New York" by F. Robert Howard, dated 6/28/74 and filed in the Columbia County Clerk's Office on 11/8/74 in Map #3248.

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Technical Consultant

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Sr. M & A Financial Analyst

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The ideal candidate should have a minimum of ten years experience at a leading edge retail bank. With broad strategic and tactical experience, this person should be a team player, a good manager, and possess strong communications skills. International experience is a plus; but not required.

A competitive compensation package is being offered which will include a full range of expatriate benefits. If qualified, please submit in complete confidence a detailed resume with current compensation level to the Bank's executive recruiting consultants

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c/o American Banker
One State Street Plaza
New York, NY 10016

Audit Seniors

Financial Services

The financial services audit practice of KPMG's New York office is seeking Audit Seniors. The ideal candidates will come from among the ranks of Internal Auditors who have proven industry related expertise and a minimum of 2+ years' experience in internal auditing and/or public accounting specific to financial services.

In this critical, high-profile posture, you will direct audits field work at client locations, develop, evaluate and supervise audit professionals, and report your progress to the Management Group. You must be a strong, results-driven leader, able to achieve goals with maximum efficiency and success. CPA or academic qualifications to sit for Uniform Certified Public Accounting Examination is essential.

Compensation is commensurate with experience. For immediate consideration, please forward resume and salary history in confidence to: **Robert J. Zibelli, Director of National Recruiting, KPMG Peat Marwick, 345 Park Avenue, New York, NY 10154. We are an** equal opportunity employer m/f/d/v

KPMG Peat Marwick

Federal Reserve Bank of New York

Compliance Examiners

The Federal Reserve Bank of New York is currently seeking experienced banking professionals with knowledge of consumer protection regulations and community reinvestment to work in the compliance examination area.

Candidates should possess a minimum of 2 to 3 years experience in retail banking. Experience with a bank supervision or regulatory agency a plus.

Candidates should also possess a Bachelor's degree (MBA a plus), strong analytical and communication skills and intermediate level PC skills.

The successful applicant will be attentive to detail, innovative, and willing and able to travel. U.S. citizenship is required.

We offer a competitive salary structure commensurate with experience and a full range of employee benefits. For consideration, please send a current resume with salary requirements to:

Recruiting and Staff Relations, Attn: BDS
FEDERAL RESERVE BANK OF NEW YORK
33 Liberty Street, New York, NY 10045

Equal Opportunity/Affirmative Action Employer

SENIOR LOAN OFFICER
V.P. Operations/Controller

Newly capitalized New York State Chartered Commercial Bank seeks Senior Loan Officer and V.P. Operations/Controller to complete management team. Send Resume with detailed description of experience and salary requirements to: G.E. Dankel, President, Commercial Bank of Sullivan County, P.O. BOX 1258, Monticello, N.Y. 12701-1258.
E.O.E.

CITATION NOTICE

SURROGATE'S COURT
OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

File No. 1521/93

CITATION

THE PEOPLE OF THE
STATE OF NEW YORK
BY THE GRACE OF GOD
FREE AND INDEPENDENT.

TO:
ETHEL J. GRIFFIN, PUBLIC
ADMINISTRATOR OF THE
COUNTY OF NEW YORK
ANNETTE BAKER TULIPAN
MILDRED BAKER VERNER
JOSEPH HAZEN
SETH BAKER
BEATRICE AMERLING
MAURICE BAKER
JESSE BAKER
HELEN ATLAS
JAY (first name unknown)
EVELYN BAKER RICHMAN.

If living and if any of the said above distributees are dead, to their heirs at law, next of kin and distributees whose names and places of residence are unknown and if any of them have died subsequent to the decedent herein, to their executors, administrators, legatees, devisees, assignees and successors in interest whose names and places of residence are unknown and to all other heirs at law or next of kin and distributees of DOROTHY MERKSAMER, the decedent herein, whose names and places of residence are unknown and cannot, after diligent inquiry be ascertained.

A petition having been duly filed by Renee B. Deane and Leon Polsky who are domiciled respectively at 150 East 69th Street, New York, New York 10021, and 30 East 79 Street, New York, New York, 10021.

YOU ARE HEREBY CITED TO SHOW CAUSE before the Surrogate's Court, New York County, at Room 503, 31 Chambers Street, New York, on September 28, 1993, at 9:30 a.m., why a decree should not be made in the estate of DOROTHY MERKSAMER, lately domiciled at 880 Fifth Avenue, New York, New York, 10021, in the County of New York, admitting to probate as a will of real and personal property a paper dated December 17, 1991 (of which it is attached), and ordering that Letters of Testamentary issue to Renee B. Deane and Leon Polsky and that Letters of Trusteeship issue to Steven A. Gadel.

Dated, Attested and Sealed, Aug. 16, 1993.

HON.
(L.S.) Surrogate. County of New York.

Robert M. Reaves
Clerk of the Surrogate's Court

Name of Attorney:
Wormser, Kiely,
Galef & Jacobs
(attn: John P. Proszek)
Address of Attorney:
711 Third Avenue
New York, New York 10017
Telephone Number: (212)687-4900

This citation is served upon you as required by law. You are not obliged to appear in person. You have a right to have an attorney appear for you. If you fail to appear it will be assumed that you do not object to the relief requested.

CLASSIFIED & LEGAL ADVERTISING

PROFESSIONAL EMPLOYMENT OPPORTUNITIES

PADCO, Inc., an international housing and urban development consulting firm, and others participating in USAID and World Bank international assistance programs are identifying qualified candidates to fill intermittent (a few weeks each) and medium term (3 to 6 months) consulting positions in construction lending. The requests are predominantly for assignments in Eastern Europe, but those interested in other geographic regions are encouraged to present resumes as well.

Positions will vary and in-depth expertise in commercial real estate finance, especially residential construction lending is needed. Candidates should demonstrate knowledge of all aspects of construction lending from program and product development and design through origination, servicing and loan management. PADCO, Inc. is currently looking to fill one long-term (2 year) position in Poland, and three medium-term positions in Bulgaria. Consultant fees/stipends vary with position and experience. Individuals interested in these positions should submit a resume to:

PADCO, Inc.
Attn: EE/Construction Lending
1012 N. Street, N.W.
Washington, D.C. 20001
No calls will be accepted.

SALES EXECUTIVE

American Banker/Bond Buyer seeks entrepreneurial sales executive to develop banking conferences for the American Banker/Bond Buyer newspaper. Responsibilities will include all aspects of program management, including selling sponsorships. Individual will have a minimum of 3-4 years experience in the banking industry. BS/BA required. Please send resume w/salary history to:

Box 704
c/o American Banker
One State Street Plaza
New York, New York 10004
EOE

AUCTION NOTICES

Pronto Lien Service, Lic# 869242 Sells on 9/03/93 at 8AM 1791 Walton Ave Bx. NY 83 Cadil Deville #1G6AS69B1D9265383 Re: D. Hart, 20 Buick Electra #6X69-AAH485107 Re: E. Molina. 9AM 31 W Tremont Ave. Bx. NY 85 Chevr 2DSD #1GBCR33H7FF103999 Re: J. Cumbo. 84 Buick 4DSD #1G4AS69P4EK448031 Re: B Cunillo; 86Mit 1284 Ogden Ave. Bx. NY 82 Cadil 4DSD #1G6AD6986C9158-451 Re: P. Tosa. 10AM 1544 E 174St. Bx. NY #2MEBP95FREX647744 Re: J. Desperadi, 84 Pontiac 4DSD #1G2AL69T9E9178056 Re: E Estrelle. 11AM 1544 E 174St. Bx. NY. 81 Buick Park Ave Rem #1G4AW69R5BH-9588 Re: M. Marres. Published 8/20 & 8/27/93.

DEFAULT In Security Agreement Made by 4488 Broadway Food's, Inc. to Stonehedge Funding Ltd. 1 Will Sell On 8/23/93 At 12 Noon At 4488 Broadway, N.Y.C. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct'r Lic #732234 of F.E.S. AUCTIONS INC. As Agents.

Hal Zakow Lic #0735454 Sells 9/03/93 Bx NY 1PM 1080 Brook Ave #7 Nissan #JN1HU11S2HT210030 Re: J. Doc 2PM 899 E. 13St 84 Dodge Van #2B4FK21-C3ER149259 Re: B. Di. Rosario. 3PM 276 Jkns Av Bk Dodge #2BHHB23T1-GK346070 Re: J. Rodriguez. Pub 8/20 & 8/27/93.

Pronto Lien Service, Lic# 869242 Sells on 8/30/93 at 8AM 1284 Ogden Ave Bx NY 86 Mazda Sdan #JM2UF3114G0619895 Re: Liberty Mutual Ins., 9AM 31 W Tremont Ave Bx NY 85 Honda #36BL-5921402 Re: Graig Scott Inc., 82 Buick Century #1G4AN69N2CH438436 Re: J. Griffin, 84 Ford Sdan #1FTCF15Y-8ELA91170 Re: Y. Gomez. Published 8/13 & 8/20/93.

DEFAULT In Security Agreement Made by Wilkens & Hernandez to Stonehedge Funding Ltd. I Will Sell On 8/23/93 At 10:30 AM At 1540 Broadway, Suite 1, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct'r Lic #732234 of F.E.S. AUCTIONS INC. As Agents.

LIQUOR LICENSE

Notice is hereby given that a beer license under No. 96-1NEW A 31539 122, upon which Certificate No. 261869 issued 8/5/93, has been issued to sell beer at retail under the Alcoholic Beverage Control Law at 330 West 38th Street, New York, New York 10018 for off-premises consumption. Ajit Juzar Corp., a/k/a A & J Deli, 330 West 38th Street, New York, New York 10018.

FOUNDATION NOTICE

NOTICE

The annual return of **THE HAROLD & DOLORES SALZMAN FOUNDATION** for the calendar year ended December 31, 1992 is available at its principal office located at c/o Martin Rosen & Co., 757 Third Avenue, New York, NY 10017 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Dolores Salzman.

CORRECTION NOTICES

Correction Notice: Garageman's Lien Sale 8. Sperber D/A Lic #794803 Sold 8/9/93 2:45PM 1939 Jerome Ave Bx 1982 Toyota Corolla #1T2TE72E7C0779779 Re: Cuewa/Frank. Sold 8/16/93 10:30AM 622 West 57th St NYC 1972 Mercedes Benz Stretch Limo #10801612002731 Re: Anametrics Inc.

Correction Notice: D. McKenna DCA#862054 sells on 8-19-93 at 10:30AM at 1509 Jerome Ave Bronx, NY. '84 Nissan 300ZX #JN1HZ14S4EX327322 Re: Victor Yamil Rios. PUBLISHED 8-3-93 & 8-10-93.

Royal Bank of Scotland Sees Easing In Bad-Debt Provisions, an Exec Says

Reuters

EDINBURGH — Bad debt provisions are trailing downward in an environment of slow economic improvement, said Robert Speirs, finance director of Royal Bank of Scotland Group PLC.

"We expect to see bad debt provisions falling off, but we don't want to be complacent because another downturn in the economy would give us a problem," he said in an interview.

Mr. Speirs said he believes the recession had bottomed out, but did not see a real acceleration in recovery.

"We are coming out slowly, and there are statistics," he said.

May Stimulate Recovery

There was still concern over any real "push" behind the economy, which might need a further interest rate reduction to stimulate recovery.

"We think an interest rate cut may be needed," he said. "Our balance sheet is positioned so that a cut of one percentage point would not have a significant long-term impact."

Mr. Speirs said Royal Bank's five-year Columbus Project was moving along on target, with 3,500 job reductions envisaged by the end of 1997.

"It will give us some early wins and some cost reduction overall," he said.

In areas like its Direct Line car and house insurance group and its Citizens Financial subsidiary in the United States, more staff would be added,

More staff will be added in the U.S. subsidiary Citizens Financial.

He said Royal Bank had less fat to trim than its competitors and had more to do on the income side of its cost-income ratio.

"The big caveat is that we are not just going for growth for its own sake," he said. "We are looking for quality growth and have systems in place to review the loan book in great detail."

Mr. Speirs said once the objectives were achieved, Royal Bank could derive an incremental benefit from its smaller size, which enabled it to maintain shorter lines of communications and extend its growth programs to the entire retail bank.

He said the bank would be returning to the capital markets occasionally, but did not require any capital now.

"We raise it when the opportunity exists basically because it exists and we like to stay in those markets," he said.

Assets Expected to Grow

Recent capital raisings had been earmarked for Direct Line and Citizens Financial, he said. He expected Citizens Financial to expand significantly in the next three years.

"Citizens' assets have increased to $7 billion now from $3 billion when we bought it in 1988, and we expect them to grow to $10 billion in the next three years," he noted.

Growth is expected to come primarily through acquisitions in Connecticut, Rhode Island, and Massachusetts, he said. This is Citizens' base of operations.

"We haven't ruled anything, unexciting bank," Mr. Speirs said. "We don't want to do that." □



Bankers are Bullish on Mutual Funds

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AMERICAN BANKER

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MAF and Anchor, Choice Takeover Targets, Win 'Buy' Recommendations from Analysts

By GORDON MATTHEWS

Two thrifts that are viewed as takeover targets in desirable markets received "buy" recommendations from Wall Street on Thursday.

MAF Bancorp, Clarendon Hills, Ill., got the nod from Piper Jaffray Inc., Minneapolis, as "a high-quality thrift" whose franchise also makes it attractive to buyers.

Anchor Bancorp, Hewlett, N.Y., was endorsed by Salomon Brothers as a thrift in a turnaround mode. Salomon cited Anchor's recent capital-raising moves and dealings to cations in New York, New Jersey, and Florida.

Banks have acquired thrifts at a record pace this summer. The banks view as cheap alternatives to banks for either entry into or expansion in fast-growing markets.

Prices Get Boost

Speculation about which institutions may be the next targets has boosted share prices of the thrifts. MAF shares are up 48% this year, while Anchor's are ahead 63.5%.

In late trading on Thursday, MAF stock was unchanged at $32, while Anchor shares were up 62.5 cents to $15.125.

Piper Jaffray analysts Steven R. Schrold and William H. Ryan said MAF, the parent of Mid America Federal Savings Bank, draws 46% of its deposits and even more of its mortgage originations and noninterest income from DuPage County, a suburb of Chicago.

DuPage is ranked among the fastest growing counties in the nation and also boasts among the highest per-capita incomes.

Several large thrifts in the Chicago area have been acquired in recent years. Earlier this year, ABN Amro Bank announced an agreement to buy Cragin Financial Corp., a thrift holding company.

In the quarter ended June 30, MAF reported net income before extraordinary items of 91 cents per share, a 38% increase over last year. Its nonperforming assets are a low 1.26% of DuPage area.

'Bright Future'

The Minneapolis analysts say they did not think MAF's current price, at 8.4 times their



1994 earnings estimate of $3.60 per share, "reflects the extremely high franchise value of the company or its strategic mortgage banking operations in the DuPage area."

'Bright Future'

Anchor Bancorp has "a very bright future," said analysts Bruce Harting and Ronald Thompson of Salomon Brothers. It is well capitalized "and is among the few thrifts in the country to successfully implement an acquisition strategy."

That strategy has provided it with market shares in the suburban New Jersey market outside New York as well as in the city itself, where Anchor has big operations with a Brooklyn and Queens. It focuses on serving lower-middle and middle-class customers, they noted, and in so doing faces less competition than banks serving more affluent areas.

"We believe that after 15 consecutive quarters of solid profitability, despite regulatory restraints, Anchor is well positioned to build solid earnings momentum," they said.

Moreover, Anchor is "squarely in a position to fill a vacuum" for an acquisitive bank or thrift in the Northeast. Anchor operates 43 offices in New York and 23 in New Jersey as well as several in Florida.

Regarding a positive acquisition, they noted that its current top management owns only 3% of shares outstanding "and has demonstrated it is shareholder-oriented," meaning takeover efforts would get serious consideration.

Last month, Anchor raised $67.8 million in capital through a stock offering, giving it enough equity to free its thrift from regulatory restraints. The new capital brought its leverage ratio above 5%, the requirement for a well-capitalized thrift.

THURSDAY'S MARKET

Major bank stocks were mostly lower again on Thursday as investors continued to worry about the impact of falling interest rates on banks. In late trading, J.P. Morgan & Co. was off $1.25 to $73.125, Mellon Bank Corp. was down $1 to $55.625, and KeyCorp was off $1 to $37.875. □

BANK CALL NOTICE

REGION DISTRICT NO. 2
CONSOLIDATED REPORT OF CONDITION
Chemical Bank
at 270 Park Avenue, New York, New York 10017
and Domestic Subsidiaries
Dollar Amounts in Millions
at the close of business June 30, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.
ASSETS
Cash and balances due from depository institutions:
Noninterest-bearing balances and currency and coin 5,440
Interest-bearing balances 3,733
Securities 20,434
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:
Federal funds sold 1,396
Securities purchased under agreements to resell 30
Loans and lease financing receivables:
Loans and leases, net of unearned income 5,440
LESS: Allowance for loan and lease losses 3,597
Loans and leases, net of unearned income and allowance 42,941
Assets held in trading accounts 4,140
Premises and fixed assets (including capitalized leases) 1,127
Other real estate owned 729
Investments in unconsolidated subsidiaries and associated companies 111
Customers' liability to this bank on acceptances outstanding 1,154
Intangible assets 494
Other assets 4,744
TOTAL ASSETS $110,573
LIABILITIES
Deposits:
In domestic offices 100,904
Noninterest-bearing 17,720
Interest-bearing 83,184
Federal funds purchased and securities sold under agreements to repurchase: 21,786
In domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs 5,155
Interest-bearing 15,631
Demand notes issued to the U.S. Treasury 2,000
Other borrowed money 2,943
Mortgage indebtedness and obligations under capitalized leases 19
Bank's liability on acceptances executed and out standing 1,200
Subordinated notes and debentures 3,847
Other liabilities 3,135
TOTAL LIABILITIES 103,102
EQUITY CAPITAL
Common stock 470
Surplus 2,540
Undivided profits and capital reserves 3,945
Cumulative foreign currency translation adjustments (15)
TOTAL EQUITY CAPITAL 7,371
TOTAL LIABILITIES, LIMITED AND PREFERRED STOCK AND EQUITY CAPITAL $110,573
I, Joseph I. Sullivan, S.V.P. & Controller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.
JOSEPH I. SULLIVAN
We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.
JOHN F. McGILLICUDDY
WALTER V. SHIPLEY
EDWARD D. MILLER
Directors

NationsBank Taps Private Market In Donrey Deal

Continued from *page 1*

ly in the bank loan market.

Depending on the level of interest coverage in the transaction, $500 million "could be a big swallow for banks," one media lender said.

The deal, though, is said to be conservatively structured, with roughly equal parts of debt and equity financing.

Many banks that specialize in leveraged buyout companies have lots of liquidity because some of the bank companies have been tapping the capital markets to pay off bank debt.

Depending on investor demand, the size of the private placement is expected to amount to around $100 million.

Remainder to Be Syndicated

NationsBank will syndicate the remaining $400 million or so in the bank loan market, beginning next month, sources said.

Pricing of the bank loan was not disclosed. Sources said that the borrowing rate – far less than 200 basis points over the London interbank offered rate – further indicates that the deal is not highly leveraged.

Based in Las Vegas, Donrey owns 53 newspapers, five cable television systems, and 11 outdoor advertising plants.

Stephens, a holding company for the Stephens family of Little Rock, is the parent of the brokerage firm of the same name.

Jackson Stephens, the company's chairman, was the financial backer of the Clinton presidential campaign last year.

Donrey, like Stephens, is private-ly owned. □

Deals

First City, Inc.
Memphis, Tennessee

has merged with

First Commercial Corporation
Little Rock, Arkansas

The undersigned acted as financial advisor to First City, Inc.

ALEX SHESHUNOFF & CO.
INVESTMENT BANKING
512-479-8200 • 1-800-477-1772

Rush for the Long Bond Continues

The Markets

Investors continued to register concern on Thursday about a scarcity of long-term Treasury securities, sending yields on the government's 30-year bond into record territory again.

At 5 p.m. in New York, the 30-year bond yielded 6.21%, down from 6.25% on Wednesday. Long-term yields are down about 35 basis points in the last month.

"There has been a scramble for long-term paper," among insurance companies, pension funds, and arbitrageurs, said Douglas Schindwolf, economist for Smith Barney, Harris Upham & Co.

10-Year Notes

Yields also fell on other maturities. The 10-year notes yielded 5.61%, down from 5.67%; five-year notes yielded 4.95%, down from 5.01%; and two-year notes yielded 3.91%, down from 3.94%.

The Treasury last week issued $11 billion of 30-year bonds. But this was the last sale of this maturity for six months, setting off the rush to buy the issue.

In the past, the government had sold the bonds every quarter, but it is limiting the supply of 30-year Treasuries to bring down the government's cost of borrowing.

'Enhanced Security Value'

Typically, investors are willing to pay a 5-basis-point premium for the new issue over the older 30-year Treasury, Mr. Schindewolf said. But the spread is now 15 basis points, reflecting the "enhanced security value" of the new issue.

In addition, investors are bidding up prices of 30-year bonds on the belief that the spread between 10-year and 30-year securities – which has narrowed by about 15 basis points to 55 since last week – will continue to narrow, said Mark Grant, managing director of Rodman & Renshaw.

The strength of the 30-year bond is not based on fundamental economic factors, and that has pushed some market participants, said Kathleen Stephansen, senior economist at Donaldson, Lufkin & Jenrette Securities Corp. "Whenever that occurs, it raises the possibility of a major correction," she warned.

The Dow Jones industrial average rose 7.27 points to a record 3,612.13. The dollar rose to 105.89 yen from 101.60 on Federal Reserve purchases. □

— Bart Fraust

Highlights for Thursday, August 19

TOP 10 GAINERS %

Riggs National Corporation	6.9
F&M Bancorp.	5.0
Heritage Financial Services	4.7
Mid Am, Inc.	3.5
Suburban Bancorp., Inc.	3.4
Pikeville National Corporation	3.2
Premier Bankshares Corporation	2.7
WesBanco, Inc.	2.3
1ST Financial Corporation	2.1
Worthen Banking Corporation	2.1

TOP 10 LOSERS %

Shoreline Financial Corp.	-5.0
FNB Corporation	-4.8
F & M National Corporation	-4.5
Western Bank	-4.1
Hancock Holding Company	-4.1
First Colonial Bankshares	-4.0
Seacoast Banking Corp Florida	-4.0
First United Corporation	-3.9
City National Corporation	-3.5
Lake Shore Bancorp., Inc.	-3.3

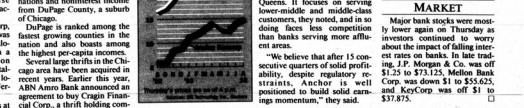
MOST SHARES TRADED

Citicorp	931400
Norwest Corporation	826700
Banc One Corp.	691300
Bank of New York Company	637000
BankAmerica Corporation	620300

VOLUME AS % OF AVERAGE

First United Corporation	2050.1
Victoria Bankshares, Inc.	1095.8
National Penn Bancshares, Inc.	905.4
Boulevard Bancorp, Inc.	760.8
Pikeville National Corporation	736.2

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
1 Day	5 Days	21 Days	1 Day	5 Days	21 Days	1 Day	5 Days	21 Days
0.20	1.21	1.60	-0.44	-1.62	0.26	0.20	0.73	1.32

TOP 225 BANKS

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Bk %	Mkt Cls.	Chg.
38¾	27¾	FirstAlliance rfd.	11.1	171.1	35¾	--
29½	20	1stCorpCom rfd	11.5	156.9	25	¼
27¼	18¼	1stFidelBancorp	11.5	156.9	25	¼
17½	8½	AllenBncrp GA	15.7	262.2	16¾	--
35¾	25¾	AllianceBancorpNJ	14.3	224.2	34¼	--
36¾	27¾	AmericanBncrp NJ	13.2	192.3	36¼	--
18½	11¾	AmericanFedBk	11.8	132.3	18¼	¼
27½	12	BOKFinancial OK	11.9	236.1	20¾	-½
21	21¼	BT PacCorp rfd	11.2	138.1	20¾	--
12	8	BaltimoreBancrp MD	14.2	119.7	11¼	-¼
37¾	34¾	BancFla Corp rfd	9.9	131.7	35¾	--
61	42¼	BancOne Corp OH	13.9	222.2	51¾	-¼
53½	43¾	BancoPopular PR	13.4	134.0	47¾	-¼
40¾	27¾	BancorpSouth MS	11.2	142.4	37¼	-¼
54¾	41	BankAmerica CA	9.8	121.3	49¾	-¼
30¾	26	BankCentralCorpNC	17.1	267.0	29¼	--
31	23¾	BankSouthCorp FL	11.7	167.1	30¾	-¼
10¾	7¾	BankTrust MS	8.5	171.1	10¼	-¼
31¾	24¾	BankersCorp MD	12.0	135.3	30¾	-¼
39¾	28¼	BankersTrustCorp	10.1	154.3	38¾	-¼
23¾	13¾	BoatmenBncrp IL	30.7	174.1	22¾	-¼
24¾	20¾	BostonBancorp	10.5	137.0	23	-¼
35¾	23¾	CBT Corporation NY	11.7	142.7	33¾	--
14¾	10¾	CCB FinCorp SC	12.3	144.3	14¾	-¼
34¾	23¾	CNB Bancshares IN	10.8	184.3	33¾	--
26¾	20¾	CS Bancorp AK	8.5	123.4	25¼	-¼
13¾	7¾	CVB FinCorp CA	9.4	155.7	13¼	-¼
13¾	8¾	CalFed Bancorp CA	13.8	109.6	13¾	-¼
24	13¾	CathayBancorp CA	11.8	140.0	14¾	--
24¾	17¾	CenFed Financial	11.6	179.2	19¾	-¼
34¾	23¾	CentralBancSh AL	11.8	173.7	29¾	-¼
34¾	23¾	CentralFinancial	11.8	173.7	29¾	-¼
34¾	23¾	CentralFinancial	11.8	173.7	29¾	-¼
37¾	21	ChemBkNorthern MI	8.9	101.2	35¼	--
47¾	35¾	ChemicalFinCorp MI	8.3	129.7	39¾	-¼
47¾	35¾	ChemicalFinCorp MI	14.3	180.8	47¾	--
39¾	31¾	CitizensBancorp MD	14.9	135.1	39¾	--
39¼	14¼	Citizens1st Bncrp MS	14.9	135.1	28	-¼
16¾	12¾	CoastFedBancorp MD	14.6	160.5	17¾	-¼
79	25¾	ColonialBancGrp AL	10.1	171.6	78¾	-¼
31	17¼	CityBankingCo WV	15.4	181.9	28	--
23¾	16¾	CommBancorp NH	11.6	179.2	19¾	-¼
23¾	17¾	CommBancShares AL	9.3	133.5	21¾	-¼
29¾	27¾	CommBancorp NH	11.6	179.2	29	--
38¾	14¾	CommercialBncrp MI	16.3	188.8	29¼	-¼
17¾	12¾	CommercialBncrp NJ	11.7	215.3	16¾	-¼
30¾	25¾	CommercialBncrp NJ	11.7	215.3	29¾	-¼
15¾	11¾	CommunityFirstBnkg	10.4	147.2	14	--
15¾	11¾	CommunityFirstBnkg	10.4	147.2	14	--
28	15¾	ContinentalL	4.7	87.4	23¾	-¼
40¾	27¾	CoreStatesFinCp PA	11.0	179.7	39¾	-¼
46¾	35¾	CrestarFinCp VA	14.0	182.3	43¾	--
25¾	21	CulbroadTX	10.8	138.2	25¾	-¼
27¾	20¾	DeposBancorp PA	8.9	147.9	21¼	-¼
17¾	12¾	F & M NatlCorp VA	12.1	158.7	16	-¼
21¾	17¾	FNB Corp NC	10.2	143.3	17¾	-¼
18¾	9¼	FNB Corp PA	16.2	114.5	14¾	-¼
28¾	21¾	FSF Financial Corp	11.7	120.0	25¾	-¼
50¾	40¾	FifthThirdBncp OH	11.7	298.0	50¼	-¼
50¾	40¾	FifthThirdBncp OH	11.7	298.0	50¼	-¼
50¾	39¾	FirstAmerBncp TN	12.8	202.2	49¾	-¼

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Bk %	Mkt Cls.	Chg.
24¾	18¾	UnitedCarolinaNC	11.0	145.4	24¾	-¼
89	72	UnitedCounties NJ	17.7	121.3	89	-2
40¾	30¼	UnitedMissouri MO	13.7	121.9	38¾	-¼
17¾	12¾	UnitedNJBancorp	11.9	177.6	17¾	--
45¾	35	ValleyBancorp MI	13.1	172.8	43¾	-¼
41¾	28¾	WachoviaCorp GA	11.2	172.5	41¾	-¼
41¾	28¾	WachoviaCorp GA	11.2	172.5	41¾	-¼
40¾	29	WachoviaCorp NC	13.5	210.9	35¾	-¼
12¾	10¾	WellsFargoCo	21.2	182.4	110¾	--
34	21¼	WesBanco WV	16.2	185.3	34	¼
29¾	19¾	WestAmerBancorp CA	10.2	175.2	29¾	-¼
29¾	18¾	WestamericaBanc CA	18.7	147.2	25¾	-¼
20¾	15¾	WestcornBancorp CA	12.2	148.2	19¾	-¼
37½	21¾	WilmingtonTrust DE	9.4	111.0	36¾	-¼
25¾	19¾	WilmingtonTrust DE	9.4	111.0	25¾	-¼
27¾	25¾	WorthenBanking AR	10.4	162.9	27¾	-¼
30¾	22¾	WyomingBancorp	10.5	139.6	29¾	-¼

TOP 25 THRIFTS

52 Wk Hi	52 Wk Lo	Name	PE	Mkt Bk %	Mkt Cls.	Chg.
18¾	12¾	ALBANYFinancial NY	11.2	82.0	18¾	--
21¼	13¾	AlmaMedia CA	10.7	84.0	21¼	--
23½	6¾	CalFedBanFSB CA	NM	38.0	13¾	-¼
34¾	22¾	CenFedBancorp CA	12.2	148.2	25¾	-¼
18¾	6¾	CoastSavingsFin CA	15.4	71.4	14¾	-¾
18¾	11¾	CollectiveBancpNJ	9.1	109.2	17¾	-¼
27¾	11¼	CommercialFedCp NE	11.5	123.4	25¾	-¼
20¾	15¾	DimeBancorp NY	10.4	89.0	20¾	-¼
10¾	4¾	DimeSavBk NY	NM	86.9	7¾	--
13¾	4¾	FedFinancial MI	9.1	68.2	12¾	-¼
15¾	7¾	FedFinCorp MD	8.2	180.9	14¾	-¼
21	17¾	FirstFedMichigan	9.1	97.2	20¾	-¼
50	35¾	GoldenWestFin CA	8.4	142.2	41¾	-¼
14¾	9¾	GreatWestern DE	8.5	81.6	14¾	-¼
14¾	9¾	GreatWestern DE	8.5	81.6	14¾	-¼
18¾	11¾	HomeFedAmes	9.3	102.8	15¾	-¼
18¾	11¾	HomeFedAmes	9.3	102.8	15¾	-¼
27	24	SkiBancorp PA	13.1	178.0	26¾	-¼
14¾	10¾	SouthCoastFinCp	11.3	147.2	13¾	-¼
14¾	10¾	SouthCoastFinCp	13½	139.2	13¾	-¼
31¾	19¾	SouthernPacific	21.1	139.3	31¾	-¼
21	3	SterlingFedCp MD	14.9	186.2	20¾	-¼
12¾	8¾	SuperiorFinCorp	12.8	108.1	12¾	-¼
14¾	10¾	SuperiorFinCorp	14.3	185.7	18¾	--
16¾	10¾	TrustCoBancorpNJ	16.0	238.8	44¾	--
11	7	TrustcompanyNJ	17.0	181.2	14¾	-¼
10¾	6¾	WashingtonFedInc	12.0	146.8	47	--
28	21¾	U.S. BancorpOR	11.2	158.7	25	-¼
23¾	16¾	UnitedFinancial	13.2	202.5	23¾	-¼
31¾	16¾	UBI FinancialMI	13.8	163.0	29¾	-¼
31¾	16¾	UBI FinancialMI	13.8	163.0	29¾	-¼
30¾	23¾	UnionBank CA	9.4	87.2	26½	-¼
25¾	19	UnitedBankIra WV	14.2	175.1	24¾	-¼
25¾	19	UnitedBankIra WV	14.2	175.1	24¾	-¼

Selected Data from the Federal Reserve Board

From the New York Fed's weekly press release of August 19, 1993 ($ billion)

Monetary Aggregates*	8/9/93	8/2/93	Change	7/26/93	7/19/93	7/12/93
M1- weekly average	$1,091.1	$1,091.2	-$0.1	$1,084.3	$1,084.3	$1,085.2
M2- weekly average	3,515.1	3,520.2	-$ 5.1	3,517.0	3,516.5	3,516.4
M3- weekly average	4,154.9	4,157.5	-$ 2.6	4,151.8	4,163.4	4,161.9
Growth in aggregates*	M1	M2	M3			
Latest 13 weeks	+14.5%	+ 9.8%	+12.5%			
Latest 26 weeks	+ 4.0%	+ 1.2%	+ 1.4%			
Latest 52 weeks	+ 2.2%	+ 0.3%	- 0.2%			

Other data	8/11/93	8/4/93	Change	7/28/93	7/21/93	7/14/93
Business Loans*						
8 New York City banks	$ 40.4	$ 42.2	-$ 1.9	$ 40.9	$ 41.0	$ 40.9
Demand Deposits						
8 New York City banks	51.6	50.9	+$ 0.7	50.5	50.552.0	
Commercial Paper						
All issuers	534.3	534.9	-$ 0.6	540.0	537.7	541.2
Finance companies	376.3	375.8	+$ 0.5	380.0	378.4	383.2
Non-finance companies	158.0	159.1	-$ 1.1	159.9	159.3	158.0

(*)— Seasonally adjusted (**)— Annualized rate (***)— Excludes bankers' accept. and commercial paper.

Key Rates*

(August 19, 1993)

	Federal Funds domestic range:	2¾**-3¼	3-3¼	2¾-3	3¼-3¾
	Prime Rate - Top 25 Banks:	6.00	6.00	6.00	6.00
	Broker Loan Rate	5.00	5.00	5.00	5.25
	Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit*					
	3 Month Posted	2.73	2.73	2.73	2.90
	6 Month Posted	2.92	2.92	2.97	2.95
	1 Year Posted	3.10	3.10	3.15	3.10
Eurodollar deposits*					
	3 Month	3⅛	3⅛	3⅛	3⅛
	6 Month	3⅜	3⅜	3⅜	3½
	1 Year	3⅝	3⅝	3⅝	3¾
Dealer Commercial Paper*					
	1 Month	3.10	3.10	3.10	3.37
	3 Month	3.14	3.14	3.18	3.37
	6 Month	3.25	3.25	3.33	3.42

(*)— Late afternoon quotes, New York market. (**)— Highest offering rates (annual % yield) at selected NYC money center banks. (***)— Late London bid. (****)— AA rating or the equivalent.

Merrill Lynch Analyst Raises Red Flag About Prospects for Banking Industry

By RICHARD LAYNE

The banking industry is in decline, said Judah Kraushaar, an analyst with Merrill Lynch & Co.

Mr. Kraushaar sees significant overcapacity in the industry and less regulated competitors eating banks' lunch. Without the fillip of exceptional net interest margins, it is questionable whether most banks could earn acceptable returns on shareholder equity, he said.

Those that can generate high ROEs are the best bets, he said.

While Mr. Kraushaar is far from bullish, he and his team of Merrill analysts, including Sandy Flannigan and Livia Asher, like J.P. Morgan & Co., Mellon Bank Corp., First Union Corp., Fleet Financial Group, and National City Corp.

The last two have been labeled "fallen angels" – stocks that have tumbled from investor grace.

Wall Street View

Q.: In the past, you have been more bearish than many analysts, but in recent conversations I have noticed signs of bullishness. Am I reading you correctly?

KRAUSHAAR: Bullishness may be a slight overstatement. I think we are a tad more constructive on the group, but I'm not prepared to say this is the time to have an overweighting in bank stocks.

We were very concerned from the second half of last year through the spring of this year that there was too much optimism about bank stocks. Great spreads aside, this is still not a great business.

A large number of investors who had not been in these stocks for years, if ever, were playing them for an accelerating-earnings story. We felt uncomfortable that that story was sustainable.

Q.: So why the newfound confidence?

KRAUSHAAR: The issue of margin sustainability is out in the marketplace. The improvement in credit costs has happened faster and more significantly than I expected. I feel comfortable that some managements are getting more flexibility to manage their earnings by drawing down their loan-loss reserves.

I was concerned about a real resurgence in inflation. Now, it is difficult to see inflation coming back in a hurry.

As long as that remains the case, I think interest rates will stay under control. So being in financial companies, and banks in particular, offers good relative earnings performance. And bank stocks are about 10% below their previous peaks.



Michael Gaudry

JUDAH KRAUSHAAR, an analyst with Merrill Lynch, says banks that can generate the best returns on equity are the best bets.

Now the question becomes, can you get a new burst of enthusiasm, a new type of buyer or theme that can push the stocks higher? I'm still cautious on that front.

Q.: So what do you look for?

KRAUSHAAR: We like companies that can differentiate their earnings growth and return-on-equity performance going forward.

These companies have to do least one of the following things right.

They either have to have a decisive expense advantage, especially if they are in commodity businesses.

Or they have to have unusual revenue-generating possibilities. That comes from having niche businesses that they got into early and which have some entry barriers.

Both of these types of companies, however, have to show discipline in making acquisitions. They can't overpay.

Q.: So, who do you like?

KRAUSHAAR: We like one money-center bank, J.P. Morgan, which we feel is a differentiated-revenue story, and four regional banks: Mellon, First Union, Fleet, and National City.

Mellon is also a differentiated-revenue generator. The rest have material cost-reduction opportunities that have not been recognized in the marketplace.

Q.: Why Morgan?

KRAUSHAAR: For the two-year period ending in December 1992, J.P. Morgan was one of the worst-performing bank stocks.

In the past two years, Morgan has pursued an aggressive strategy to shift its product mix. There were heavy costs associated with that. It spent heavily to build a lead in derivatives, to broaden the emerging-markets franchise, and to develop full-fledged underwriting capabilities.

Morgan has completed the bulk of its spending to get into these nontraditional products. Now the payday is at hand.

In the second quarter, even if you took out trading and other market-sensitive income, the bank had close to 10% revenue growth. That's the high end of the industry.

This company can demonstrate a fully-taxed 17% return on equity on a long-term basis. The stock is trading around $72. I think this company could be a better than $105 stock by the end of 1994.

Q.: How about Mellon?

KRAUSHAAR: Mellon was especially aggressive in addressing credit problems early. But there is still a drag from credit costs that is masking a very high ROE. Over the past two years, if you stripped out the credit costs, Mellon has demonstrated a better than 16% ROE in its basic businesses.

This is also a company that has been in the forefront of shifting its business mix from spread-related to fee-based income. The acquisition of the Boston Co. accelerated that. Before some expected divestitures, noninterest income for Mellon will be 50% of revenues. That is nearly twice the industry average.

The average bank share trades at 170% of book value. Mellon is about 140% of book. Our price target is the near $80 by the end of 1994. [Mellon shares were trading at $56.50 Thursday afternoon.]

Q.: Is Fleet a classic "fallen angel?"

KRAUSHAAR: Fleet was an analyst favorite through most of the 1980s. Now the stock trades at 1.55 times book, below the group average.

Investors were worried about the New England economy, the publicity around the finance company, and the value of the mortgage company, which has been hurt by a step-up in refinancings.

But what the market has not focused on is that the company has shifted gears and is focusing on what it must do.

Fleet a year ago was among the first banks to pursue the bulk sale of bad assets. It has announced a meaningful expense-reduction program. It is making headway in integrating the Bank of New England. And it is working its way through problems at the mortgage company.

Fleet will emerge as a low-cost producer. It also has an unusual diversification of its franchise out of traditional banking and has geographically diversified out of New England.

Our view is that Fleet two years from now will demonstrate an ROE north of 17% and will no longer trade at a discount to the group. [The company's ROE in the second quarter was 14.08%.] Our 12-month price target is upper 40s.

First Union is a similar story: cost reduction, nontraditional earnings stream, and an inherently high ROE. First Union has been misunderstood because of the economics of its acquisitions in the past. Our price target is around $65 by yearend 1994. [The shares were at $43.625 late Thursday.]

Q.: National City seems to be another company that has fallen into disfavor.

KRAUSHAAR: National City used to be a high performer and a low-cost producer. Then they took their eyes off the ball. They suffered from two large acquisitions they made in the last five to six years. What I like about this company is that it's waked up to the fact that it's fallen from grace.

In the last 1½ years, management has worked diligently at cost cutting. I think reported expenses will be flat in 1993 and 1994, which means earnings will probably grow to the tune of a 15% compound rate, without having to rely on declining credit costs.

National City's ROE will be back to 17% or 18% in 1993 and 1994. [The company's return on equity in the second quarter was 14.80%.] This should be trading at mid- to upper 30s by 1995. □

August 5, 1993

SOUTHERN NATIONAL CORPORATION
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NEWS *briefs*

Bank South Boosts Its Quarterly Dividend

ATLANTA — Bank South Corp. raised its quarterly dividend to 8 cents from 4 cents, payable Oct. 1 to shareholders of record Sept. 15.

Bank South's dividend was reinstated in February after having been suspended in July 1991.

LaSalle Gets 'Satisfactory' CRA Rating

CHICAGO — LaSalle National Bank said it has received a "satisfactory" rating for its compliance with the Community Reinvestment Act.

Last year, LaSalle had received the lower rating of "needs to improve."

The bank, which has more than $7 billion of assets, is a unit of LaSalle National Corp., a subsidiary of ABN Amro Holding that operates seven banks in the Chicago area.

Chase Sets Date for Redeeming Preferred

NEW YORK — Chase Manhattan Corp. said it will redeem all of its 6.75% series B preferred stock and all its 7.60% series C preferred stock on Sept. 24.

The company said there are 260,273 outstanding shares of its series B stock, and 270,096 outstanding shares of its series C stock.

The redemption price is $100 a share plus accrued dividends to the redemption date of $1.33125 a share, or an aggregate of $101.33125.

Chase said the redemption price of the series C preferred stock is $100 a share plus accrued interest of $1.49889 a share, or an aggregate of $101.49889 a share.

The company, which will act as the redemption agent, said total proceeds will be about $54 million.

Citicorp to Redeem Subordinated Notes

NEW YORK — Citicorp said it would redeem on Sept. 17 its 8.15% subordinated notes due Jan. 15, 1997, at 100% of par plus accrued interest. Currently, $200 million is outstanding on the issue, the company said.

First Banks Deal for a St. Louis S&L Gains

CLAYTON, Mo. — First Banks Inc. said it entered a definitive agreement to acquire all outstanding stock of American Home Savings and Loan Association of St. Louis for $1.50 a share in cash.

The company said that, as previously announced, American Home will merge with its unit, First Bank – A Savings Bank, following the transaction.

First Bancorp of Ohio Declares 2-for-1 Split

AKRON, Ohio — First Bancorp of Ohio declared a 2-for-1 stock split payable Sept. 13 to shareholders of record on Aug. 30.

The company also declared a 23.5 cent dividend on post-split shares with the same pay and record dates.

The new rate is equivalent to 47 cents on the presplit shares, a 9% increase from the 43 cents the company had been paying.

The briefs were compiled from staff and wire reports.

Correction

The headline for an article Friday about CoreStates Financial Corp.'s planned acquisition of Constellation Bancorp, mistakenly identified Constellation as a thrift. It is a commercial banking company.

Also, CoreStates' vice president in charge of mergers and acquisitions, though correctly identified in first reference as Jorge Leon, was thereafter misidentified as Mr. Jorge.

OTS to Post Its Capital Standard For Thrifts with High Rate Risk

By ROBYN MEREDITH

WASHINGTON — Thrift regulators will unveil today a rule they have worked on since 1991 that will force thrifts subject to above-normal interest rate risk to raise capital.

The rule, which takes effect next July, would affect less than half of the industry if it were applied today, and would require just 22 thrifts to raise $43 million in capital or reduce their rate risk in order to comply. Small, well-capitalized thrifts are exempted from the new Office of Thrift Supervision rule.

The other banking agencies have also been writing new regulations to incorporate rate risk in commercial bank capital standards, and hope to publish their regulations by September.



John Robinson
Risk is part of the business

John Robinson. OTS West Region director-designate. "But they have to control it."

Under the new rule, a thrift must prepare for a 2% shift in interest rates if it would decrease the market value of the thrift's assets by more than 2%, the threshold the OTS set as "normal" rate risk. A savings association's minimum risk-based capital requirement will go up by 50 cents for every $1 in losses the thrift would suffer above that threshold.

Although the new regulations require thrifts to guard against rate risk by holding more capital, industrywide capital levels would not necessarily increase. The reason: Regulators plan to drop from 4% to 3% the amount of core capital thrifts must hold.

"What we are trying to measure is the change in the present value of the institution's portfolio," Mr. Robinson said. Now, well-capitalized thrifts must hold 4% core capital and 8% risk-based capital to guard against future losses.

To test thrifts' interest rate risk exposure now, the OTS requires most thrifts to fill out forms each quarter called consolidated maturity and rate schedules. The forms ask for 600 pieces of information about the thrift's assets and liabilities, and are sent to the OTS electronically.

Under the new rule, thrifts will fill out the same forms, and will get back analyses from the OTS about how the market value of their institution would change if interest rates dropped or rose by up to 4%, plotted out in 1% increments. Thrifts with above normal interest rate risk would have six months to set aside more capital or reduce their risk.

Thrifts with less than $300 million in assets that also hold at least 12% in risk-weighted capital would remain exempt from reporting the detailed financial information the rule relies on to determine rate risk.

If the rule were effective now, only $11 of the industry's 1,923 thrifts would be required to fill out the complicated forms. □

3,000 Banks Affected

The bank rules are expected to affect only 3,000 midsize banks holding about 10% of the industry's assets, and will not be effective before December 1994.

The rules for thrifts are more stringent than those for banks. OTS officials said that is because S&Ls inherently have more interest rate risk because their portfolios include more fixed-rate, longer-term loans.

"We are not trying to tell them they should not take any interest rate risk, because they have to – it is part of their business," said

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MortgageFlex Software Adapted for OS/2

By JEANNE IIDA

A popular software package for mortgage lending has been upgraded to run on International Business Machines Corp.'s advanced operating system for personal computers.

Most mortgage origination systems use Microsoft's DOS operating system or Novell's NetWare. MortgageFlex Systems Inc. says OS/2 provides faster response.

Bankers' interest in the IBM PC operating system, called OS/2, was revived this spring, when the computer company released its latest version of the software. Operating systems control a computer's basic functions.

The new version of OS/2 performs processing tasks more quickly than computers using systems, said E. Lester Dominick, president of MortgageFlex Systems Inc., Jacksonville, Fla., a vendor of mortgage lending software.

MortgageFlex has three software modules – mortgage application processing, interest rate risk management, and point of sale loan origination using laptop PCs – that have been adapted for use with OS/2, Mr. Dominick said.

The MortgageFlex software, which already runs on Unix and DOS operating systems, has been installed at about 70 institutions. The company has about 22% of the market of major mortgage originators, according to Mr. Dominick.

GE Mortgage Capital, a subsidiary of General Electric based in Raleigh, N.C., is using the MortgageFlex loan origination software to allow real estate agents to file applications remotely. Huntington Bancshares, which has said it is committed to using OS/2 throughout its organization, is reportedly also interested in the software.

Battle Taking Shape

Most of the existing mortgage origination systems run on Microsoft Corp.'s DOS operating system or, when PC networks are used, Novell Corp.'s NetWare. Mr. Dominick said the advantage of running on OS/2 is that those banks that are committed to the operating system can use this software and get much faster response times than if they were using DOS.

As banks move software away from the mainframe and onto networks of personal computers, a battle is shaping up among IBM's OS/2, Microsoft Corp.'s Windows NT software, and networking software from vendors like Novell.

Today, about 90% of the 805,000 desktop computers in banks run on operating systems from Redmond, Wash.-based Microsoft, compared with about 5% that currently run OS/2, according to the 1993 *American Banker/Ernst & Young* survey of technology in banking.

But a larger number, 12%, of banks use OS/2 on the server, the computers that acts as hubs on networks to store files or communications software. Another 59% run Microsoft's DOS, and 4% run Microsoft's Windows software, according to the survey.

"Banks are saying they like OS/2 on the server," said Greg Schmergel, a consultant with Tower Group, Boston.

"There's been an interesting reversal," said Mr. Dominick. "Three or four years ago, all the big banks wanted OS/2 applications. Then, about 18 months ago, all we heard is Windows. But since OS/2 version 2.1 came out, there's been a resurgence of interest in OS/2."

But Mr. Dominick also said that once all the pieces are available, his company will convert the software to run on Windows NT as well.

The software has modules to handle the origination and sale of residential mortgage loans, called the Residential Lending System; a rate-risk management system, called Advanced Secondary Marketing System; and a system for loan origination at the point of sale that can be used by real estate agents to prequalify and take the loan application for potential home buyers. □

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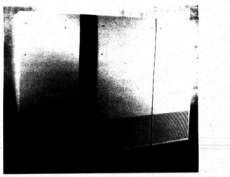

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Shawmut's Overstrom Sees Light At End of Tunnel in New England

By JED HOROWITZ

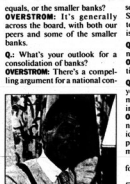
No region of the nation has endured the current economic slowdown longer than New England. But Gunnar S. Overstrom, president and chief operating officer of Shawmut National Corp., the region's third-largest bank company, sees signs of revival.

Shawmut's profits soared back to respectability in the last two quarters, primarily because problem assets are under control, expenses are down, and interest rate margins are wide. Now, Mr. Overstrom says in the interview below, the company is focusing on revenue growth, with a strong emphasis on fee-based products.

Mr. Overstrom, 50, who also is president of Shawmut's lead banks in Hartford, Conn., and Boston, earned undergraduate, law, and graduate economics degrees from local colleges, and joined a Connecticut bank now owned by Shawmut in 1975.

He was named chief financial officer of Hartford National Corp. in 1979 and chief executive of Connecticut National Bank in 1988, the year it merged with Shawmut.











Q: How is the New England economy looking today? What are your customers telling you?

OVERSTROM: There's every indication that we've either bottomed or will bottom here very shortly. I just completed quarterly reviews of all of our business lines, and the fascinating thing is that we're finally seeing some loan demand in our core middle-market banking activity. We've had a runoff in that portfolio for a number of years now.

Our people sense that the decline bottomed in June, was up slightly in July, and, given where we've come from, picked up in August.

In the consumer banking sector, we have see some growth in home-equity lending and our auto finance business. And our mortgage activity is just booming. We're the No. 1 home-equity lender in New England and the leading indirect auto lender in Connecticut, so I think we're a pretty good proxy for activity on the consumer side.

We're a lot more positive today than we have been in some time.

Q: Now that you have the leeway to focus a little less on credit quality, are you and other banks competing more vigorously by lowering prices or credit standards?

We sense more competition in our marketplace both on credit and on price. It's not surprising that it happened, but it's surprising that it's happening so quickly.

We think it's kind of foolish. What typically happens when you compete on price is the bank ends up the loser.

It's a bit irrational, but we've always been willing to compete on price if that's the appropriate competitive reaction.

Q: What about the credit side?

OVERSTROM: We are not going to be persuaded to modify our credit standards to meet the competition where we think they are doing something inappropriate.

Q: Are you talking about your equals, or the smaller banks?

OVERSTROM: It's generally across the board, with both our peers and some of the smaller banks.

Q: What's your outlook for a consolidation of banks?

OVERSTROM: There's a compelling argument for a national consolidation. New Hampshire [where Shawmut is waiting for approval to buy New Dartmouth Banks] is already a consolidated state.

Q: Is anything going on right now in terms of due diligence?

OVERSTROM: There's a lot of activity.

Q: Let's switch to revenues. Can you elaborate on why you are moving so aggressively into selling mutual funds?

OVERSTROM: Our strategy recognizes the changing demographics and the clearly significant opportunities in the money-management business.

The fastest-growing product for us today is clearly the mutual fund opportunity. We've met or exceeded our expectations since we've launched the mutual fund activity back in February. We've added more mutual funds, we've added more salespeople dedicated to sales of the product, and each week that goes by we add more money under management.

Q: How many salespeople do you have?

OVERSTROM: We have 100 dedicated salespeople, whose sole responsibility today is to sell mutual funds. As we roll out our annuity products later this year, they will sell those, too. We expect to hire at least 20 more salespeople by yearend.

Q: Are all sales done out of the branches?

OVERSTROM: Eighty-seven people are in our branch system, and 13 licensed salespeople are in our private banking unit.

Q: When do you expect to roll out the annuities?

OVERSTROM: In the fourth quarter.

Q: What kind of product will you offer?

OVERSTROM: Both the variable and fixed-rate annuity.

Q: Are you looking at selling money-management products nationally?

OVERSTROM: That may be a longer-term opportunity, but right now we're going to focus on New England.

In our institutional money-management activities, we do have a national effort taking place, selling defined benefit and defined contribution plans, that is going quite well.

Q: Is the growth potential greater on the retail or institutional management side?

OVERSTROM: The market is growing much faster on the consumer side. You see very slow growth in demand for defined benefit or defined contribution, with defined benefit growing negatively. The institutional business is a market-share game for us since there is not a growing market.

Q: Can you buy market share?

OVERSTROM: You mean make acquisitions? We've looked at buying institutional money managers, and continue to.

Q: How is your mortgage business progressing?

OVERSTROM: Activity is at re-

See next page

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Continued from page 4

cord heights. We think that will continue for a couple more months, but at some point the refinance business will be over.

The mortgage business is cyclical, to be sure. Originations go up and down based on housing activity and interest rates. But what the market seems to miss is that the true-quality profit stream from in mortgage banking comes from the mortgage servicing portfolio.

We've just crossed $6 billion-plus in our servicing portfolio. We've been the market leader in originations for some time. We would like to expand that business. We like the business.

Q: You sound like you've made a new commitment there.

OVERSTROM: We think we can selectively make acquisitions of mortgage bankers and mortgage brokers, and we also see opportunities to grow internally.

Q: How will you grow internally?

OVERSTROM: By opening up mortgage banking offices where we might not have a branch.

Q: You've been a strong middle-market and retail bank, but you've recently pushed into national corporate lending by hiring some seasoned bankers. Why now?

OVERSTROM: We recognize an opportunity. Many of the money-center banks that were active on-balance-sheet lenders have reduced their appetite for corporate loans and have become much more investment bankers or brokers than traditional commercial banks.

They've taken some capacity out of the system.

Also, while we expect New England to stabilize and then grow, we think the rates of growth will be moderate. We need to find alternative sources of asset generation or income that allow us to grow faster. National lending lets us diversify our loan portfolio out of a given region, and it gives us the ability to attract people with skills and talents in another sector.

Obviously, the goal is to get not only the loan relationship, but to cross-sell other banking services. We're a nationally known cash-management bank – the leading one in New England – and have a national reputation in certain fields, such as servicing the insurance industry.

Q: Will you open loan production offices?

OVERSTROM: No. We've added at least three or four lending people in Boston, and a syndication capacity in Stamford, Conn. We will continue to add resources as long as the market can accept that the business offers an attractive return for our shareholders.

Q: Speaking of shareholders and balance sheets, do you have any plans to go back into the capital markets?

OVERSTROM: Our capital is growing very quickly and we have excess liquidity. So, barring acquisitions of any significant size, we don't see the need to go to the capital markets today. We feel we can meet our growth needs through internal asset generation.

Q: Are your credit problems behind you?

OVERSTROM: Our nonperforming asset ratio [as a percentage of total loans and foreclosed property] is 3.3%, so that issue really is behind it. Our reserve coverage is 170% of nonaccruing loans. The outflows of nonaccruals have exceeded the inflows for the last six quarters. So we're in very good shape.

Our company is now focused on growing revenues, growing our franchise, improving our financial performance, and growing our stock price.

Q: Are you at the point where you don't need to take a provision against loan losses?

OVERSTROM: At this time we are not talking about that. But our reserve is so large that we did not take any significant provisions in the last quarter, and don't expect to near term.

Glenfed Shows Bailout Alternative

Continued from page 1

be stressed.

Glendale expects to complete its reorganization by Sept. 24, the thrift said. The plan includes merging the holding company, Glenfed Inc., into a subsidiary of the thrift.

In addition, current bondholders and preferred stockholders will exchange their securities for common or preferred stock, recovering roughly half the face value of their holdings. Existing common shareholders will get only about 2% of the thrift's newly issued equity, reducing the value of outstanding shares to less than 40 cents.

The key was lining up standby investors.

The newly raised capital includes a $250 million rights offering to current shareholders at a subscription price of $9 per share. And Glendale is selling $175 million of preferred stock yielding 8.75%, convertible to common stock at $11.70 a share.

Key to completing the rights offering was lining up agreements with standby investors to buy common stock not bought by existing shareholders. About 15 institutional investors committed between $10 and $30 million to the offering, wellplaced sources said.

"The [investors] have been through four or five [financial institution] turnarounds" in California and elsewhere, said an individual close to the deal.

The First Boston Corp. and Friedman, Billings, Ramsey & Co., a small Washington, D.C., investment bank, will collect between $15 million and $25 million in fees, sources said.

NEWS ANALYSIS

IT'S REGISTRATION DAY AT THE COLLEGE FINANCIAL AID OFFICE. IF YOU HELPED CREATE THIS SCENE, YOU'RE IN BUSINESS.



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In financial aid offices across the country, the "Registration Day Crunch" is becoming a thing of the past. Students no longer line up in the halls waiting to take care of their loans. Financial Aid Administrators are thankful for the reduction in paperwork, and as a result, banks that offer EFT are getting more business.

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AMERICAN BANKER
Monday, August 23, 1993

Boatmen's Buying Bank That Really Delivers

By PETER SCHOENKE
Special to the American Banker

Marketing

BOATMEN'S BANCSHARES WILL INHERIT a high-profile community banking operation if its takeover of First Amarillo Bancorp. is approved.

The question is: Will the St. Louis-based company keep a unique service that the Texas bank recently put in gear?

Last month, Amarillo started delivering banking services to its customers' doorsteps. After applications for loans and new accounts are taken over the phone, bank employees deliver prepared papers to customers' homes for their signatures.

"In the past some banks have had this for special customers," said Sharon Brown, senior vice president of marketing at First Amarillo, "but our purpose is to begin the total shift to total banking by phone."

The program, known as the "Ultimate Fast Offer," began six weeks ago as a promotion for new checking accounts. But Ms. Brown said the bank will offer almost all of its services for delivery.

But the delivery service is not for everyone. Ms. Brown said that about 60% of customers have chosen to drop in at the bank because the forms are prepared and they know they won't have to wait in line.



UFO SIGHTING: Print ads help customers identify First Amarillo's "Ultimate Fast Offer."

The service builds on a program Amarillo started in 1991 – a mobile branch in a double-decker bus, "Bob the Bankwagon," which features an automated teller machine and a full-service teller.

"The Amarillo market is very competitive, and we've had to work hard to keep introducing new products and services," Ms. Brown said. "The public is so barraged by different bank promotions that we needed something really unique."

First Amarillo saw its share of deposits in the Amarillo area grow to 30.4% in 1992 from 26.2% in 1991, widening its lead in the market. As of June 30, its return on average assets was a healthy 1.7%

Says Takeover Won't Change Approach

These results were strong enough for Boatmen's Bancshares to agree in July to purchase the bank in a stock swap valued at roughly $175 million.

Don Powell, First Amarillo's chairman and chief executive, said the takeover will not change the bank's aggressive community banking approach.

Chris Williston, president of the Independent Bankers Association of Texas, agrees.

The deal will be "as transparent as any merger can be as far as business as usual," he said.

Mr. Powell likens his bank's delivery services to those pioneered by Domino's Pizza. "Looking at what First Amarillo did, I think the same is going to be true in banking through the telephone and television," he said.

And this step toward the future has also been relatively inexpensive, he added. Thirty drivers, drawn from among the bank's 400 employees, perform the deliveries – often on their way home or to lunch. All bank officers are required to make two or three deliveries per week, Ms. Brown said.

A Unique Situation

Mr. Williston, the trade group president, said he does not see home delivery as the wave of the future, viewing the program rather as a reaction to the unique spread-out nature of Amarillo's metropolitan area. Elsewhere, he said, the higher concentration of ATMs would undercut the appeal of the program.

But the program might have repercussions beyond the marketing gains. Mr. Powell said the bank already has seen an increase in the number of homebound customers who previously would have found it difficult to open an account. And he hopes the program will reach into areas that have few banking services.

The program also "is helping us in changing the mindset of our employees to make everything easier for the customer," Ms. Brown said.

Mr. Schoenke writes for the Medill News Service.

Q: What type of positions are you trying to fill?



ORSON OLIVER
President
Mid-America Bancorp
Louisville, Ky.

We've gone outside the industry. We just hired a fellow to run our commercial loan operation, who has no lending experience. We also just hired a new general counsel. The only relationship he had with a bank was his checking account. He was the general counsel with Brown Williamson Tobacco.

We needed a general counsel and this guy has one of the finest legal minds I have ever worked with. He has given a whole new perspective to running a bank as a business instead of just a bank.

The way we view the world of banking today is things are changing so rapidly that if we become aware of a very good person that has a special expertise we are willing to talk with him. To compete in today's marketplace we've got to be more agile than the big guys. □



WILLIAM C. ENLOE
President
Los Alamos (N.M.) National Bank

None. We are just on hold as far as employees go. It's not a freeze, we are just replacing turnover. They are bookkeeping, teller, and secretarial-type positions.

We are in a one-industry town, Los Alamos National Laboratory. When they are hiring we have turnover. That's how it works; it's real simple.

It is not our officers, it is the secretaries, bookkeepers, and tellers. We are close to them in the pay area, but not in benefits: five weeks' vacation, 100% of their medical insurance, which includes life insurance.

It is a constant battle when they are hiring to keep good employees with the bank. Private business just can't compete. □



WILLIAM R. FURBEE
President, chief executive
Equitable Savings and Loan
Sterling, Colo.

We recently added an executive vice president, who does everything the CEO does in his absence and functions as the chief lending office.

Our economy is the brightest in the country. We are a $150 million-asset company, and we are lending $100 million a year. We are going gangbusters.

We have to pretty well stay staffed up. There have been two others [hired], a branch office supervisor and a construction lending person. We intend to do more construction loans than we have done in the past.

The construction person comes from a large bank, Banc One, the executive vice president came from a small bank in Denver, and the branch supervisor was outside banking, although she had 27 years in banking. □

Most Unemployed Bankers Seek Bank Posts

By BILL ATKINSON

It takes more than tough examiners and truckloads of government regulations to force an unemployed banker to find a new line of work.

A study of 1,162 unemployed bankers who received outplacement assistance from Philadelphia-based Right Associates, shows that less than 10% opted for jobs outside of banking.

Of the 110 bankers who did so, 21% remained in a field related to banking, meaning they either took jobs at smaller banks or regulatory agencies, or became consultants to banks. Others became consultants (22%), entered the sales field (22%), joined nonprofit firms (13%), and entered the insurance industry (5%).

Making the Most of Skills

"Most of the people say they are going to capitalize on their existing skills," said Joseph T. Smith, chief operating officer with Right, who noted that he was not surprised by the number. "There is instability in every industry. The individuals whom we work with . . . don't want to leave the industry where all of their skill sets are."

The study by Right, "Career Transitions in the Banking Industry 1990-1992," examined the careers of bankers who received outplacement services from the firm.

In a study of 1,162 bankers, fewer than 10% changed fields.

Jobs Take Longer to Find

Unemployed bankers who were under 40 years old were most likely to find jobs more quickly than bankers over 40, according to the study. In 1992, it took a banker under 40 years old 27 weeks to find a new job, compared with 29 weeks for bankers between 40 and 49, and 35 weeks for bankers between 50 and 59.

The time required to find a new job increased from 1990 to 1992. The average increase was 5.6 weeks for bankers under 40, 3.4 weeks for bankers between 40 and 49, and 4.9 weeks for those aged 50 to 59.

Of the group of 1,162 bankers, 49% increased their income, 35% maintained income, and 46% saw their income decreased. Bankers under 40 were slightly more successful in getting raises than their older colleagues, the study said. Older bankers generally are paid higher salaries because they have more work experience.

Though the industry is contracting, Mr. Smith said banks are looking for people skilled in marketing and sales, in technology, and in launching new products.

He also said bankers who were once with larger institutions are finding homes with community banks.

"There is a great deal of appeal for the smaller, boutique banks that offer a great deal of personal attention," he said. □

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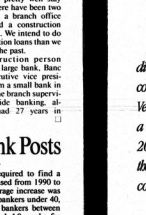
HIS CREDIT CARD COUNTERFEITING DAYS JUST BECAME NUMBERED.

Now, Visa's PaymentService 2000 helps stop magnetic stripe counterfeiting.

On April 1, 1993, Visa scored a direct hit against magnetic stripe counterfeiters. The Visa® Card Verification Value (CVV) Program, a key feature of PaymentService 2000, served notice to criminals that an all-out attack on counterfeiting had begun.

This major step forward allows Visa card issuers to validate that the contents of their cardholders' magnetic stripes have not been altered by counterfeiters.



Percentage of worldwide transactions checked by CVV.

In just three short months, the Visa CVV Program has allowed issuers to enjoy saving more than $30 million in potential counterfeit losses if the full open-to-buy had been compromised.



A value encoded in the stripe counterfeiters.

As transactions checked by CVV increase, Visa Members worldwide can anticipate even greater savings.

The message has been sent. Visa Members have a new weapon: CVV. Now, the guys who counterfeit stripes may soon be wearing them.

WHAT DO MEMBERS SAY?

"In the first few months of implementation, we have identified as much as $1.7 million of open-to-buy that had the potential of being fraud."
— John Totten, Senior Vice President and Chief Technology Officer, FirstCard

"Using CVV, we have blocked over 800 accounts, saving our institution millions in potential losses."
— Art Desloges, Director of Security Services, Citibank US Card Products

"Since CVV has been in place, we have significantly reduced our losses and are catching counterfeit card activity in less than a day."
— Michele Shalmon, Security Supervisor, Great Western Bank

"We have already experienced important savings since we implemented Visa's CVV Program."
— Rick Scully, Vice Chairman, First U.S.A. Bank

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Sheshunoff
High Performance Banking

Vendors and Agents Can Help You Track Down Waste

To learn about a bank's "spending culture," you don't need expert auditors. You can just talk to the people who sell to it and examine what is bought from them.

Sometimes you can learn of poor practices by accident. I was talking to an Amtrak agent who told me about the individual who regularly bought a first-class Metroliner ticket from Baltimore to Washington when for a quarter of the cost he could have taken a regular coach train that takes six minutes longer.

I asked where the traveler works. A major New York bank, I was told.



Weekly Adviser

By PAUL NADLER

One solution to this waste of bank money is to have an auditor go over every check the bank issues. But a companion step that some community bankers suggest is for management to get on friendly terms with the purchasing agents and vendors who sell the supplies that the bank buys.

Don't Be Obvious

Naturally a bank officer can't call up a purchasing agent and ask "Has my staff been buying unnecessary supplies?" or "Have my people been paying more than they should for services and goods you provide?"

Any purchasing agent who responds to those queries with specific examples of waste is bound to lose this account. You can be sure that the people who buy the supplies in the bank will find othes suppliers as soon as they find that the present agent is a snitch.

But there are positive ways that the same results can be accomplished.

Invite Them to Lunch

One positive step is to call in the manufacturers' reps and sales agents who service the bank and let them go through the organization to see if the bank is up-to-date.

Sit down with these reps, preferably at an informal lunch. Hear what they have to say about what the bank can use in the way of new products and services, or about where the bank's approach and equipment is obsolete because of new developments. You can learn a lot.

Purchasing agents say yhey love to tell the managers how the bank can become more efficient, as this cements the relationship.

An Executive Responsibility

Why does top management have to become involved?

Sometimes this is needed simply because the employees who now do the ordering do not feel they should take initiative, but should simply follow the orders issued to them when they took over the responsibility.

In other instances, the top management can see opportunities from discussion with manufacturers' reps that the staff people could not glean out of a discussion, due to their limited expertise and responsibility.

Get on friendly terms with the folks who sell what the bank buys.

Even in many of those cases where the manufacturers' rep knows that the bank has been ripped off by its own employee, it is likely that the rep will either talk directly or allude to the problem in an informal meeting.

A good rep knows that if the bank is being taken advantage of by its purchasing people, eventually this will be found out. Then the bank is likely both to fire the employee and break the relationship with the rep who allowed this to happen.

Cultural Issue

Finally, the managers of the bank must take the attitude that talking to the reps and salespeople is not just a case of looking for dishonesty.

Rather it involves probing to see if the entire bank culture needs changing.

How many banks have found that the staff looked at telephone calls as a free good until management found that they were getting so out of hand – like calls to Aunt Minnie in Hawaii – that the bank had to develop a system of control?

Talking to the people who service the bank can root out such attitudes in other areas of the organization to the benefit both of the bank and of the people who sell it the goods and services it uses. □

Mr. Nadler is a contributing editor of American Banker and professor of finance at the Rutgers University Graduate School of Management.

Send Us Your Ideas

Weekly Adviser is a forum for community bankers to share their concerns, problems, and solutions. You can participate by writing to:

Paul S. Nadler
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Responses will be printed in the column.

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North American's Chief Dodges Prepayment Bullet

By EDWARD KULKOSKY

People in the News

IN A RESTAURANT IN DALLAS almost 20 years ago, Lainie Kazan was singing and some businessmen in the front row were celebrating boisterously. Ms. Kazan asked them what the occasion was.

"Why, we've just introduced the biggest carwash machine in the world," their leader replied.

Terrance Hodel was also in the audience that night, and he says he thought to himself, God, am I lucky to be in the mortgage business.

Today, Mr. Hodel, 50, is president and chief operating officer of North American Mortgage Corp. of Santa Rosa, Calif. He joined the company in 1979 when it was called Wells Fargo Mortgage Co. And he is still utterly delighted to be in mortgages.

"Last year was the most extraordinary year I've ever had in the mortgage business," he said. "Our originations grew so much that we've reached a level that we never even dreamed of in the past. And we went public at the same time."

This year hasn't exactly been a downer for Mr. Hodel, either. Securities analysts have become enamored of North American's stock, and the shares have been riding high, trading recently at about $26.50. The company went public at $11.50 a share last year.

In the second quarter, the company earned a record $13.1 million, up 67% from profits in the quarter a year earlier. For the first half, profits have climbed about 50%. And loan originations continue to soar, reaching about $7 billion in the half, up about 40%.



Terrance Hodel

North American has also managed to escape, at least in part, the prepayments that have been plaguing the mortgage business this year as the obverse of the refinancing boom. And Mr. Hodel says modestly that a certain amount of luck was involved.

"Our theory is that our main business is producing a servicing contract," he explains. "It's an investment decision whether or you want to keep that contract or sell it. We want to remain flexible."

'We Made the Right Choice'

That investment decision last year was to sell about 40% of its servicing. And currently, it is selling 40% to 45%. The sales have helped insulate North American against a severe prepayment drain.

"In retrospect, we made the right choice," Mr. Hodel says. But we now intend to further build our servicing portfolio."

Limited Effect on Earnings

Mr. Hodel adds that much of the retained rights are on loans originated by North American. Since such rights are not carried on the books as assets, the runoff has only limited impact on earnings.

One of the secrets of North American's success has been its aggressive at telemarketing, and Mr. Hodel says he is expanding those efforts: "Basically, we have added loan officers and added systems. And we are doing more outbound calling – you know, those people who always call you at dinner."

Ginnie Mae Remics Seen Bringing Tiny Price Cut on FHA, VA Loans

By SNIGDHA PRAKASH

WASHINGTON — Lenders expect Ginnie Mae's proposed Remic program to slightly reduce the cost of Federal Housing Administration and Veterans Administration home loans.

William R. Godfrey, senior vice president of All Pacific Mortgage Co., estimated that the Remic – the acronym stands for real estate mortgage investment conduit – would cut the discount points that borrowers pay on government loans by a quarter of a point.

John S. Philips, senior vice president of Crestar Mortgage Corp., agreed.

That decrease – about $250 on a $100,000 loan – would also slightly raise the volume of government-insured loans, lenders said. "It's not enough to get too excited about. It's what it is – a quarter of a point," said Mr. Philips.

New Authority

Ginnie Mae securities are pools of loans insured by the Federal Home Administration and the Veterans Administration.

Earlier this month, Congress gave the Government National Mortgage Association new authority to issue Remics.

Remics are made by pooling pass-through mortgage-backed securities and carving up their cash flow into securities with many different maturities.

The Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. each pool their securities into Remics. In addition, Fannie Mae and Freddie Mac have also issued Remics made up of Ginnie Mae securities.

"What a Remic allows you to do is chop up cash flow to meet different investor needs. There-

The saving would come to about $250 on a $100,000 loan.

fore, you increase demand for the underlying security," explained Debbie Cohen, vice president of MBS capital markets at Fannie Mae.

Higher demand for Ginnie Mae securities will pull up their price and push down the interest rates that consumers pay on the loans that make up the securities, said Ms. Cohen.

Further Changes Foreseen

In addition to cutting loan rates, the Remic should lead to some changes in the underlying Ginnie Mae security, said Robert O'Toole of the Mortgage Bankers Association. The trade group is discussing these with Ginnie Mae staff, but Mr. O'Toole declined to elaborate.

The next announcement from Ginnie is likely to come in the form of a request for bids to run the Remic program.

With only four additional staff members budgeted to administer the new Remic, it appears that most of the sophisticated financial modeling and administration of the program will be done outside the government agency.

A Role for Other Agencies?

The obvious choices would be companies such as Fannie Mae, Freddie Mac, and Wall Street firms that are heavily into the Remic business.

Ms. Cohen, who is a chief architect of Fannie's Remic program, would not comment on whether Fannie Mae is talking to Ginnie Mae about running the new Remic.

Freddie Mac officials were not available for comment.

Once Ginnie Mae requests bids to run the Remic program, it will likely be another four to five months before a company is chosen and submits a detailed Remic plan to Ginnie Mae, Mr. O'Toole said.

"Unfortunately, I think they're going to get bogged down in contracting," he said. "Our feeling all along is that it's a good thing, and they should get on with it." □

Second Insurer Unveils Plan to Cut Closing Costs

By JAMES H. SAPT

Mortgage Guaranty Insurance Corp., Milwaukee, announced last week a premium payment plan that will enable borrowers to sharply cut closing costs.

The plan will allow consumers to pay only one month's mortgage insurance premium at closing, as opposed to the payment of a full year's premium heretofore been Mortgage Guaranty's standard.

Mortgage insurance is typically required on mortgages with down payments of less than 20%. It insures the lender for the difference between the actual down payment and 20%.

GE Capital Mortgage Insurance Corp., Raleigh, N.C., inaugurated a similar program in late June.

Under the program, borrowers will make monthly mortgage insurance payments as part of their monthly mortgage payment.

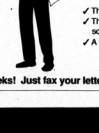
Mortgage Guaranty is following a trail blazed by a GE unit.

Mortgage Guarantee feels the program, which would be available to all its customers, could cut by up to 95% the amount of cash needed by consumers at closing.

GE's program is available only through lenders that have computer-to-computer access to GE Capital Mortgage.

Both Fannie Mae and Freddie Mac, the secondary-market agencies, have approved the program, which is expected to be available starting Sept. 1. □

"Please find out about this structured finance deal and get back to me."



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First Tennessee to Enter Top Ranks With Purchase of MNC Subsidiary

Continued from page 1

the MNC unit to overcome stiff competition, Ronald Terry, chairman of First Tennessee National, said there were at least 30 other bidders.

What's more, Maryland National Mortgage may not be the last mortgage-industry acquisition First Tennessee makes. "We'd like to expand outside our originations business outside of the Mid-Atlantic and Midsouth," said Mr. Terry.

The buyer would join the top 50 in originations.

Boost for Fee Income

The purchase will add considerably to the bank's fee-based income. Noninterest income, generated largely by the company's bond, trust, and check-cashing departments, provided about 40% of total revenue last year.

With Maryland National Mortgage's 1992 results factored in, the proportion of total revenues derived from noninterest income would have been 47%.

"It's a good strategic acquisition with a neutral near-term effect," said Peter Tuz, an analyst with Memphis-based Morgan Keegan & Co. Mr. Tuz said he believes the purchase will have a negligible effect on 1994 earnings as First Tennessee tries to expand the MNC unit's servicing portfolio and originations.

Mixed Reaction

John Leonard, an analyst at Salomon Brothers, also sees the acquisition as a sound strategic decision, though he had a mixed reaction to the company acquired and price paid.

Mr. Leonard said he thinks that the relatively high average coupon, around 8.25%, of Maryland National Mortgage's servicing portfolio may leave it vulnerable to prepayments.

"Also," he said, "there was not as strong profitability as I might have liked to have seen, given the positive environment for mortgage banks."

In buying Maryland National Mortgage, First Tennessee will get a company that originated $3.3 billion of mortgages last year. The figure for first-half 1993 was $1.3 billion.

Maryland National operates offices in Maryland, Pennsylvania, New Jersey, Virginia, Delaware, and Colorado.

First Tennessee's mortgage unit originated $500 million last year. It had a servicing portfolio of $2.3 billion.

The price is subject to adjustment for certain assets and liabilities at closing, according to a First Tennessee statement. □

Interest on 30-Year Fixed Loans Falls To 7.11%; 15-Year Rate Dips to 6.69%

The national average interest rate on 30-year fixed-rate, mortgages plunged last week to 7.11%, from 7.19% last week and 7.24% two weeks ago.

Preliminary figures from a weekly survey by HSH Associates of Butler, N.J., also showed that points charged on such loans averaged 1.27%, down from 1.37% last week.

The Washington, D.C., area again had the lowest rate, falling below the 7% mark to 6.98%, from 7.06% a week ago.

Minneapolis Points Are Low

Minneapolis was the most expensive area at 7.24%, down from 7.28%, but showed relatively low average points of 1%, essentially unchanged.

The national average for 15-year fixed loans was 6.69%, down from 6.73%, while one-year adjustables averaged 4.32%, down from 4.35%.

— Edward Kulkosky

Wilmington Trust Offers FmHA Loans

WILMINGTON, Del. — Wilmington Trust Co. said it has been named an approved lender in Delaware for residential mortgage loans guaranteed by the Farmers Home Administration.

Under the program, individuals and families with low or moderate incomes may qualify for 100% financing to purchase or build a house in a rural area, which is a defined population center of 10,000 people or less.

All of Sussex, most of Kent, and a portion of New Castle Counties are eligible for these loans.

This program is designed to help people who lack the down payment normally required by most conventional mortgage loans.

Mortgages originated by Wilmington Trust and guaranteed by the administration do not require a down payment and are at fixed interest rates for terms of 30 years.

Bankers are Bullish on Mutual Funds



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Job Is to Educate, Financial Planner Says

Few banks have financial planners on staff. Portage National Bank, a $100 million-asset community bank in Portage, Pa., is an exception.

In January 1992 the bank recruited James H. Campbell Jr., a certified financial planner who had been a trust officer for five years at Mid-State Bank and Trust, Altoona, Pa.

His mission at Portage: to build a trust department from scratch by helping customers set and reach long-term financial goals. Under his leadership, the bank has built its trust business to more than $40 million on assets under management.

Mr. Campbell recently chatted with freelance writer Deidre Sullivan about how financial planning fits in at his bank.

Q&A

Q: Financial planners are something of a rarity at banks. How did you arrive at Portage?
CAMPBELL: I've worked in other areas of financial services industry. Frankly, I liked the way banks did business. The level of trust and comfort that the average person has with a bank is high. They have confidence walking in the door.

"In many cases, people are better off with CDs."

At a bank, the financial planning process doesn't seem so sales driven. It should be solution driven. This means allowing that client to go other parts of the bank, or elsewhere if they have to.

Q: What kind of customers do you serve?
CAMPBELL: We concentrate on investment accounts. My role is to take a customer from "What is your concern or problem?" to the solution.

That's where financial planning comes in. Customers usually come to my office [through referrals from] lending officers, consumer loan officers, and our customer service representatives. The employee who gives us a referral that results in closed business can receive an incentive payment.

Q: When you say trust, are you serving high-net-worth individuals or a broader range?
CAMPBELL: We serve a range. The minimum investment to open a trust account is $25,000. In many cases, we've attracted money or retained dollars that would have gone out to mutual fund companies.

Q: Are mutual fund companies, then, your biggest competition?
CAMPBELL: Definitely. They have the ability to put a lot dollars into advertising and information pieces that illustrate what kind of yields are available.

Sometimes people go out and buy funds, but they don't know what they are getting into.

Our job is to try to educate people. In many cases people are better off with certificates of deposit. We help them clarify their objectives.

Q: Do you sell financial planning as a stand-alone service?
CAMPBELL: We don't offer it as a service per se, although we have helped a few customers in this way. We consider financial planning a foundation for all activities in our trust department.

If someone comes in with a concern, we use those skills that financial planning gives us to arrive at a solution. Sometimes it means that they shouldn't work with us and we accept that, too.

We help customers "clarify their objectives."
James H. Campbell Jr.
Portage (Pa.) National Bank

We are currently working on a program that will allow us to do more comprehensive planning. But we want to avoid going out and buying a computer program from one of the vendors. We want something that is more customized to what we feel is appropriate.

Q: If financial planning undergirds trust, how do you communicate this to different segments of your customer base?
CAMPBELL: We haven't segmented our communications efforts to a high degree, because we are so new. Frankly, there is a lot of business out there that we could go after without having to do that type of advertising at this time. That is somewhere down the road.

Q: How have you been received so far?
CAMPBELL: I think very well. If you look at the cross-section of our accounts, you'll see smaller, middle, and larger accounts.

We feel very comfortable with the fact that we've often got multiple accounts with the same family or person. This means we are doing something right. □

Your customers will soon be convinced that this is a checkbook.

Let us explain. You see, while the banking industry has recognized the potential of debit cards, your customers are not necessarily familiar with their benefits. So to make sure they fully understand what debit cards offer them, we've taken a couple of important steps.

First, we've changed the name of the Visa® debit card to the Visa® check card. Now, from the name alone, consumers will have a better idea of what the card is and how it works at the point of sale.

Visa Check Card gains momentum

And second, we're introducing "The New Shape of Checking," a comprehensive nationwide consumer education initiative. Simply put, this program is designed to help you educate your customers about the what, where, why and how of the Visa check card and Interlink® service.

A blend of public relations and promotional efforts, the program will feature a consumer handbook on responsible use of the Visa check card and Interlink, new modules of our Choices and Decisions educational materials which focus on Visa check card and Interlink, and consumer advocacy forums to advance consumers' awareness and understanding of how these services work.

We're also helping members educate their customers on a local level.

To achieve that goal, we've created "The New Shape of Checking" member kit.

Included in the kit are an 18-month marketing support schedule, sample consumer advertising materials, a program brochure, in-branch promotional support and a video explaining the Visa check card and Interlink educational programs.

When your customers discover through this program how convenient Visa check card and Interlink are to use, they will seem as simple and indispensable as the common checkbook.

So, to help get your customers interested, order "The New Shape of Checking" member kit today—just call 1-800-VISA-311. Or, for more information on how to become a Visa check card or Interlink issuer, call your Visa Member Relations Account Executive at 703-827-8404 in McLean, Virginia, or at 415-570-2120 in San Mateo, California.

Either way, take advantage of "The New Shape of Checking" program. Both you and your customers will find it very convincing.

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CUSTOMER SINCE 1989
GOOD THRU 12/95
E-VISA

INTERLINK

VISA

Shawmut Revving Up 2 Tax-Free Money Market Funds

By KALEN HOLLIDAY

Catering to consumers' cravings for tax-free products, Shawmut Bank will roll out two new municipal money market funds next month.

"There has been a lot of demand in tax-exempts," said Robert Shurman, Shawmut's senior vice president for mutual funds. Mr. Shurman credited President Clinton's tax program with spurring the bank's decision to expand its product line.

To meet customers' needs, the Boston-based bank will introduce the Shawmut Massachusetts and Shawmut Connecticut Municipal Money Market Funds at the end of September.

The bank launched intermediate municipal income funds for Massachusetts and Connecticut customers in June.

Mr. Shurman expects that "more and more people will start moving toward tax-free investments," especially after seeing how the new tax plan affects them.

Annuities Planned

While customers may not recognize the benefit of shelters until tax time, Shawmut wants to be ready when they do.

The bank is scheduled to offer both fixed and variable annuity funds in the fourth quarter, Mr. Shurman said.

Federated Securities Corp. is the principal distributor for the banks' funds.

* * *

Wall St. Investor Services Offering Chase Family

Wall Street Investor Services has added Chase Manhattan Bank's Vista family of mutual funds to its product list and is in discussions with about a half dozen other banks.

Wall Street Investor, which sets up mutual fund marketing programs in banks, began offering the Vista funds in February without fanfare. It marks the first time that the New York company has offered bank-managed funds to its 60 client banks.

The Vista funds were chosen because of the impressive returns they have delivered in recent years, said Eric Alexander, Wall Street Investor's executive vice president.

"They've certainly garnered consumer awareness because of their performance," he said.

Among the banks that Wall Street Investor is talking with is U.S. Trust Company of New York, which acts as investment adviser to the UST Master Funds.

Multiple Channels

For its part, Chase sees the agreement with Wall Street Investor as a natural extension of already ambitious marketing efforts.

Chase offers its funds through a number of internal channels, including in branches through a marketing agreement with GNA Corp., Seattle.

Externally, Vista funds are available through CoreLink, a Concord, Ca., third-party marketer that recently signed up its first two bank clients. CoreLink includes among its product offerings bank-run mutual funds, including Vista, that are distributed by its chief investor, Concord Financial.

Brokerages such as Charles Schwab and Smith Barney also offer Vista funds.

— **Karen Talley**

* * *

Wellington Is Subadviser On 2 Midlantic Products

Midlantic National Bank has selected Wellington Management Co. to serve as subadviser for two of its Compass family of mutual funds.

Wellington will provide investment management advice for the Compass Equity Income and Compass Growth funds. Midlantic, based in Edison, N.J., serves as investment adviser for the funds, part of its Compass family of 15 funds.

Wellington, based in Valley Forge, Pa., advises more than 100 mutual fund portfolios with $75 billion in assets, including several funds distributed by the Vanguard Group, also of Valley Forge.

As subadviser for the two Compass funds, Wellington will be responsible for selecting equity securities that meet Midlantic's investment objectives for the funds.

Track Record Cited

Barbara Z. Parker, head of Midlantic's trust and financial management division, said Wellington was chosen because of its "long-term track record of delivering solid investment performance in all types of markets."

The Compass funds, launched in 1988, have $2 billion in assets under management. They are offered through licensed representatives located in all of Midlantic's branches. More than 10,000 investors own shares in the funds.

Midlantic uses subadvisers on three other funds: Fisher Investments for the Agressive Equity fund; Seligman Henderson Co. for the International Equity fund; and Morgan Grenfell for the International Fixed Income fund.

The bank is a subsidiary of Midlantic Corp., a $13.8 billion-asset holding company.

— **Debra Cope**

Banc One, Fifth Third Plan Major Tests Of Cobranded Cards at Supermarkets

By LISA FICKENSCHER

The separate worlds of supermarkets and credit cards are merging fast, and two Ohio banking companies are at the forefront of the movement.

Early this fall, Banc One Corp. plans to begin testing MasterCard and Visa cards in 60 midwestern supermarkets in a joint venture with Advanced Promotion Technologies, a Pompano Beach, Fla., electronic marketing company.

Meanwhile, Fifth Third Bancorp and the Kroger Co., the nation's No. 1 supermarket chain, will test-market a cobranded MasterCard in Texas. Mailings to consumers began Aug. 16, according to an official at the bank.

Marketing

The two approaches utilize different technologies and offer different cardholder incentives. But each card is unique in that it will give customers benefits for using it outside of the cobranding partnership.

They are also raising the intensity of the bank-supermarket courtship, which until recently revolved mainly around check-cashing relationships and debit card systems.

"There is a tremendous amount of banking going on at supermarkets," said Jerome Svigals, publisher of *Smart Cards and Comments*, a newsletter in Redwood City, Calif. "For instance, more transactions like check cashing occur at supermarkets than banks."

Mr. Svigals believes it is significant that Banc One, historically a bellwether of credit card innovation, sees supermarkets as a next frontier. It is also incorporating cards with computer chips inside – the "smart cards" that Mr. Svigals advocates – into its program with Advanced Promotion Technologies.



RETAILING SMARTS: This Advanced Promotion Technologies device can read cards with embedded chips.

Fertile Ground

The $286 billion supermarket industry is attractive to banks because it is the biggest merchant category that is not significantly penetrated by credit cards. In all, 39% of supermarkets accept credit cards, up from 17% in 1989. Research indicates that at least 20% of supermarket shoppers would use a credit card to pay for their purchases.

Supermarkets, on the other hand, are drawn to bank cards in order to remain competitive with nonfood retailers. Grocery chains, especially those with large "super stores," have expanded into nonfood lines such as electronic appliances, cosmetics, clothing, and other products for which consumers are accustomed to paying with credit cards.

The growth in supermarket credit-card usage, for food or other merchandise, also dovetails with the move to debit transactions using regional automated teller machine cards or systems operated by MasterCard or Visa.

The supermarket card of Bank One Columbus – the first U.S. MasterCard or Visa with the computer chip – will be co-branded with Advanced Promotion Technology's Vision Value Club.

Data for 'Micromarketing'

The existing Vision Value card tracks frequent-shopper points and accumulates data on customer preferences that stores use for "micromarketing." For example, a buyer of a given brand of laundry soap might get a coupon to encourage the purchase of a related brand of bleach.

Frequent-shopper points can be applied toward a free gift from a catalogue. The gifts range from sunglasses to bicycles, which would cost 82,500 points.

Twenty points are granted by the manufacturer for every dollar spent on a participating product or brand. APT adds one point to every dollar spent at the store.

Banc One will also give a point for each dollar spent anywhere on its more widely usable MasterCard and Visa cards.

The Vision Value card was tested in 1989 and is currently established in five supermarket chains in Ohio, Alabama, Minnesota, Wisconsin, New Mexico, Iowa, and Illinois.

Thousands of Stores Targeted

Nearly 800 more stores have committed to install the computer terminals necessary to read the smart card. The venture hopes to sign up several thousand stores nationwide.

APT is responsible for keeping track of the total number of points, but Bank One tallies the points earned outside of the participating stores, passing the information along to APT.

In a slightly different approach to retaining customers, the Fifth Third-Kroger card is geared toward rewarding loyalty with free groceries instead of catalogue gifts.

"There is more instant gratification with our program," said Tim Ballinger, senior vice president of Fifth Third Bank in Cincinnati.

Kroger cardholders can earn up to $500 in store rebates. These can be redeemed immediately at the point of sale or can be taken in a lump sum at the end of the year and spent in any way the customer chooses.

Customers will also receive coupons for Kroger merchandise in their monthly credit card statements.

And by the end of the year, Mr. Ballinger expects an electronic couponing program to be in place, which will automatically give discounts for promotional items when a bar code that is swiped over the scanner.

Banc One gives frequent-shopper points that can be exchanged for a gift from a catalogue.

Outside Merchants

The bar code also allows consumers to accumulate rebates without actually using the credit card to pay for groceries at Kroger stores.

Kroger has negotiated relationships that would give its cardholders discounts rebates for using selected merchants, such as a hotel chain or car rental agency.

The card comes in two versions – gold at 2.9% over the prime rate and silver at 8.9% over prime. Neither has an an annual fee.

Bank One is not yet disclosing its pricing, but an official said it will be offered with and without an annual fee. □

Looking to Enroll New Customers, AT&T Woos the College Crowd

By MICKEY MERCE

AT&T's giant credit card unit has joined the ranks of issuers who will be courting America's 12 million college students when they arrive for classes in the next couple of weeks.

AT&T Universal Card Services Corp. recently contracted with Philadelphia-based Campus Dimensions Inc. to set up promotional tables at more than 550 colleges and universities across the country.

Viewed as Growth Area

The Jacksonville, Fla.-based credit card arm of American Telephone and Telegraph Co. is counting on its no-fee-for-life offer and some unique educational features to be as attractive to students as its no-fee cards have been to the general population.

AT&T's representatives will be competing with national issuers – such as Citicorp, Household International, and Chase Manhattan Corp. – that regard college campuses as one of the few remaining fertile areas for account growth.

"It's the best market for rejuvenating the business," said Stephen Szekeley, vice president, credit card research, at Tampa, Fla.-based PSI. "The college student of today is a good credit card customer."

AT&T's college student cardholders will receive information on how to build credit history and on the importance of paying monthly bills. They will be shown how to calculate payments based on annual percentage rates, and what grace periods and credit lines are.

Trying to Foster Responsibility

"It's important that they learn to use [credit] responsibly," said Dotti Schechter, senior vice president of credit card marketing at AT&T.

She said AT&T has set the minimum payment on revolving accounts higher – 2.5% of the balance instead of 2.1% – to help students who choose to revolve their debt to pay off balances sooner.

Initially, she said, new college cardholders will be granted limited lines of credit, with the ceiling rising as students establish solid payment histories. At the first sign of delinquency, AT&T Universal Card will send out a customized letter reminding the student of the importance of good credit.

Like AT&T's standard cards, the AT&T Universal MasterCard for students has no annual fee and a 15.9% variable interest rate. The card also functions as a calling card and automated teller card.

College students were targeted first in 1978 by American Express Travel Related Services.

Over time, American Express found students to be some of its best and most loyal customers, a spokeswoman said. Because American Express charge card customers pay their balances in full, she said, there's no danger of a student spending to the limit and paying minimum balances.

Students will get information on building credit history and on the importance of paying monthly.

Bank card issuers initially saw limited potential in college programs, thinking profits would be too slim because students had limited funds and would carry small balances.

But that view has changed, said Bernard Pasierb, senior vice president of Financial Reserve Corp., an East Haven, Conn., firm that has marketed cards to students for American Express, Chase, and Chemical Banking Corp.

"Over time the major issuers have become confident with the risk associated with the market."

Rather than do mass mailings, many issuers set up booths and take-one displays in bookstores and common areas and on bulletin boards. Students are more likely to become interested in the product this way, Mr. Pasierb said. "You're getting to them where they live, where they go to school."

'Can They Handle It?'

But there is a downside. "They are being inundated with a lot of offers," he said. "Yes, it represents a fertile market, but as people start getting presented with more offers, the question becomes, Can they handle it?"

The cost per card is higher at the outset, Mr. Pasierb said, because students move around a lot. Also, issuers may lose some customers who sign up just for the promotion then cancel their cards.

Overall, however, he said credit card programs for college students can be profitable – and establish banking relationships that last for a lifetime. □

MasterCard, Visa Turn Up the Volume in Debit Marketing

By STEPHEN KLEGGE

The public relations war over who has the best debit card program escalated last week with competing announcements by MasterCard International and Visa USA.

MasterCard staged the first transcontinental purchases with its Maestro card, underscoring the advances it has made internationally in a joint venture with Europay International.

Visa responded by announcing that volume on its debit cards in the United States had reached one million transactions a day – underscoring the fact that its programs here are larger than MasterCard's.

Maestro Acceptance Tested

With the cameras rolling, R. Bernard J. van Eldik, the chairman of Europay International, toured Osage Beach, Mo., Tuesday, using Maestro cards issued by banks in Holland to make purchases at a McDonald's, a Benneton store, and a Baskin-Robbins outlet. The chain outlets in the resort community are conducting a test of Maestro acceptance.

The online debit unit of MasterCard hopes to close the gap on Visa's competing Interlink program, which is more than twice Maestro's size in acceptance by U.S. merchants.

The Maestro card is tops in Europe, while Interlink sets the pace here.

The message is that merchants who accept Maestro will attract business from overseas tourists.

Big European Customer Base

"There is a huge customer base coming from Europe, and they would like to use" their Maestro cards, Mr. van Eldik said. The program is "taking off very rapidly" in Latin America, Australia, and Kuala Lumpur among other places, he said.

Maestro formed a joint venture with Europay a year ago that has linked together local debit programs to "internationalize" an existing market, said Mr. van Eldik.

He was chairman of Maestro International until last Monday, when MasterCard International president Alex W. Hart assumed the title.

Europe Leading U.S.

Maestro now reports that banks have committed to issue 100.4 million of its cards, including 66.2 million in Europe.

Mr. van Eldik said online debit cards have advanced more rapidly on the continent than in the United States.

One reason is that credit cards are more exclusive there, and the option of deferred payment is less of a factor in the consumers' shopping choices, he said.

Security Is Found in PINs

Consumers consider it an advantage not to have to carry cash, and they like the security of using personal identification numbers to draw on their checking accounts for purchases, he said.

Mr. van Eldik said 220,600 of the 276,800 point of sale terminals that permit Maestro acceptance are in Europe. About 9,600 U.S. merchant outlets have agreed to accept Maestro.

MasterCard cited the strong gains it has made on the international front through its joint venture with Europay, while Visa pointed to its million domestic transactions a day.

Peter Gustafson, a Visa senior vice president, said visitors from Europe already use their offline Visa Debit cards for 67,000 transactions a day in the United States. He said the cards have the advantage of wider acceptance than an online card.

"The traveler from Europe could be using a Maestro card at a fast food restaurant, but that doesn't exactly hit the home run" that the offline Visa card does, Mr. Gustafson said.

MasterCard offers an offline card – the MasterDebit card – but the association is emphasizing the online product.

Visa said the use of its debit cards had doubled in two years to reach the million-sales-a-day threshold. Visa offers an offline card that is accepted at all the merchant outlets that accept Visa credit cards, as well as the Interlink brand of online cards accepted at about 20,000 outlets in the U.S..

Banks have issued 32 million offline Visa Check and online Interlink cards, and projects 100 million of its cards will be in circulation by the end of 1996. □

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WASHINGTON *Monday*

A weekly feature

CEO of the Community Preservation Corp. Tries to Build on His Institution's Success

Michael D. Lappin is president and chief executive of the not-for-profit Community Preservation Corp., which he says is the nation's biggest building operation for low cost.

The organization, which is based in New York City, was founded in 1974 and currently is sponsored by 50 banks and insurance companies.

The institution hasn't suffered a loss, and it has helped to rehabilitate and build 34,000 units of housing with more than $1 billion in public and private investment. It also is managing a loan consortium of 86 banks in upstate New York.

Mr. Lappin visited the American Banker *bureau last week while in Washington trying to persuade agencies such as Fannie Mae and Freddie Mac to guarantee the loans underwritten by his operation and others like it.*

Q&A

Q.: You have quite a few foreign banks as sponsors, don't you?

LAPPIN: That's a recent development. We opened up membership about four or five years ago.

Q.: How does one join up?

LAPPIN: You have to make a contribution and then you have to participate in our credit facilities – a $144 million construction credit facility and a permanent credit facility.

The minimum contribution to is $15,000, plus $450,000 of each line of credit. Chemical Bank is our largest investor. They provide about $30 million.

Q.: Who are your customers?

LAPPIN: Small borrowers, lots of recent immigrants who own, say, a 40-unit dilapidated building in the South Bronx and want to renovate it. We not only provide credit, but help obtain timely approval by the building departments and other help.

Q.: That sounds like a lot of work. How many people do you have working for you?

LAPPIN: Forty. In many cases, public subsidies are available for the borrower, and we try to link these subsidies when proper.

There also are various tax abatements, and we understand them and weave them into the underwriting. We also do all the negotiating with the various public agencies that administer these diverse programs.



Michael D. Lappin
Heads "one-stop shop"

What we've done – and this is key to our success – has been to create a one-stop shop, where we work with the government and try to work many of these things out in advance.

For example, there is a program where the city will put in below-market money – in a secondary position to private money – to fix up old apartment houses.

So rather than the owner going to the city to make a separate application, we basically handle the application for them.

And there's a single commitment where we commit our funds and the public funds at the same time. There's a single closing. And there's one engineer that approves the requisitions. The public deposits all the funds with us. And so we manage that process for the city.

Q.: What rates do you charge on the loans?

LAPPIN: Market rates. The underwriting is conventional underwriting. It's bankable underwriting. A lot of our guys [bankers] say it's the best real estate portfolio in town.

We borrow from the banks at prime and lend at prime plus two. We price long-term financing off of Ginnie Mae.

Q.: Do the banks participate because they're trying to comply with the Community Reinvestment Act?

LAPPIN: It's a reasonable way to invest. Part of the reason may be CRA. But most tell me, "do what's best for the community."

Q.: Explain the lending process.

LAPPIN: We use the $144 million line of credit for construction loans. Simultaneously, we'll do a permanent takeout. The source of that can be the banks, in which case we'll issue them a privately placed mortgage-backed security, an unrated piece. A second source used a lot now is public pension funds.

New York City and New York State, together, have committed to purchase up to $550 million of whole loans from us on a forward basis if they get the State of New York Mortgage Agency, our local credit enhancement agency, to ensure these loans, which they do very readily.

They also commit at the date of construction to lock in a rate. The rate for a project that will be completed two years from now is 820 [8.20%] or 830 for 30 years, fixed-rate paper. It's a terrific deal.

Q.: What are you asking for down here in Washington?

LAPPIN: We think there is a way of doing nationally what we're doing in New York to allow pension funds and insurance companies and large institutional investors to purchase on a forward basis.

The institution has helped rehabilitate and build 34,000 housing units.

There are other organizations like ours around the country that do an excellent job but can't get long-term holders for this paper. That's what we're asking Freddie and Fannie about.

Also, if we had Freddie and Fannie, our institutional investors would take a lower yield.

PEOPLE

Lawyer for Thrift Trade Group Moving to Post at Fannie Mae

Wendy B. Samuel, regulatory counsel at Savings and Community Bankers of America, will be taking her briefcase to Fannie Mae at the end of the month.

On Aug. 30, Ms. Samuel will start work as the director of legislative analysis at the Federal National Mortgage Association. She will be working with the lobbying staff, analyzing proposed legislation, and drafting congressional testimony.

The trade group has not yet named a successor.

Ms. Samuel has worked for the thrift group for seven years, having worked at the National Council of Savings Institutions when it merged with the U.S. League of Savings Institutions last year to become SCBA.

Wendy B. Samuel will be director of legislative analysis.

Before that, she worked for nine years at the Federal Home Loan Bank Board writing regulations.

* * *

C. Howie Hodges stepped down as director of the ABA's Center for Community Development on Friday. He's left the trade group after six years to take a political post at the Commerce Department.

Right after Labor Day, he'll become assistant director for program development, in the department's minority business development agency.

Mr. Hodges had been under consideration for the post for seven months, a real roller-coaster ride of an experience, he said.

Deciding to leave the American Bankers Association was tough, he said, but giving up a "maybe a once-in-a-lifetime opportunity to serve" would have been even tougher.

The ABA has two executive search firms looking for a replacement to head its center, which works with bankers to improve their community lending initiatives.

* * *

Claire Buchan, who was a deputy assistant secretary for public affairs at Treasury during the Bush administration is in Downers Grove, which is a real place in Illinois, not a post-election mind-set.

She's now vice president of communications for ServiceMaster, a new position.

ServiceMaster owns and franchises businesses like Terminix, ChemLawn, and Merry Maids.

Crossland Deal Includes a Hefty Raise For FDIC's Caretaker Chief Executive

Richard Kraemer is about to get a big raise.

Mr. Kraemer, 49, is the man the Federal Deposit Insurance Corp. picked to run Crossland Federal Savings Bank when it nationalized the Brooklyn thrift in January 1992. He signed on for $200,000 a year, plus a $100,000 bonus.

Though upper bracket, it wasn't a flashy salary by Big Apple standards. But, then again, he was working for Uncle Sam.

Now the government is selling Crossland to a group of institutional investors, and it has worked out a deal with the private-sector owners that gives Mr. Kraemer $450,000 with annual bonuses up to $225,000, which is enough for a pretty fair lifestyle, even in New York.

The Inside Line

That's not all. According to the FDIC's prospectus for Crossland, if the investors sell the thrift, Mr. Kraemer gets a golden parachute equal to three years' salary and bonus, or more than $2 million.

Financial Inducements Needed

The FDIC's director of resolutions, Harrison Young, said the FDIC had to offer lucrative employment contracts to Crossland's top executives in order to keep them.



Richard Kraemer
Protected against downside

"It was hard to get people to stay at or come to Crossland," Mr. Young said.

He added that Mr. Kraemer would have to pay substantial taxes on his parachute income. "It's not quite the bonanza it looks like," Mr. Young said.

If Crossland is not sold but Mr. Kraemer is fired without cause or quits for good reason, then he will be paid a lump sum equal to 150% of his base salary multiplied by the number of years left in his contract. That could amount to a payment of more than $2 million.

When the deal is completed next week, Mr. Kraemer also will get the option to buy 238,660 shares or 1.72% of the recapitalized and privatized Crossland.

And what if Mr. Kraemer is disabled while employed by Crossland? The thrift must pay him $225,000 a year or half of his current base salary, whichever is greater, until he reaches the age of 65.

Mr. Kraemer, chairman and chief executive, is not the only Crossland official protected by the deal.

Promotion to President

George Kondos, Crossland's executive vice president since March 1992, will become president of the thrift when the transaction is concluded. As a result, Mr. Kondos, 45, will see his annual salary rise to $250,000 from $175,000. He, too, will be eligible for annual bonuses equal to half his base pay, or $125,000.

If the investors sell Crossland, Mr. Kondos also gets a golden parachute. His totals two years' salary and bonus, or $750,000.

And Mr. Kondos will get stock options to buy 83,300 shares or 0.6% of the company.

Mr. Kondos' employment contract runs for two years. If he is fired during that time or quits with good reason, then Crossland must pay him up to $750,000, depending how much time is left in his contract.

— **Barbara A. Rehm**

Opinion

Front Row on Washington

By Jim McTague

Let Congress Heed Lesson Of Double-Dealing Bias Testers

The mortgage-lender testing fiasco at the Department of Housing and Urban Development raises serious doubts about the government's hiring of outside contractors to do its police work.

As the Office of the Comptroller of the Currency readies a program of its own, it ought to seriously consider hiring its own testers or some local government agency to do what amounts to an undercover investigation.

If the Comptroller's office lacks the expertise to train testers, it could hire outside firms to do the work. This approach would help prevent the outrageous conflict of interest that has cropped up in the HUD program.

As discussed in this column last week, a group called the National Fair Housing Alliance was hired by HUD for $1 million to send testers masquerading as homebuyers into banks and mortgage companies in several cities to uncover discriminatory practices.

Testers Advising on Testers

The noble aim of the program has been subverted because the Alliance simultaneously has been negotiating with mortgage lenders like Sears to provide educational and technical services designed to protect them from testers.

(This reminds me of the kid with a rock offering to protect your windows.)

HUD informed me last week that it was looking into the complaint. In a prepared statement, Roberta Achtenberg, assistant secretary for fair housing and equal opportunity, said the Alliance has been asked for information on its talks with Sears, "so that a determination can be made as to whether any activities undertaken or proposed by NFHA would violate any FHEO policy."

Ms. Achtenberg defends testing in general because "it has

GOVERNMENT agencies need to approach fighting loan bias in a way that avoids the outrageous conflict of interest that has cropped up in the HUD program.

proven to be a most reliable and effective means of investigating whether a mortgage lending organization discriminates on the basis of race, color, religion, national origin, sex, familial status, or disability."

She also sees merit in the work of antibias consultants : "Education and technical assistance to mortgage lenders is also critical to ensure that they are aware of the Fair Housing Act's coverage so they can avoid taking discriminatory actions."

But, she adds, "The regulations governing this funding require that neither the testing organization nor individual testers hold any 'specific bias or conflict of interest which would prevent or limit his or her objectivity or fairness.' "

Many Questions Unanswered

We're glad HUD is looking into this, and we hope Congress will stick its nose into the affair too, because there are a lot of unanswered questions.

The Alliance was awarded the contract in late December, during the final days of the listless Bush administration. (This is a reason why former HUD Secretary Jack Kemp should be remembered as a good Congressback.) There was no press release and other bidders had to call to find out about it. No one had been promised. Why the secrecy?

The final paperwork wasn't completed and the Alliance didn't get its money until May 28. During the intervening period, the new HUD secretary, Henry Cisneros, announced that he would strengthen the testing program; and yet the Alliance was negotiating with Sears and claims HUD knew all about it.

How much did HUD really know and approve?

Ridding the industry of bias is a worthy goal. The crusade should be conducted in noble fashion. Congress should not permit the government's effort to degenerate into either a shakedown or a bounty hunt. □

Comment

By F. Simon Tolbert and Richard K. Kneipper

Instead of Complaining, Banks Should Look on the Bright Side of CRA

Although the banking industry's compliance with the Community Reinvestment Act has become the subject of intense government scrutiny and heated public debate, not much of anything said is positive.

While community organizations condemn the industry's track record of lending to low-income and moderate-income groups, the industry complains of both overregulation by the federal and state governments and virtual blackmail by community organizations protesting bank applications.

Regulatory agencies have criticized banks' CRA efforts and have significantly beefed up CRA enforcement. State legislatures (including New York's) have enacted mini-CRAs to encourage lending to the underprivileged.

Where's the Beef?

Articles and editorials appear daily debating the pros and cons of federal CRA policy. No one seems to believe that CRA is producing any significant results.

Congress seems gridlocked on CRA, which has become a political hot potato. Members of Congress who urge deregulation and relaxation of CRA are dismissed as unsympathetic to the needs of underprivileged Americans and as catering to a banking industry that has enjoyed record profits in recent times.

Worse, they risk alienating a voting constituency that condemns a perceived credit crunch and demands a responsive, consumer-oriented banking industry. Those members who urge heightened enforcement of CRA are accused of unfairly persecuting a banking industry already burdened by an enormous load of recent legislation and regulation.

Flurry of Bills

The Clinton administration and Congress continue to press for major CRA reform, although there is no consensus on what "reform" is appropriate. A flurry of CRA bills have been introduced this term, each advocating a different approach.

Various congressional sub-

SECTION 233 of FDICIA actually rewards banks for CRA efforts with a financial incentive for "greenlining."

committees are holding hearings to scrutinize the industry's compliance with CRA. Members of Congress lament the current state of affairs and urge their individual concepts of CRA reform.

Many of the proposals dwell on the negative aspects of CRA — more regulation, tougher examinations, higher penalties. These proposals seem to favor a bigger CRA stick compelling banks to lend more in underprivileged areas.

CRA is widely touted by bankers as the single most costly regulation imposed on the industry. Given the cost of the current CRA structure and the complaints over its inefficiency, is there any movement toward constructive CRA reform? If Congress is really serious about a positive CRA, it ought to put its money where its mouth is.

In a long-overlooked provision of the Federal Deposit Insurance Corporation Improvement Act of 1991, Congress agreed to do just that. Section 233 of the FDICIA, part of the Bank Enterprise Act, actually rewards banks for CRA efforts by creating a direct financial incentive for banks to "greenline," or extend credit in an identified economically troubled geographic area.

In this respect, section 233 represents a welcome carrot among the many sticks waved by Congress, the administration, and the regulatory agencies.

The act, comprising several isolated provisions within FDICIA, was the result of a bipartisan amendment to that legislation. Section 233 was written by Rep. Floyd H. Flake, D-N.Y., and Rep. Thomas J. Ridge, R-Pa. Added in the House Banking Committee in 1991 HR. 6, section 233 survived a floor challenge by Rep. Willis D. Gradison Jr., R-Ohio.

Although the Bank Enterprise Act survived the challenge by the narrowest of margins (205-204), the act ultimately died when HR 6 itself failed in November 1991.

The Bank Enterprise Act was reborn when it was added, at the insistence of the House of Representatives, to 1991 S 543, the bill that became FDICIA.

A Big 'Carrot'

Described by Rep. Ridge as a "market-oriented, incentive-based approach" to CRA re-

See **THERE IS** *next page*

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Comment

By F. Simon Tolbert and Richard K. Kneipper

There Is Some Good News on CRA Front

Continued from page 18

form, section 233 provides a direct financial reward to a bank that increases its lending in financially disadvantaged communities.

The act authorizes a deposit assessment credit equal to 5% of the bank's increase in qualifying loans (subject to a maximum credit of 20% of the bank's total deposit assessment). Section 233 also provides for the creation of a five-member Community Assessment Credit Board to administer the program.

Rep. Ridge argued that this federal investment in CRA would reap hundreds of millions of dollars in new investment activity in financially disadvantaged communities.

Funding Prevented

For some inexplicable reason, a bipartisan Congress that backed the Bank Enterprise Act's "carrot" approach to CRA chose never to implement it.

A loophole in the act prevented that section 233 would not become effective "until appropriations are specifically provided in advance." Congress never appropriated those funds. At most, in a July 1992 report, the House Committee on Appropriations recommended a meager $1 million "to begin preliminary study, design, and development of the Bank Enterprise Act."

Congress never explained why it neglected to fund its latest CRA reform legislation when it received bipartisan support from its members. It seems that, perhaps for political or budgetary reasons, Congress was willing to pass section 233 and take credit for CRA reform, but is not willing to fund it.

A bill introduced July 22 in effect told Congress to put up or shut up. The bill, HR 2707, in form, extends 233 provides a direct financial reward to a bank that increases its lending in financially disadvantaged communities.

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The bill seeks $382 million in funds – the same amount originally sought by the Clinton administration's community development proposal. HR 2707 directs $191 million – half of the total package – to fund the Bank Enterprise Act. The remainder would be used to fund a network of community development financial institutions.

CONGRESS NEVER explained why it neglected to fund its latest CRA reform.

HR 2707's funding of section 233 would provide for an immediate and tangible financial stimulus to aid financially distressed communities.

Banks serving such communities would have a significant financial incentive to increase lending in those communities, without enduring an additional layer of regulation. Section 233 seems to create an appropriate compromise to the controversy between those who urge less (or, at least, no further) regulation of banks and those that urge greater lending in financially distressed communities.

New Powers Proposed

HR 2707 contains several other significant provisions. Banks providing financial services to financially distressed communities would be provided insurance and securities powers. In addition, the bill provides for a safe harbor that immunizes banks from a CRA protest if the bank has received a CRA rating of "outstanding."

The bill also would create substantive regulatory performance-based standards for rating a bank's compliance with CRA.

The bottom line for Congress should be: Any legislation that leads to increased investment in financially disadvantaged communities is a positive CRA reform. By funding section 233, HR 2707 should do just that.

Before it invests in any more CRA sticks, Congress should ask itself whether the investment in these sticks will lead to a comparable increase in community investment. □



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Credit Suisse Reports Pretax Profit Up 67%

ZURICH — Credit Suisse, the main banking unit of CS Holding, said its pretax profit for the first half of the year rose 67%, to $1.6 billion.

The increase resulted from "favorable conditions" in the securities and foreign-exchange markets and from declining interest rates, the company said.

Included for the first time were the results of Swiss Volksbank, which Credit Suisse acquired earlier this year.

Separately, Swiss Volksbank said that its pretax profit rose 50% in the first half, to $171.6 million, including $18 million in extraordinary income derived from the takeover by Credit Suisse.

Credit Suisse said it expected "good" gross results in the second half of 1993, though the "need for provisions will again be substantial." □

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PADCO, Inc., an international housing and urban development consulting firm, and others specializing in USAID projects in Central Europe, has immediate openings in the following positions. Bank International assistance programs are identifying qualified candidates to fill intermittent (a few weeks each) and medium term (3 to 6 months) consulting positions in construction lending. The requests are predominantly for assignments in Eastern Europe, but interested candidates for other geographic regions are encouraged to present resumes as well.

Positions will vary and in-depth expertise in commercial real estate finance, especially residential construction lending is needed. Candidates should demonstrate knowledge of all aspects of construction lending from program and product development and design through origination, servicing and loan management. PADCO, Inc. is currently looking to fill one long-term (2 year) position in Poland, and three medium-term positions in Bulgaria. Consultant fees/stipends vary with position and experience. Individuals interested in these positions should submit a resume to:

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Washington, D.C. 20001
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AUCTION NOTICES

IN ACCORDANCE WITH THE PROVISIONS OF LAW, THERE IS HEREBY Unpaid Charges for which the undersigned, LONGWOOD STORAGE CORP., is entitled to a lien as warehouseman of the goods herein after described and stored at 400 South 2nd St., Brooklyn, New York AND DUE NOTICE of such having been given the owners of said property and all parties known to claim an interest therein, and the time specified in such notices for payment of such having Expired there will be sold at Public Auction at 400 South 2nd St., Brooklyn, New York on Wednesday, September 1, 1993 at 10:30 am or there after the forenoon of that day the following property: Household goods, personal effects and/or office furniture deposited by: Mc Gill, Linda; Lashley, Hughes; Hagans, Veronica; Witt, Betty; Martin, L.; Gibson, D.; Davis, J.; Zydeller, P.; Dendva, L.; Jackson, R.; Furtick, Kim; Sutton, S.; Rustjening, Carl Ewin; Mercer, Moodin, C.; Davis, J., Jacocks, M., Watson & Dorsey; Hilda,Scott; Cummings, Cheryl Delgada, Nilsa; Morquez, M.; Vasquez, Dagan G & A Brown; Dyer, M.; Williams, V. Taylor, Valerie; Estrada, Carmen; Jones, M.; Moore, F. Billups, D.; Kenneth, E.; Melendez, R.; McKnight, WM. Fox, D., Murphy, Alice; McNair, Samuel Allen Sued: All to be sold, separately, as a unit and described at the time of said sale. Should it be impossible to dispose of all these goods on Wednesday, September 1, 1993 the sale will be continued on every other Wednesday, Fred Kreiner Inc. Auct'r Lic #732421 As Agents.

By virtue of a default in a Security Agreement made by Jose Renato M Lopes to Birchwood Associates, 52 Chadwick Drive close upon and sell at Public Auction Sale on Tuesday, August 24th, 1993 at 4:30 P.M. at the law office of Harold I. Reichel 410 East Jericho Turnpike, Huntington New York 11501, the chattels of the aforementioned Security Agreement consisting of the proprietary lease covering Apartment 2B in the building located at 37-31 73rd Street Apt. 2B, Jackson Heights New York and 760 Shares of Capital Stock of 37-31 73rd Street Corporation, a domestic corporation.

The said property reserves the right to bid. FRANK E. SEIPP. Auct'r Lic #732234 of F.E.S. AUCTIONS INC. As Agents.

By virtue of a default in a Security Agreement made by Kwong Kong Kwong & Yuen Kang to the Williamsburg Savings Bank and assigned to E.C.F. Holding Corp., I will hereby foreclose upon and sell at Public Auction Sale on Tuesday, August 24th, 1993 at 4:15 P.M. at the law office of Harold I Reichel 410 East Jericho Turnpike, Mineola, New York 11501, the chattels of the aforementioned Security Agreement consisting of the proprietary lease covering Apartment 1L in the building located at 37-30 73rd Street Apt. 1L, Jackson Heights New York and 705 Shares of Capital Stock of 37-30 73rd Street Corporation. Only payable to said apartment. The secured party reserves the right to bid/or purchase at this UCC Foreclosure Auction Sale. Eliot B. Millman Co., Auctioneers as agents for the Secured Party.

DEFAULT In Security Agreement Made By Pedro Pablo Perez to Jorge Garcia & assigned to Joe Mar Realty Associates, Inc. I Will Sell On 8/24/93 At 10:30 AM At 1001 Yorkcliff Ave., Bronx, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP. Auct'r Lic #732234 of F.E.S. AUCTIONS INC. As Agents.

Lien Sale 8/30/93 9:00am 413 Meeker Ave Bklyn NY 89 Honda #2HGED2336JH-513882 Re: GR Valentine. Pub 8/16 & 8/23/93.

AUCTION NOTICES

FRED REISNER INC. Auct'r Lic #732421 Sells Sep 1, 1993 at 9:00 A.M. at 447 Union Ave. Brooklyn, N.Y. 1978 Gertenlager Medical Van #5053037 Re: Mobilhealth Detection Office: 2:45 P.M. at 1780 Coney Island Ave., Brooklyn, NY 1986 Chevrolet #2G1AW19X0G1208962 Re: Elkriff, Rena/Cavalier Rental. 3:30 P.M. at 2875 Flatbush Ave. Brooklyn, NY 1979 Searay 30' Run #SERRM780178 Re: Cuoia, Anthony. 3:30 P.M. at 225 Fordham St., City Island, NY 1990 SEDAN DELIVERY #2ZFN13188090 Re: Baviello, Robert/ Gaudano, Ralph. 1990 ISUZU Box Wheel Bike #2ZCN13320B009 Re: Giardino, Joseph/Gaudano, Ralph.

C.Laudio & Assocs. Inc. DCA#0696654 Auct'n sell Sept. 7, 1993 at 12:30 PM at 70-11 30 Ave. Qns. 1988 Ford Subu. #1FAPP895ST2030386 Acct. D. Medina. 1988 Nissan 4 dr. #JNHJT22S3J0171929 Acct. A.A. Alharbi; 1984 Chevy 4 dr. #1G1AW19X5EG109765 Acct. M. Hurtado; 1:30 PM at 94-14 Northern Blvd., Qns. 1988 Merc. 4 dr. #4M4BB-12S2JH633127 Acct. C.A. Mensch; 1986 Hyundai 4 dr. #KHJFJ31AXGU-033711 Acct. D.A. Henet and/or J. Tejada. 1991 Nissan 2 dr. #JN1HB33S4M0302043 Acct. E.R. Macaraeni. Published Aug. 23rd & Aug. 30th. 1993.

D.McKenna DC#4690954 sells on 9-8-93 at 10:00AM at 1 Park Ave 23Std St. Bronx, NY: 89 Ponti LeMans #L2JT9S167KB-300191 Re: Cor Commercial. 1988 Audi 4dr 4000 W 57 St. New York, NY: '75 Dodge Van #B1AB5FH210F-128 Re: Lic Department Cir. 311 Lenox 4dsd #1LNBP94F-9HV263713 Re: M. Lenox. 1988 Honda #1G4AA7AH3H9518690 Re: F. Cordero; 30' Oke Avon #3X698L681393198 Re: Ordonez-Diaz, B.; '79 Lincs 4dsd #9W-84F631877 Re: J. Perkins; at 1:00PM at 1509 Jerome Ave Bronx, NY: '87 Pontiac Bonneville #1G2BZ51308W225742 Re: H. Murphy. '86 Nissan Wagon Zeta GL #WVWGA0168GW455166 Re: L.M. Fobbs-Gutierrez. '82 Olds 4dsd #1G3AM-9NS3CM257671 Re: Silvia, Contreras. 9:00,10&11 8/23-9/3 & 8/30-9/3.

DEFAULT In Security Agreement Made by Rafael Guerrero & Danilo Alberto to Tomas Melendez & assigned to Security Trading of Connecticut Inc. I Will Sell On 8/26/93 At 10:30 AM At 1001 Yorkcliff Ave., Bronx, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP. Auct'r Lic #732234 of F.E.S. AUCTIONS INC. As Agents.

Lien Sale 9/8/93 9:00AM 1515 Utica Ave Bklyn 87 Nissan #JN5HT21S7HT020283 Re: A. Grant. Published 8/23 & 8/30.

CORRECTION NOTICE

Corr Notice: Pronto Lien Service, Lic# 866242 Sale date 8/26/93 Location 1 West Tremont Ave Bx NY 79 Chevrolet Van #CPT32Y3302373 Re: J. Aldecoa.

FOUNDATION NOTICE

NOTICE

The annual report of THE SOL GOLDMAN CHARITABLE TRUST for the fiscal year ended January 31, 1993 is available at its principal office located at 640 5th Avenue, New York, NY 10019. (212) 265-2280 for inspection by any citizen who requires it within 180 days hereof. The Principal Manager of the Foundation is Jane H. Goldman.

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AUCTION NOTICES

L. Cardillo Auctioneer License #34 Auct'n Sells on Sept. 7, 1993 at 8 AM at 1199 Hempstead Tpke Elmont, 1984 Ford 4dr #2FABP22E8EB210443 Acct. M. Mensiuos, 1979 Jeep 2dr #J9A93E03828-473 Acct. C.M. Gonzalez; 1991 Pontiac 4dr #1G2AY68KBT1262537 Acct. J. Vaglianos, 1985 Chev 2dr #1GCGJ27Z2-FR19171 Acct. J. Morales, 1985 Ford P/U #2FTEF14Y4FCA08022 Acct. A.A. Lewerenz, 1985 Ford P/U #2FTHF3-5H4FCA08022 Acct. A.A. Lewerenz, 1985 Ford P/U #2FTHF3-5H4FCA08022 Acct. A.A. Lewerenz, 1983 Datsun 4dr #JN1HU01SDDT070508-89 Acct. Double Tri Inc., 1986 Merc 4dr #2MEBP95F2GX624494 Acct. Calabra Auto Leasing Inc., 1985 Chev 4dr #1G1AW-19X0FG144813 Acct. C.M. Pennicopde, 1985 Chev 4dr #1G1AW19X0FG144813 Acct. Pride Heating and A/C Corp. Published at A2. Aug. 23 & Aug. 30, 1993.

L. Penner Re #84708 I sells for cash 8/4/93 at 10:00AM at 1977 Brookdale Ave Yonkers 85 Dodge Van #2B7HB33T5FK297263 Re: Fourteen Leasing Inc.

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AUCTION NOTICES

First Bank System Debt Ratings May Rise After Moody's Review

Moody's Investors Service said Friday it might upgrade First Bank System Inc.

"The review will focus on the company's improved asset quality and the likely further development of its retail franchise — especially its substantial esoteric deposit base," Moody's said.

Under review are the Minneapolis company's A3 senior debt, Baa1 subordinated debt and preferred stock, and Prime-2 commercial paper.

Earlier in the week, Standard & Poor's Corp. raised senior debt to A from A-minus, subordinated debt to A-minus from BBB-plus, and preferred stock to BBB-plus from BBB. The outlook was revised to stable from positive.

The agency said the upgrade reflected the Minneapolis company's successful acquisition strategy and strong capital levels.

The rating agencies took the following other actions last week:

Credit Ratings

Asahi Bank: Moody's Investors Service downgraded this Japanese bank, citing deterioration in asset quality. Senior debt, long-term deposits, and long-term letters of credit were cut to A2 from A1.

Subordinated debt was lowered to A3 from A2, and shortterm deposits were dropped to Prime-2 from Prime-1.

"The bank's exposures to distressed real estate and nonbank borrowers (including its own nonbank affiliates) remain high in relation to its capital,"

One focus of the examination will be on First Bank's improved assets.

Moody's said. Asahi Bank, based in Tokyo, has $245 billion of assets.

Bank of Hawaii: Moody's assigned Aa3 and Prime-1 ratings to the company's new bank note program. It said the ratings reflected good earnings and asset quality and the bank's dominant market position. Moody's noted that Bank of Hawaii is active in most sectors of Hawaii's economy, which depends on tourism and construction.

"Such concentration is seen as a risk factor," Moody's said. But the agency added that the bank's real estate exposure is confined to moderately priced residences and to smaller and diversified commercial developments.

Barnett Banks Inc.: Citing the company's improved asset quality and earnings, Moody's upgraded senior and subordinated debt and preferred stock. Senior debt was raised to A3 from Baa1 and subordinated debt and preferred stock to Baa1 from Baa2. Subsidiary bank ratings were affirmed at A2.

"The company has worked through its previous poor asset quality in Florida, resulting in significantly reduced provisions," Moody's said.

BayBanks Inc.: IBCA Ltd. upgraded long-term debt to BBBplus from BBB and short-term debt to A2 from A3. Long-term debt of the lead bank, BayBank, was increased to A-minus from BBB-plus.

"In light of BayBanks' continued progress, particularly with respect to capital and operating earnings, we are raising our ratings," IBCA said.

Christiania Bank: IBCA raised this Norwegian bank's long-term rating to A-minus from BBB-plus. After suffering heavy losses in recent years, Christiania Bank is now showing a decline in nonperforming loans and posted a profit in the first half of this year.

Daiwa Bank: Moody's may downgrade this Japanese bank's long- and short-term ratings of Daiwa Bank Ltd. in light of the bank's announcement that it will acquire Cosmo Securities Co., a distressed securities company. About $1.4 billion of longterm debt is affected.

Moody's said that it would evaluate the potential impact of the acquisition on the bank's core earnings. Under review are A1 senior debt, long-term deposits, and long-term letter-of-credit ratings and the A2 subordinated debt rating.

HFC Bank: IBCA Ltd. assigned an A1 rating to guaranteed short-term debt and an A2 rating to unsecured short-term debt of this British unit of Household International Inc

Long-Term Credit Bank of Japan: Moody's lowered senior debt to A3 from A2, citing deterioration in the bank's loans to real estate developments and nonbank financial institutions.

"Major losses are likely, and additional problem exposures could emerge," Moody's said.

The short-term rating also was lowered, to Prime-2, from Prime-1. Like other large Japanese banks, Long-Term Credit Bank has been hurt by loans to housing finance companies, which have been rocked by depressed home prices in Japan.

NationsBank Corp.: Moody's Investors Service upgraded senior debt to A2 from A3, subordinated debt to A3 from Baa1, and commercial paper to Prime-1 from Prime-2. Long-term deposits of subsidiary banks were confirmed at A1. Senior unsecured debt of the subsidiary C&S/Sovran Corp. was raised to A2 from Baa1.

For MNC Financial Inc., a Maryland bank holding company being acquired by NationsBank, senior unsecured debt was increased to A2 from Ba3; subordinated debt to A3 from B2, and preferred stock to A3 from B2. The upgrades occurred after the Charlotte, N.C., company priced a $1 billion, two-part offering of senior and subordinated debt.

The agency noted that NationsBank has significant shares of most major markets in the Southeast and Texas. It added that NationsBank's aggressive acquisition strategy — the company is buying MNC Financial Inc., Baltimore, as well as a number of nonbanking companies — are one cause of concern.

"Major acquisitions increase uncertainty and add to risk, especially in the area of systems and controls," Moody's said.

It added that capital levels are thin in light of the company's diversification into unregulated nonbanking businesses.

Shawmut National Corp.: The Hartford, Conn.-based company received upgrades from Thomson BankWatch and IBCA, with both agencies citing improved asset quality and strong core capital and earnings. BankWatch boosted senior debt to BBB from BBB-minus, and long-term letter-of-credit ratings to BBB-minus from BB-plus, and preferred stock to BB-plus from BB.

IBCA raised the long-term rating to BBB-plus from BB-plus and the short-term rating to A2 from A3. BankWatch said that Shawmut's outperforming assets declined 36% in the second quarter and that remaining nonperformers are covered by reserves.

"The work is not complete, however," the agency added, noting that nonperforming assets remain 3.84% of loans and foreclosed property.

In addition, BankWatch said Shawmut would be challenged by the New England economic environment and the pending acquisition of New Dartmouth Bank, Manchester, N.H.

Southern National Corp.: Thomson BankWatch affirmed the Lumberton, N.C., banking company's preferred stock at BBB-plus. BankWatch noted that the recent definitive agreement to acquire First Savings Bank, Greenville, S.C., will boost Southern's market position in that state to third place.

Southern National's "ability to realize cost savings from First Savings and compete more effectively in the South Carolina marketplace bode well for the franchise," BankWatch said.

— **Bart Fraust**

Citicorp to Issue $350 Million of Preferred Stock

By DAVID SIEGEL

Citicorp, attracted by low interest rates, will launch a $350 million issue of preferred stock this week.

The noncumulative stock will initially carry a dividend of about 7.5%, according to a capital markets source. Merrill Lynch & Co. is lead manager.

Foreign Banks Attracted

Preferred-stock dividends are based on long-term interest rates, so the recent drop in the yield on the 30-year Treasury bond gives Citicorp the chance to cut its borrowing costs.

The proposed dividend is 50 basis points lower than that offered on Citicorp's previous offering of preferred stock in May.

On July 15, Moody's Investors Service raised the rating on Citicorp's noncumulative preferred stock from a junk grade of Ba2 to an investment-grade Baa3.

This also contributed to the lower borrowing rate.

The drop in long-term rates is also attracting foreign banks' attention. Britain's Midland Bank PLC reportedly is set to issue about $200 million of preferred stock in mid-to-late September, and a number of other European banks are deciding whether to follow suit.

Firstfed Michigan Corp. Splits Stock 3 for 2

DETROIT — Firstfed Michigan Corp. said it had declared a 3-for-2 split of its common stock, payable Sept. 20 to shareholders of record on Sept. 1.

The company also declared a dividend of 12 cents on post-split shares, with the same pay and record dates. The new rate is equivalent to 18 cents on the presplit shares, an effective increase from the 17 cents the company was paying. □

As Long Bond Loses Grip on Role, 10-Year Note Assumes Center Stage

Continued from page 1

bond.

Mr. Westbury asserted that recent price action proves his point. The 30-year has traded in its own world in the last few weeks, outperforming the rest of the Treasury issues, which posted more moderate gains.

"The bond has recently taken on a life of its own and left the rest of the market behind," he said. "If you want to pick an issue in the market that is a better proxy for illustrating all issues, it's definitely not the bond. The 10-year is the clear choice."

Bonds

Market analysts hold a similar view for mortgage-related securities. Because of refinancings, the average life of a 30-year mortgage is about 10 years, so most analysts believe that a 10-year note would allow for easier comparisons to be drawn between the two maturities.

"I already use the 10-year as my benchmark," said David Lereah, chief economist at the Mortgage Bankers Association. "The 10-year note is more closely tied to mortgages, and I look at it to see what the mortgage market will do in the future."

Though agreeing that the 30-year issue has become a pleasure saur in a still-evolving market, some believe that the five-year note may also be a contender for benchmark status.

A Vote for 5-Year Note

Joseph Liro, chief economist at S.G. Warburg & Co., said the five-year would be an ideal

10-years are benchmarks in France, Japan, and Germany.

benchmark because of the frequency with which the issue hits the market and its tendency to lead the market in times of heavy trading.

"The five-year note gets auctioned monthly, and if you look at most big market moves they have been led by the five-year," Mr. Liro said.

Shift in the Front

And the Treasury has shifted the bulk of its debt to the front end of the market, he said, noting that the average duration of a bank portfolio is around five years. Both of those factors make the five-year a logical candidate for benchmark, he said.

Still other analysts believe market dynamics have already forced a move away from the 30-year bond as participants monitor the issues that best match their investment goals.

Steven R. Ricchiuto, chief economist at Barclays de Zoete Wedd Securities, said that increasingly segmented investors are focusing on different issues.

A Number of Candidates

"There has been over time the emergence of a number of issues which could be considered benchmarks," Mr. Ricchiuto said, noting that large funds tend to watch the 30-year issue, while foreign investors use 10-year notes. Banks, he said, tend to follow the five-year note.

Those observers agree that it will take some time before the market fully embraces a new benchmark. "The question isn't if the market will accept a new benchmark, it's more a question of when," Mr. Westbury said.

***The Bond Buyer* is a sister publication of the *American Banker*.**

This announcement appears as a matter of record only.

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August 19, 1993

First City, Inc.
Memphis, Tennessee

has merged with

First Commercial Corporation
Little Rock, Arkansas

The undersigned acted as financial advisor to First City, Inc.

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Highlights for Friday, August 20

Top 10 Gainers %

Riggs National Corporation	11.3
Omega Financial Corporation	7.6
Hibernia Corporation	5.5
Hancock Holding Company	5.2
FNB Corporation	5.1
City Holding Company	4.9
First Commerce Bancshares	4.8
First Merchants Corp.	4.4
First Colonial Bankshares	4.2
New Century Bancorp of WV, Inc.	4.0

Top 10 Losers %

Harleysville National Corp.	-5.0
Tompkins County Trust Company	-4.4
River Forest Bancorp	-3.4
Commerce Bancshares, Inc.	-2.9
NBT Bancorp	-2.9
Southwest National Corporation	-2.9
Imperial Bancorp	-2.8
Trans Financial Bancorp, Inc.	-2.7
Suburban Bancorp, Inc.	-2.6
First Tennessee National Corp.	-2.5

Most Shares Traded

Citicorp	1683200
Hibernia Corporation	1015100
NationsBank Corporation	991800
MBNA Corporation	754000
BankAmerica Corporation	730400

Volume as % of Average

Pikeville National Corporation	810.3
Mid Am, Inc.	500.6
First Tennessee National Corp.	490.0
City Holding Company	403.7
Synovus Financial Corp.	386.1

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.09	1.28	2.56	0.05	1.71	0.97	0.07	0.71	1.83

Top 225 Banks

52 Wk Hi	Lo	Name	PE	Mkt to bk	Cls.	Chg.	
26¼	20	1stSourceCorp/In	11.5	135.3	25	--	
37⅛	18½	AMCORE Fin'l,	11.1	125.7	24	-¼	
17½	8¼	AmeriBancShares/Ca	10.3	97.1	16	--	
35¾	26¾	AmSouthBancorp/A	10.6	149.8	31	-¼	
30¾	24¼	AnchorBancorp/Wi	9.6	125.0	25½	-¼	
35¾	28¾	BB&T FinCorp/NC	12.7	151.1	30¾	-¼	
27½	12	BOKFinancial Cp	12.3	243.7	21⅛	--	
33	21⅛	BT FinCorp	11.2	139.1	30¾	--	
12	6	BaltimoreBancp/MD	14.2	118.7	11¼	--	
31¼	24⅜	BankFirstCorp/Wi	9.6	129.6	29¼	-¼	
61	42½	BancOneCorp/OH	14.1	224.9	52¾	¼	
53½	40¾	BancorpHawaii/H	9.1	134.6	42¾	-¼	
40¾	27½	BancorpSouth/MS	11.3	144.3	38	¼	
54¾	41	BankAmericaCp/CA	9.6	121.0	49¾	-¼	
39½	26	BankGranite Corp/NC	17.1	267.0	29½	--	
15¾	9¼	BankSouthCorp/GA	12.4	183.8	15¾	--	
80	59	BankersTrust/NY	8.6	173.6	79¼	1¾	
19½	12¾	BankersTrustGroup/Fl	25.2	90.5	18¾	-¼	
28¾	18¾	BanksFloridaCorp/FL	8.8	110.1	24½	-¼	
61¾	39¾	BanksFirst/WI	10.8	133.5	53¾	-¼	
50¾	34¾	BarnettBanks/FL	17.7	176.8	45¾	-¼	
32¾	24¼	BayBanksInc/MA	11.3	142.7	32¾	-¼	
64¼	49¾	BeaconFed/Bancp/NY	11.8	159.0	60¾	¼	
23¾	13½	BoulevardBancC	28.1	174.5	22¾	-¼	
31¼	24¾	BrenhamBancshs	10.5	107.2	27	--	
35¼	26¼	CBT Corporation/KY	11.7	142.7	33¾	--	
42½	32¼	CCB FinCorp/NC	12.5	147.1	37	--	
34¼	23¾	CNB Bancshares/IN	16.5	192.9	33¼	-¼	
31¼	24¾	CPB Inc /IL	8.5	123.4	29¾	--	
13½	7¼	CVB FinCorp/CA	9.4	154.2	13	-¼	
14	9¾	CalFed Bancshs/CA	13.9	165.9	12¾	--	
24	13¾	CathayBancorp/CA	11.5	138.8	14¾	-¼	
28½	19½	CentralBancshs/AL	11.2	177.4	25	-¼	
34½	22¾	CentralFidelity/VA	11.9	177.1	29¾	¼	
24¾	18¾	CentralJersey/NJ	15.8	158.6	23	-¼	
24½	16½	CenturaBanks/NC	10.9	151.1	20¾	-¼	
25½	20¼	ChemicalFinCorp/MI	10.9	152.5	22¾	-¼	
30¾	23¾	ChemicalNewYorkCp	14.3	146.4	27¾	-¼	
47½	35¾	ChemicalNyCorp/NY	14.3	146.4	47¾	-¼	
72	53¾	CitizensBancCorp/T	11.4	111.9	59¾	-¼	
53½	44½	CitizensFin/Cl A	11.9	136.7	52¾	-¼	
36¼	19¾	CitizensBancorp/MI	13.4	180.5	34¾	-¼	
39¼	16½	CitizensBanking/MI	14.6	180.5	37¾	--	
7¾	3¾	CitizensFirst/MS	10.4	171.4	6¾	--	
31	17½	CityNatlCorp/Ca	16.1	190.0	29¾	-¼	
11¾	4¾	CityNatCorp/CA	NM	154.8	6¾	-¼	
23½	17¼	ColonialBancGp/AL	9.2	131.9	21	-¼	
34¾	27¾	CommerceBk/MO	10.4	169.2	29	--	
26¾	14¾	CommercialBancMo	16.5	192.5	26¾	-¼	
17½	13¾	CommercialBancshs/TX	11.8	154.1	17	--	
33¾	25¼	CommercialBcshs/MO	11.3	137.8	29¾	-¼	
46½	25¾	CommercialFed/NE	24.5	215.3	45¼	-¼	
30½	19	CommunityBcSys/NY	8.7	136.0	28½	-¼	
15¾	10¾	CommunityFirst/GA	11.9	136.7	13¾	-¼	
10½	3¾	ComsbancorpInc/A	NM	187.1	10½	--	
28	15¾	ContinentalIL	4.7	87.9	23¾	-¼	
40¾	25¾	CoreStatesFinCp/Pa	11.1	180.9	35¾	-¼	
40½	25¾	CrestarFinCorp/VA	14.0	162.3	40¾	--	
40¾	21	CulbertsonI/TX	9.5	183.8	36¼	-¼	
27¾	20¾	DauphinDeposit/PA	12.1	163.9	24¾	-¼	
35½	20¾	DepositGuaranty/MS	8.9	149.1	31¼	-¼	
17¾	12¾	F & M Nat'l Corp/VA	12.1	158.7	16	--	
22	17½	F&MBancorp/MD	10.2	141.5	20¾	-¼	
16⅜	9¼	FNB Corp/PA	17.0	120.3	15½	--	
29	24	FarmerCapital/KY	14.7	226.2	29	--	
58½	46¾	FifthThirdBncp/OH	17.6	299.0	52¾	-¼	
41½	28¾	FinancialTrust/IN	14.5	307.6	41	-¼	
59¾	33½	FirstFenWis/WI	13.1	206.2	50¾	¼	
35¾	24⅞	FirstAlabamaAL	11.2	172.1	31¼	¼	
20½	11	FirstAmarillo/Tx	8.1	199.1	25¾	--	
14¾	8¾	FirstAmericaTN	10.3	138.1	13	-¼	
50¾	39½	FirstBancorp/Oh	11.2	180.4	47¾	-¼	
40¾	28½	FirstBancshares/MN	17.9	195.2	39	-¼	
40¾	29¾	FirstChicago/IL	119.7	125.0	40½	-¼	
60¾	45¾	FirstCitizBc/Cl A	9.1	139.1	58¾	-¼	
37¾	26¾	FirstCommerce/LA	10.0	188.2	37¾	-¼	
40	28¾	FirstCommerceGa	10.4	169.2	37	--	
34½	27½	FirstCommercial/AR	10.9	161.5	32½	--	
37¾	26¾	FirstCommerce/NC	12.5	161.2	30¾	-¼	
25¾	9¾	FirstEastern/PA	NM	182.5	24¾	--	
157½	128	FirstFidelity/NJ	11.6	154.4	141½	--	
51¾	34	FirstFidelity/KI	10.8	160.3	46¾	--	
34¼	24	FirstFinancial/IN	17.4	232.5	34	-¼	
56	36¾	FirstFinCp/IN	11.5	147.2	55	-¼	
37¾	27¾	FirstFinancial/WI	18.5	156.2	35¾	-¼	
65¾	36¾	FirstInterstate/CA	8.4	153.3	59¾	-¼	
27¾	19¾	FirstMidAmer/Cl A	12.7	178.6	27¾	-¼	
27¾	18	FirstMidwest/IL	17.6	172.4	26¾	--	
27¾	19¾	FirstMissippi/MS	11.5	164.5	27¾	-¼	
27¾	21¾	FirstNBAnc/MS	11.5	164.5	26¾	-¼	
47	32¾	FirstTennessee/TN	11.3	176.0	39¾	-¼	
51½	35¾	FirstUnionCp/NC	10.8	161.6	44¾	-¼	
38¼	17	FirstUnionNat/FL	8.6	139.8	28½	--	
43¾	32¾	FirstVirginia/VA	11.7	183.1	36¾	-¼	
43¾	32¾	FirstWachovia/GA	11.1	165.9	39¾	¼	
37¾	26¾	FleetFinancial/RI	13.2	147.1	33¾	-¼	
44¾	32¾	FortWayneNat/Cp/IN	13.4	171.4	41¾	--	
31½	24	FourthFinCorp/KS	11.2	151.6	29	--	
28½	20¾	FrankfortCorp/IN	11.2	161.4	28¾	--	
22½	16¾	FultonNatnlCorp/PA	12.6	149.7	20¾	-¼	
31¾	24¾	FultonNtnlBncp/IN	11.9	165.2	29¾	--	
31¾	24¾	FultonNtnlBncp/OH	11.9	165.2	29¾	--	
17¾	12¾	GBC Bancorp/CA	9.2	129.2	16	-¼	
25¾	15½	GeneseeBancshs/MI	10.0	137.9	23¾	¼	
35¾	24¾	HancockHldg/LA	9.6	155.9	30½	-¼	
40	34¼	HarleysvilleNat/PA	11.3	187.3	38	2	
19¾	13¾	HawthornBncshs/MO	11.8	161.3	18¾	-¼	
16¾	12¾	HeritageFed/Sou IL	13.4	186.3	16¾	--	
8¼	4¼	HibernaCorp/LA	NM	153.8	7¾	-¼	
25¼	11¼	Hubco/KI	13.7	232.8	24¾	--	
27¾	18¾	HuntingtonBancsh/OH	13.3	220.5	26	--	
15	6¾	ImperialBancorp/CA	17.6	81.1	12¾	-¼	
39¾	25¾	IndependentBncp/MI	20.0	155.1	29¼	-¼	
49¾	32¾	IntegraFinCp/PA	10.2	187.2	46¾	-1	
19¾	13¾	InterwestBancA	11.4	148.0	17	-¼	
23½	19	InvestmentBrkrs/IA	10.7	122.9	23	¼	
24¾	16¾	JacksonBancshs/MS	9.1	141.2	23¾	-¼	
74¾	39¾	JP Morgan/DE	13.5	208.2	71¾	-¼	
23	13¾	JeffersonBncshs/TN	13.3	165.2	20¾	--	
46	33¾	KeyCorp/NY	10.5	184.7	37¾	--	
34½	26¼	KeystoneFin/PA	12.3	164.4	29½	--	
24¾	20¾	LakeShore/IL	12.9	178.0	22	--	
35¾	22¾	LibertyBancorp/OK	9.2	151.8	25	--	
28½	20¾	LibertyBkNew/NY	13.7	178.6	26¾	--	
32¾	18¾	MBNACorp/DE	17.4	466.6	32¼	¾	
14¾	10¾	MNC Financial/MD	10.2	122.4	14¾	--	
18¾	13¾	MagnaGroup/MO	11.8	121.7	17¾	-¼	
29	17¾	MainStreetBcshs/MO	13.4	211.7	27¾	-¼	
25¾	20¾	MarshallMSIn/WI	13.4	182.2	22¾	-¼	
66¾	40	MellonBankCp/PA	9.8	140.7	56	-¼	
36¾	29¾	MercantileBncp/MO	11.9	145.9	48¾	-¼	
35¾	27	MercantileBnkshs/MD	12.0	148.8	34¾	-¼	
62	44½	MerchantsBncp/NY	19.7	178.8	54½	-½	
39¾	27¾	MetroBancorp/PA	11.6	155.0	32¾	-¼	
34¾	25¾	MichiganNatCorp/MI	NM	114.5	34	-¼	
19¾	14½	MidAmericaIN	14.2	134.7	19	-¼	
23⅝	18	MidAm,Inc./IN	11.5	155.5	22⅝	--	
25⅜	13¾	MidlantdCorp/NJ	13.6	136.1	25¼	-¼	
40⅛	28	MountainwW	14.0	186.8	40⅛	--	
36⅜	27⅜	NBD Bancorp/MI	13.3	164.8	31⅜	-¼	
21⅝	17¼	NBSC Corp/SC	13.6	128.7	19	-¼	
18	13⅛	NBTBancorp/OH	14.7	126.9	17	--	
37⅜	27⅜	NationalCity/OH	11.7	176.9	36⅜	-¼	
28¾	19¾	NationalPenn/PA	13.9	157.7	28¾	--	
57¾	41⅜	NationsBank/NC	9.6	154.3	51¼	-¼	
59¾	44¾	NatlCityCorp/OH	11.7	147.1	52¾	-¼	
19	10¾	NatlOhBancorp/MN	10.3	81.7	12	-¼	
24¾	18¾	NatlPennBncp/PA	17.1	162.3	20¾	-¼	
33¾	23¾	NatlCommerce/TN	15.2	258.4	33¾	-¼	
13¾	9¾	NorthFedBancs/WI	10.0	138.3	11¾	-¼	
50½	37¾	NorthernTrust/IL	14.7	238.2	41	-¼	
28¾	17¾	NorwestCorp/MN	16.3	257.0	26¾	-¼	
37¾	25¾	OMNIMC/KY	10.5	157.0	36	-¼	
31¾	24¾	OhioBancorp/Oh	NM	153.6	30¾	-¼	
37¾	27	OldKentFinCorp/MI	11.5	181.6	34¼	-¼	
19¾	14¾	OmegaFinancial/PA	16.9	226.5	19¾	¾	
31¾	24¾	OneNgtFinCorp/AZ	14.3	164.9	29¾	2	
32¾	21¾	OneValleyBncp/WV	12.5	214.3	30¾	-¼	
30¾	24	PNC Bank/PA	11.3	174.4	29¾	-¼	
8¾	3¾	PacificWestern/CA	43.4	113.8	8¾	--	
61	45¾	ParkNatCorp/OH	16.1	275.5	52	-¼	
40	31½	PeoplesFirst/Cp/KY	14.2	196.9	40	--	
34¾	24¾	PeoplesNatl/KY	12.8	187.7	35¼	-¼	
36¾	24	PeriwinkleBanc/DC	9.0	214.9	33¾	-¼	
19¾	14¾	PremierBancorp/LA	9.2	142.1	15¼	-¼	
23	14¾	PremierBkshs/IL	10.2	162.0	19	--	
31¾	24¾	PremierBkshs/OK	11.0	157.3	27½	-¼	
18¾	9	PrivateBkshs/MO	16.8	82.7	16¼	-¼	
31¾	24¾	RepublicBancorp/MI	8.8	177.0	29¾	-¼	
32¾	24¾	RepublicNYCorp/NY	11.4	154.1	53	¼	
24¾	18¾	RiggsNatl/DC/MD	NM	180.9	24¾	-¼	
13¾	9¾	RiverForest/IL	13.3	208.9	36	-¼	
37	24	SaTRonco/TX	11.3	226.0	37	--	
32¾	24¾	SanPaoloBancorp/IL	11.6	159.7	29¾	-¼	
149	139	SecurityCapital/IN	11.5	136.2	139	--	
31¾	24¾	SecurityCorp/GA	15.1	158.3	29¾	-¼	
30	21	SheninNtlCp/AR	14.9	186.2	28½	--	
20¾	17¾	SignetBanking/VA	12.8	196.1	19¾	-¼	
36¾	26¾	SocietyCorp/OH	10.5	192.3	31¾	-¼	
37¾	15½	SouthCarolinaBk/SC	10.5	151.8	34¾	--	
23¾	16	SouthernNatCp/NC	10.5	160.9	20¾	--	
25¾	20¾	SouthwestNatCp/AL	11.4	143.2	24	-1	
39	29¾	Star Banc Corp./OH	12.2	189.5	36	-¼	
35¾	25¾	StateStBcp/Fl/Cp/FL	15.1	245.0	33¾	-¼	
45	32¾	SuburbanBancorp/IL	9.9	160.3	43¾	¾	
31¾	24¾	SummitBanc/IL	8.6	164.8	31¾	--	
31¾	21¾	SummitBancorp/NJ	16.0	174.0	23	-¼	
31¾	24¾	SunTrustBks/Inc/GA	12.3	149.7	31¾	-¼	
31¾	24¾	SunTrustBks/Inc/TN	12.3	149.7	33¾	-¼	
20¾	14¾	SynovusFinCorp/GA	18.8	288.0	18¾	-¼	
31¾	24¾	TempleInlandIn/TX	12.1	198.2	32½	-¼	
23¾	12¾	TransFinancial/KY	13.9	180.6	17¾	-¼	
31¾	24¾	TrustCoBancGa/GA	16.0	235.8	44¾	--	
16¼	11	TrustcompanyNJ	17.0	181.2	14¾	--	
31¾	24¾	TrustcompanyMS	10.0	146.0	47	--	
28	21¾	U.S. BancorpOR	11.3	159.5	25¼	-¼	
34¾	40¾	U.S.TrustCorp/NY	13.2	252.5	33½	--	
31¾	16½	UBFinancial/KI	20.0	166.5	30	¾	
31¾	24¾	USBANCORP/PA	8.7	134.5	29¾	-¼	
12	7¾	UST Corp /MA	NM	99.1	10¼	--	
31¾	24¾	UnionBanCo/CA	9.4	87.2	29¾	-¼	
29¼	17½	UnionPlanters/TN	11.2	155.1	27¼	-¼	
31¾	19	UnionBancshs/IA	14.4	177.8	25	--	

Top 25 Thrifts

52 Wk Hi	Lo	Name	PE	Mkt to bk	Cls.	Chg.	
11¼	8¼	ALBANYFinancial/NY	11.1	81.5	18	-¼	
21¼	13¾	AmsouthCp/CA	9.4	122.0	14¾	--	
23¾	15¾	CalFed Bancshs/CA	13.9	165.9	12¾	--	
34¾	22¾	CharterOneFin/OH	7.8	148.2	32¾	-¼	
28¾	19¾	CharterOneGrp/FinCA	7.8	148.2	32¾	-¼	
27¾	11¾	CollectiveBancp/NJ	9.2	86.1	22¾	-¼	
27¾	11¼	CommercialFedCp/NE	11.5	123.4	25¾	--	
35¾	15¾	DimeBancp/NY	15.6	150.4	14¾	--	
10¼	4¼	DimeBancp/Wt	NM	86.9	7¾	--	
24¾	11¾	DimeBancpGp/Cl A	7.3	116.6	22¾	-¼	
15¾	7¾	FirstFedCorp/MI	9.2	160.9	14¾	--	
34	17¾	FirstFederalCp/FL	9.4	174.5	32¾	-¼	
50	35¼	GoldenWestFn/CA	9.4	143.0	41¾	¼	
19¾	13	GreatWesternFn/CA	24.1	102.2	16¾	-¼	
26¾	18¼	JSB Financial/NY	9.8	92.8	24¾	-¼	
34¾	24¾	MetroFinCorp/MI	11.6	155.0	32¾	-¼	
33¾	18¼	NBB Bancorp/MI	10.9	118.6	32¾	-¼	
14¾	8¾	NorthSideFn/IN	9.4	122.0	14¾	--	
40¼	16¾	RooseveltFn/MO	10.5	182.8	44¼	1¼	
31¾	24¾	SIS Bancorp/MA	11.3	142.7	32¾	-¼	
31¾	19	SPSBancorp/MA	11.3	142.7	31¾	-¼	
28¾	17¾	StandardFed/Bk/MI	8.8	134.9	28¾	-¼	
31¾	24¾	WashingtonFed/CO	11.2	151.6	29	--	
26¾	16¾	WestMoustSB/MI	11.5	171.9	26¾	-¼	
29	22¾	WashingtonFed/MI	10.9	205.6	29¾	--	

Bank Stock Table Explained: The table lists in alphabetical order daily composite stock prices at 4:30 p.m. (unless otherwise noted) for the 225 largest publicly traded commercial banks and for the 25 largest publicly traded thrifts as measured by the market value of common equity reported to the SEC. **52 Wk Hi** and **Lo** are highest value (cutoff for banks was $73.09 for the week ended $244.20 mil.) **52 Wk Lo** list the money 52-week high and low stock rig arises for the week. **PE,** the price-earnings ratio, is the most current stock price divided by the trailing four-quarter earnings per share adjusted for latest announced earnings. The ratio is annualized for companies with less than four quarters of data. **Mkt to bk** is the ratio of the stock price to the most recent quarter's book value, expressed as a percentage. **Cls** data is adjusted for announced earnings and dividends. **Last:** The price at which the stock last traded. If no trade has been reported for the day, the last bid. **Chg.** and **Unch Index:** A weighted average of the top 225 banks in market value and the top 25 in market value, respectively. **Highlights** show largest percent gainerslosers in price and two volume leaders. **Most Shares Traded** lists the issues with the largest average of shares traded daily over the past year.

Data sources: SNL SECURITIES, Charlottesville, Va. 804-977-1600, producers of the Bank Rotation Financial News Network, Vienna, Va. provides SNL with the daily prices.

Key Rates•

(August 20, 1993)

	8/20	8/19	8/13	8/20/92
Federal Funds domestic range:	2¹⁄₁₆	2¹⁵⁄₁₆–3	2¹⁵⁄₁₆–3	3¹⁄₁₆–3⅜
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit•				
3 Month Posted	2.73	2.73	2.73	2.90
6 Month Posted	2.92	2.92	2.97	2.95
1 Year Posted	3.10	3.10	3.15	3.10
Eurodollar deposits•				
3 Month	3 ⅛	3 ⅛	3 ⅛	3⅛
6 Month	3⅛	3⅛	3⅛	3⅛
1 Year	3 ⅛	3 ⅛	3⅛	3⅛
Broker Commercial Paper•				
1 Month	3.08	3.10	3.10	3.37
2 Month	3.11	3.14	3.15	3.37
3 Month	3.26	3.29	3.32	3.42

(•) — Late afternoon quotes, New York market. (–) — Highest offering rates (annual % yield) at selected NYC money center banks. (•) — Late London bid. (•) — An rating or the equivalent.

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Lower Rates Prompted Selloff of Bank Stocks

By RICHARD LAYNE

Bank stocks fell last week, as ongoing long-term interest rates renewed investors' concerns about bank profits.

In the five trading days ended last Thursday, the *American Banker* bank stock index dropped 1.62%. The Dow Jones industrial average, however, rose to record highs last week, gaining 1.21%. On Friday, the blue-chip average edged up, gaining 3.35 points to 3,615.48. Bank stocks were mixed.

Stocks

With the yield on the 30-year Treasury bond falling below 6.25%, the lowest level in 16 years, investors worry that banks will get lower yields when they reinvest in the securities.

Since the cost of funds has remained steady, the lower yields would squeeze net interest margins and potentially reduce income, these investors argue.

Bank analysts disputed that argument. They said that banks do not typically invest in 30-year bonds. Banks are more likely to buy two-year Treasury notes, and the spread between the yield on that security and three-month certificates of deposits remains relatively strong, they said.

Nonetheless, money managers and analysts expect trading in bank shares to be flat until after Labor Day.

"I think bank stocks will move sideways until then," said Robert Bonelli, executive director of the Ernst Financial Group.

Earnings Boost

After Labor Day, trading volume will come back, and banks will begin hinting at their third-quarter earnings. Analysts expect another quarter of high profits.

In a recent report, Thomas Hanley, an analyst with First Boston Corp., said he expects bank stocks to "firm and do well in anticipation of the strong earnings results" that the industry will report for the third quarter.

Some analysts and money managers said that last week's decline in bank share prices is not the beginning of a prolonged selloff, such as occurred in April.

"I don't think this is a major move for the stocks," said David Berry of Keefe, Bruyette & Woods Inc.

In April, bank stocks fell an average of 18% in about eight weeks. That selloff, too, was caused by fears about margins, though in that decline, a feared rise in short-term rates sparked the worries.

Last week's tumble was mild by comparison. Trading volume was light, not all bank shares fell, and some stocks that lost ground had posted big gains earlier this year, giving investors a chance to take profits.

Bank Shares Dip

Percent change in stock prices



*Weighted average of top 225 banks as ranked by market capitalization
Source: SNL Securities

First Interstate Bancorp's shares lost 5.7% to $59.875. And Keycorp's shares fell 3.6% to $37.875.

The money-center banks, though, were a mixed bag. Citicorp's shares, which have been among the strongest performers this year, were flat, closing at $32.75. But Chemical Banking Corp.'s shares were hard hit, falling 5.1% to $39.375.

Talk of Bid for UJB

In Chemical's case, though, money managers said the shares slid because they believe the bank will try to bolster its New Jersey presence by making a bid for Princeton-based UJB Financial Corp. The worry is that Chemical will overpay, as other banks have, for recent New Jersey acquisitions. A Chemical spokesman wouldn't comment on market speculation.

• Whether UJB is up for sale, however, isn't clear. At a meeting last week, the board of directors was set to consider a restructuring plan aimed at boosting profitability – an action that can be interpreted in different ways.

One way is that the bank plans to remain independent, a stated goal of chairman F. Joseph Semrod. The other is that the bank is spracing itself up to demand a high premium in a takeover. □

Decline in Interest Rates Slowed Down On Profit Taking Following Bond Rally

The decline in interest rates slowed on Friday, as investors booked profits from a week-long rally in government bonds.

At 4 p.m., the yield on the 30-year Treasury bond was at 6.22%, up 2 basis points from late Thursday. But over the week, the bond lost 12 basis points in yield.

The Markets.

The spread between the current-coupon and the previous on-the-run 30-year Treasury remains unusually wide. At 4 p.m., the older issue was 15 basis points higher in yield. Typically, there is a 5-basis-point difference.

The Treasury has cut back 30-year bond offerings to twice a year.

The wide spread reflects "the scarcity value" of the newer issue, analysts said. The Treasury, in a move aimed at cutting its borrowing costs, has cut back 30-year bond offerings to twice a year from quarterly.

Notes Were Unchanged

Intermediate Treasuries were flat amid concern about this week's scheduled sale of $16 billion in two-year notes on Tuesday and $11 billion in five-year notes on Wednesday.

Ten-year notes yielded 5.61%, unchanged on the day and down 9 basis points on the week; five-year notes yielded 4.95%, up 1 basis point on the day, but down 9 on the week; and two-year notes yielded 3.91%, up 2 basis points on the day, but down 5 basis points on the week.

On a bond-equivalent basis, three-month Treasury bills ended the week at 3.04%, up 2 basis points on the day, but down 2 on the week.

The closely watched spread between 30- and 10-year Treasuries widened to 61 basis points from 55 earlier in the week.

Spread May Narrow Further

The spread has shrunk sharply from mid-May, when it was about 90 basis points – and market analysts think the spread still has room to narrow further.

John Lonski, senior economist at Moody's Investors Service, said that the spread typically is about 30 basis points at this point in economic recoveries.

"The spread is still wide from a historical perspective," he said.

Thus, if the economy continues to struggle and inflation remains under control, long-term yields could slide to as low as 6% by the end of September, he said.

Wells Economist Concurs

Gary Schlossberg, economist at Wells Fargo & Co., agreed that rates have room to drop further.

He noted that on a real basis, that is, subtracting the inflation rate, long-term yields are currently about 3.7%. The real yield should be closer to 2.5% to 3%, he said.

No major interest rate moves are expected this week. On Wednesday, the government will report on durable goods orders for July – and that is the only major economic report due out this the week.— **Bart Fraust**

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BankAmerica May Be Mulling Credit Card Exit

By STEPHEN KLEGE

BankAmerica Corp., which helped invent the bank credit card, may be contemplating a retreat from that increasingly crowded field.

As BankAmerica officials discuss ways to reinvigorate their card business, analysts say that a sale or spinoff is at least in the backs of strategists' minds.

"I personally think they're seriously questioning whether it's a business they want to stay with on a long-term basis," said Judah Kraushaar, bank analyst at Merrill Lynch & Co.

Such a retreat would be monumental given the size of the business – the card portfolio had $7.6 billion of outstandings on June 30, No. 6 among bank issuers – and BankAmerica's place in credit card history.

NEWS ANALYSIS

The BankAmericard, the first nationally distributed bank credit card, gave rise in the 1960s to the national association that eventually became Visa U.S.A. and Visa International. When Visa adopted its current name in the mid-1970s, the rights to the BankAmericard name reverted to Bank of America.

BankAmerica officials recently told analysts that credit cards contributed only 5% of earnings in the second quarter, off from 40% in early 1989.

Demographics Wrong

To be sure, part of the story is that profits from other business lines are rising while credit card growth is leveling off.

But "it sounded like they were considering partially or totally exiting the business," said an analyst who asked not to be identified by name.

"They're finding that the business doesn't have the right demographics," the analyst said, noting that consumers are trying to pay off their debts.

The analyst also pointed out that 70% of BankAmerica's cardholders are in California, where the poor economy has contributed to a charged-off ratio of 6.17%, significantly higher than the national average.

BankAmerica officially declines to comment on its strategic planning. There is speculation that it will soon respond to recent market-share gains by nonbanks and others targeting affluent customer segments by introducing an enhanced product, possibly tying a credit card to other bank services.

San Francisco rival Wells Far-

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INSIDE NEWS

WASHINGTON

CONSUMER ADVOCATES warned Congress that any regulatory relief for banks would threaten important consumer protections and ignite public opposition. *Page 2*

REGIONAL BANKING

CENTRAL FIDELITY Banks of Richmond, Va., is coping with the challenges of the '90s by cutting costs at every turn. *Page 6*

COMMUNITY BANKING

CARL R. POHLAD, majority owner of 37 small banks nationwide, wants to expand his empire with "well-established community banks" outside California's major metropolitan areas. *Page 8*

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LENDERS ARE WORRIED that no matter how low rates go, refinancings for purchases will stay flat. *Page 9*

INVESTMENT PRODUCTS

A COTTAGE INDUSTRY is springing up to help banks license salespeople, learn more about investment offerings, and target customers. *Page 11*

CREDIT DEBIT ATMs

A BOSTON RESTAURANT that led the revolt against American Express, and was featured in ads by Visa, has bowed to customer pressure and now accepts the card. *Page 13*

TECHNOLOGY

COLORADO NATIONAL Bank has signed an agreement with Southland Corp. to install automated teller machines in 122 more 7-Eleven stores in Utah and Missouri. *Page 3*

FINANCE

HAWKEYE BANCORP. received a "very attractive" rating from Donaldson, Lufkin & Jenrette, which says the Iowa company is well managed and a takeover candidate. *Back page*

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Mutual S&L Execs Profit From New Charter Laws

By ROBYN MEREDITH

WASHINGTON — Before taking Milwaukee's Guaranty Bank public, its executives changed the institution into a state-chartered savings bank, allowing them to buy more shares of the hot stock than the depositors who owned the institution.

If Guaranty had kept its federal charter, the executives would have been allowed to buy roughly 30% of the stock. But Wisconsin laws set no such limits, and the company's management doubled its share to 65% of the stock sold in the oversubscribed initial offering.

As in most initial public offerings, the 790,000 shares sold on March have fared well. The executives and other initial buyers bought shares for $10 apiece. A few shares changed hands last month at $12, and offers have since been made for $13 – with no sellers.

New State Laws

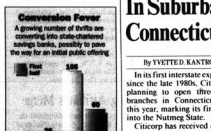
The deal was possible under new state law in Wisconsin that covers the conversion of state-chartered mutual savings banks – which are owned by their depositors – into publicly traded companies.

Wisconsin law and similar rules that six other states have recently put on their books or are now considering allow management to take much larger stakes in mutual-to-stock conversions than the 25% to 35% allowed for federally chartered thrifts.

Initial public offerings of stock, particularly in conserva-

Conversion Fever

A growing number of thrifts are converting into state-chartered savings banks, possibly to pave the way for an initial public offering



tively appraised businesses, are famous on Wall Street as one of the fastest ways for investors to make money. Thrift insiders are claiming more and more of the shares in these initial public offerings, avoiding federal limits on their purchases by converting their savings and loans into state-chartered savings banks.

Advocates–of the new state laws say that stock conversions add to the net worth of the thrift industry and improve its financial stability because the money paid for shares is added to an institution's capital.

They favor the more liberal stock purchase rights under state laws because they permit mutual thrifts to reward executives' service with profits.

And they say the state rules let thrifts save money on supervisio-

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Citi to Open 1st Branches In Suburban Connecticut

By YVETTE D. KANTROW

In its first interstate expansion since the late 1980s, Citicorp is planning to open three retail branches in Connecticut later this year, marking its first foray into the Nutmeg State.

Citicorp has received approval from the Office of Thrift Supervision to open three full-service branches of Citibank FSB in affluent Fairfield County, a spokeswoman confirmed.

Citibank FSB is a California-chartered thrift subsidiary through which Citicorp conducts its consumer banking outside of New York.

'Delayed Our Presence'

"Given the condition of the company, we've delayed our presence" in Connecticut, the spokeswoman said. "But it's time to move on."

The nation's biggest bank company delayed all expansion plans in 1991 because of mounting real estate problems that reduced its earnings, stock price, and capital to extremely low levels.

It continues to operate under a memorandum of understanding with federal regulators that requires it to consult with them on operational issues, including significant acquisitions or other forms of expansion.

But Citicorp is on the re-

See CITICORP page 4



Still Dealing After All These Years

CARL POHLAD — banker, Minnesota Twins owner, and multimillionaire — is still wheeling and dealing at age 78. After building an empire of community banks, he is on the prowl for more.

See story on page 7

NEWS *briefs*

Peoples Bancorp of Worcester Holds Talks

WORCESTER, Mass. — Peoples Bancorp of Worcester, the holding company for Peoples Savings Bank, said that it was engaged in preliminary talks with a potential buyer.

Peoples Bancorp has total assets of $913 million and 3.3 million common shares outstanding. The company's stock was up 2½, to 34¾, in afternoon trading Monday on the Nasdaq system.

Dime Files for $100 Million of Preferred

NEW YORK — Dime Savings Bank of New York said it filed with the Office of Thrift Supervision for a public offering of $100 million of noncumulative preferred stock.

The bank said it intended the stock to qualify as Tier I equity for regulatory capital purposes.

Dime said that as of June 30, its leverage-capital ratio was 5.53% and its risk-based ratio was 9.29%, each greater than OTS requirements for that date. The bank said it must meet a 10% risk-based capital-ratio target by Dec. 31, 1994.

Society Corp. Banking Affiliates Merge

CLEVELAND — Society Corp. said it had completed the merger of its two Ohio banking affiliates, Society National Bank of Cleveland and Society Bank and Trust of Toledo. The merged institution, Society National Bank, has $21 billion of assets and 300 offices throughout Ohio.

With the merger, the banks are now running on a single operating system. As a result, customers throughout Ohio can conduct banking transactions at any Society National Bank office.

Society National Bank is an affiliate of Cleveland-based Society Corp., which has $26 billion of assets.

Start-Up Bank Wins Approval from OCC

NEW YORK — Waterhouse Investor Services Inc. has received preliminary approval from the Comptroller of the Currency to establish the Waterhouse National Bank.

The bank would be its wholly owned subsidiary. Waterhouse said preliminary approval was conditioned on receipt of Federal Deposit Insurance Corp. and Federal Reserve Board approvals as well as other conditions. Waterhouse said it expected the bank to be operational in early 1994.

The company said the establishment of the bank would allow it to offer expanded financial services and products. The bank will offer cash-management accounts, credit cards, and other retail-loan products.

Commercial, Industrial Loans Off in Week

NEW YORK — Commercial and industrial loans on the books of the nation's large banks fell $2.48 billion in the week ended Aug. 11. That contrasted to a gain of $3.25 billion in the preceding week. These figures exclude bankers acceptance and commercial paper.

Arundel Gets Irvington Federal from RTC

WASHINGTON — Baltimore-based Arundel Federal Savings Bank took over Irvington Federal Savings Bank in Glen Burnie, Md., from the Resolution Trust Corp., the agency announced Monday.

The RTC paid Arundel Federal $2.8 million to take Irvington's $27.6 million of insured deposits and $22.9 million of assets. Irvington had assets of $30.8 million and liabilities of $31 million when it failed in February 1992. Arundel Federal has $207 million of assets.

The briefs were compiled from staff and wire reports.

Consumer Groups Warn Congress Against Easing Curbs on Banks

By CLAUDIA CUMINS

WASHINGTON — Six prominent consumer groups have warned Congress that any regulatory relief for the banking industry would threaten important consumer protections and engender stiff opposition from the public.

In a letter last week to Sen. Donald W. Riegle Jr., D-Mich., chairman of the Senate Banking Committee, the groups attacked the banking industry's effort to roll back burdensome laws, saying such action would "break faith with the American people."



Michelle Meier
Don't "break faith" with public

'Trojan Horses'

"We urge that you oppose all industry-led efforts to weaken taxpayer, consumer, and community reinvestment protections and that the Trojan horses of "regulatory burdens," "excessive paperwork,' and 'credit crunches' be stopped at the committee gates," the groups wrote.

"It is essential that safety and soundness and consumer protections remain in place," they wrote, "and that the Congress resist the temptation to shortsightedly alter, shift, and diminish regulatory policy and short-sighted industry demands based on little more than paper-thin anecdotal evidence about 'regulatory burdens.' "

The letter was signed by Michelle Meier of Consumers Union, Deepak Bhargava of Acorn, Chris Lewis of the Consumer Federation of America, Susanna Goodman of Public Citizen's Congress Watch, Ruth Susswein of Bankcard Holders of America, and Ed Mierzwinski of U.S. Public Interest Research Group.

"The great majority of the members of Congress don't agree with them," said Ed Yingling, chief lobbyist for the American Bankers Association. Most of the lawmakers have stated their support for some sort of regulatory relief, he added.

The consumer advocates sent the letter in anticipation of the busy congressional season that begins in September. When they return after Labor Day, lawmakers are expected to consider a number of banking-related proposals. These include, smallbusiness securitization, fair credit reporting, and reverse redlining measures.

The proposal most closely watched by banking groups, though, will be the President's community development financial institution package. And some worry that prominent Republicans – led by the Senate panel's ranking minority member, Alfonse D'Amato of New York – could hold up the bill, unless regulatory relief provisions are incorporated into it.

"I don't think there's any secret that senators on the committee are talking about putting some regulatory relief measures onto the community development bill," Mr. Yingling said.

But the consumer groups remain hopeful that they can forestall such efforts.

"The industry's well-financed campaign about 'regulatory burdens' is an echo of the drum beat of the deregulatory mania of the 1980s that left us with a wrecked savings and loan industry and a weakened banking system," they said in their letter.

"The hundreds of billions of dollars in costs to the insurance funds and the taxpayers are still being totaled," they added. "The American taxpayers have owed the assurance that this will not happen again." □

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Colorado National Expanding Its Fleet Of ATMs in 7-Elevens

By MATT BARTHEL

Colorado National Bank has signed an agreement with Southland Corp. to install automated teller machines in 122 more 7-Eleven stores in Utah and Missouri.

The bank already has 157 ATMs in 7-Elevens in those states.

The deal follows a recent announcement that Electronic Data Systems Corp., Plano, Tex., a unit of General Motors Corp., would install about 4,000 machines in 7-Elevens in other areas.

These moves – together with Boatmen's Bancshares' deal this year to place 150 ATMs in Wal-Mart Corp. department stores – **The plan illustrates bankers' new interest in non-branch locations.** as well as dozens of other recent cash machine installations by other institutions at hospitals and office complexes – provide growing evidence of bankers' new-found fondness of out-of-branch ATM locations.

Looking for Opportunities

"Most banks, at least the strong ones that are really working, are looking for new electronic banking opportunities," said Ann Schmitt, vice president of Colorado National Bank's ATM network.

"Off-premise ATMs, if the location is a good one, ultimately make a lot of sense."

According to a recent *American Banker* survey, the number of off-premise ATMs installed by the top players in electronic banking increased by 18% in 1992 compared to 1991.

And there are indications this trend will continue.

Although experts say branches in the U.S. are virtually saturated with ATMs, the *American Banker*/Ernst & Young 1993 survey of technology in banking found that banks plan to add 11,000 ATMs by 1996 to the current base of 89,000. The majority of these new installations are expected to be in nonbranch locations.

The attractions are obvious. First, the machines offer bankers a way for banks to extend basic banking services to their customers without the expense associated with adding branch offices.

Second, off-premise ATMs can be a boon to transaction volume, provided a banker installs the machines in the right locations. Convenience stores are a recent favorite site, and shopping malls and office buildings are also receiving their share of new installations.

Support Can Be Costly

But there are also drawbacks to the off-site locations. Some tellers and branch personnel cannot service the machines as they do in-branch ATMs, off-premise terminals often require a bank to hire a service company to handle such tasks as collecting deposits and replenishing cash.

As a result, off-premise ATMs can be up to three times as expensive to support as in-branch terminals. Many find that the new source of transactions is worth the increased support costs.

Other institutions have found that off-premise ATMs are no more expensive to support than those at branch locations.

"Most of our branch ATMs are drive-ups, so we already use a third party to support them," said John Smith, executive vice president at Hibernia National Bank, based in New Orleans. "It wasn't a very large jump to have the company service off-site machines."

Potential for Savings

It costs $600 to $900 a month to support each of the bank's 94 ATMs, Mr. Smith estimates. But several developments may reduce those costs over time.

The most important is a new generation of teller machines that feature larger cash dispensing cartridges. Since the new machines can be stocked with more cash, replenishment trips become less frequent.

The newer ATMs also typically contain personal computers that streamline the terminals' journaling functions. This speeds the process of balancing the ATM, Mr. Smith said.

Hibernia already has almost 20% of its ATMs installed in off-premise locations such as hospitals, and it is in the process of hammering out a deal to install ATMs in a convenience store chain in the New Orleans area.

"All things considered, it's a good way just to get the bank's name out there," Mr. Smith said, noting that many banks try to woo new customers with their off-premise ATMs by printing out coupons for bank services along with transaction receipts. □

Tri Counties Installs Fiserv System

By DEIDRE SULLIVAN
Special to the American Banker

Seeking a simultaneous boost in back-office productivity and customer service capabilities, Tri Counties Bank in Chico, Calif., has installed Fiserv Inc.'s Comprehensive Banking System.

For the past several years, the $500 million-asset Tri Counties' programming staff had been maintaining a customized software package in-house. "The situation with our old software got to the point where we couldn't keep up making the system adjustments to comply with new regulations," said Debra Howell, the loan production manager at Tri Counties. "We couldn't make enhancements. It was too time consuming and labor intensive."

Streamlined Programming

Ms. Howell said the primary reason why Tri Counties chose Fiserv was because the Fiserv system, which runs on an International Business Machines Corp. AS/400 midrange computer, enables the bank to create installment loans, commercial loans, or any other type of loan using the same programming tools.

"The default parameters are the same for all loans, so our programmers don't have to go into the system and set up anything new," Ms. Howell said.

In addition, the new system enables Tri Counties to offer an automatic escrow service to its mortgage customers. In the past, providing this type of service had been an operational problem.

Ms. Howell explained that the bank never considered escrow accounts but when it merged with another community bank three years ago, Tri Counties assumed the obligation of serving more than 75 escrow customers.

To Offer Escrow Service

"Under our old system, we had to go in and manually do the escrow accounting and it was time consuming," she said. Under the new Fiserv system, the function is performed automatically. Ms. Howell said that, in the coming months, the bank will offer escrow as a service to new mortgage customers.

The California bank expects improved productivity and customer service.

The Fiserv system also offers a range of customer service benefits. The system enables front-office personnel to pull up a consolidated record of an individual customer's banking activity. "If a loan officer needs to move from a savings account screen and into a trust record, he or she can do it in seconds and then go right back to the original screen," Ms. Howell said.

Ms. Sullivan is a freelance writer based in New York.



Bankers are Bullish on Mutual Funds

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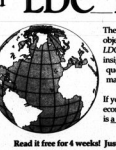

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Scottish Bank's Rhode Island Unit Hires a Lehman Bros. Merger Pro

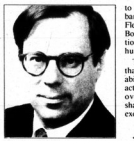
By YVETTE D. KANTROW

Further signaling its intent to expand, Citizens Financial Group in Providence, R.I., has tapped Bradford B. Kopp, an investment banker for most of his career, as chief financial officer.

Mr. Kopp, 41, joined the company last week as an executive vice president, after a 12-year career at Lehman Brothers in New York.

Most recently a managing director in the investment bank's financial services group, Mr. Kopp has raised capital for both commercial and savings banks and has handled numerous mergers and acquisitions.

"Now I get to be on the other side," he said.



Bradford B. Kopp
"We want to expand"

On the Acquisition Trail

The merger and acquisitions experience should prove handy at Citizens, a subsidiary of the Royal Bank of Scotland PLC that is hot on the acquisition trail in Massachusetts and Connecticut.

Citizens has been given the mandate by its parent to more than double its $4.5 billion of assets to $10 billion by the end of 1995.

"It's a very exciting place to be," Mr. Kopp said. "There is all this capital in Scotland that's available to build the bank."

With Royal Bank's $60 billion in assets, Mr. Kopp said, Citizens has the firepower it needs to compete with New England banking behemoths such as Fleet Financial Group, Bank of Boston Corp., and Shawmut National Corp., which are also hungry for acquisitions.

That kind of capital more than makes up for Citizens inability to do a stock-swap transaction, he said. (Because of its overseas parentage, Citizens shares do not trade on an exchange.)

Some Prefer Cash'

"Having a high stock price would be an advantage," Mr. Kopp conceded, "but some people do prefer cash."

Citizens is currently digesting Boston Five Bancorp and New England Savings Bank, a failed Connecticut thrift. The two will add $2.5 billion of assets to Citizens and, according to Mr. Kopp, turn the bank into the nation's 50th largest.

"We have our hands full right now, but we want to expand," Mr. Kopp said. □

Texas' Guaranty Federal Buying San Antonio S&L

By JOHN RACINE

DALLAS — Already the largest Texas-owned financial institution in the state, Guaranty Federal Bank is about to get even bigger.

The Dallas-based savings bank said late Friday that it agreed to acquire $416 million of assets and assume $378 million of deposits from First Federal Savings Bank in San Antonio.

The $42 million cash deal, expected to close by yearend, has been approved by stockholders of VBFSB Holding Corp., First Federal's parent company.

'Very Enthusiastic' About Market

The acquisition would give Guaranty Federal nearly $9 billion in assets. The thrift is the largest locally controlled financial institution operating exclusively in the Lone Star State.

"Because of the explosive growth in the tourism and high tech industries in the greater San Antonio area, we're very enthusiastic about the San Antonio market," said Robert F. Adelizzi, chairman of Guaranty.

The growing San Antonio market is poised for even more explosive action because of an anticipated increase in trade with Mexico should the North American Free Trade Agreement go into effect.

Second Deal This Year

The pending acquisition is the second to be announced by Guaranty Federal this year. The savings bank reached a definitive agreement in February to acquire American Federal Bank of Dallas, which has $1.7 billion of assets, from Lone Star Technologies.

John Rowley, a spokesman for Guaranty Federal, said the savings bank would continue to look for healthy Texas institutions to buy. The company, owned by Temple-Inland Inc., a Diboll, Tex.-based wood and paper products company, operates in some 72 cities east of Interstate 35, which divides the state.

Guaranty focuses primarily on consumer mortgage lending in Texas, and also has a national profile in the mortgage finance business.

Citicorp Moving into Connecticut

Continued from *page 1*

bound, and apparently ready to make more investments in its powerful retail franchise.

In Connecticut, the banking company is seeking a toehold in southern Fairfield County – an important extension of the hotly competitive New York City metropolitan market.

Rivals Already There

Two of Citicorp's bigger rivals have already staked out a presence in the area, one of the nation's wealthiest. It also borders New York's Westchester County, another affluent suburban region.

Chase Manhattan Corp. entered Fairfield County two years ago when it bought two failed Bridgeport banks. New Jersey's First Fidelity Bancorp. edged in this year with its purchase of Northeast Bancorp., a troubled company with 68 branches in the county.

While Citicorp's presence will be tiny, observers said its impact on Connecticut's banking scene is likely to be significant.

In California, Florida, and other states in which Citicorp has small branch networks, the company has aggressively marshaled technology and specialized marketing programs to make strong inroads with affluent individuals.

'Will Notch Up the Level'

That strategy could play well in Fairfield, where the average annual household income is $65,853.

"This will notch up the level of sophistication of competition in Fairfield County," said Les Dinkin, president of NBW Consulting Group in Westport. "The banks will have an aggressive new competitor on the block to contend with."

Citicorp's Connecticut branches will be located near the Westchester border in Cos Cob, Stamford, and Greenwich. But now that it has a toehold, Citicorp is likely to move quickly to establish more outposts in a state that is undergoing rapid consolidation of its banks.

Smaller Institutions Vulnerable

With much of Connecticut mired in a recession, many smaller institutions are vulnerable to, or eagerly courting, takeover. Earlier this month, First Fidelity agreed to buy Greenwich Financial, a thrift-holding company with seven offices near Citicorp's planned branches.

The Citicorp spokeswoman would not comment on the company's long-term plans in Connecticut.

"We'll start here and take it one step at a time," she said. □

BankAmerica Expands Responsibilities Of Vice Chairman Michael Rossi

SAN FRANCISCO — BankAmerica Corp. said Monday that it has expanded the responsibilities of vice chairman Michael E. Rossi, handing him the reins of its large commercial banking group and many of its private banking and trust businesses.

Mr. Rossi, 49, also will retain responsibility for BankAmerica's international trade banking division and its real estate special attention assets management unit. He will relinquish his job as head of credit policy, which he has held since 1990, to Jack L. Meyers.

Mr. Meyers, 50, is a group executive vice president who had directed the commercial banking activities that were transferred to Mr. Rossi.

Mr. Rossi will now run the investment management group, which includes mutual funds, private banking, and personal trust. The group had been overseen by Peter McPherson, who was director of Third World debt restructuring.

Mr. MacPherson, 52, announced that he will become president of his alma mater, Michigan State University. □

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Central Fidelity Copes with the '90s by Slashing Costs

By KENNETH CLINE

Company Focus

"That's one of the few live plants that we still have around the bank," says Lewis N. Miller Jr., pointing to the miniature Japanese bonsai tree sitting on a table in his office.

Mr. Miller, president of Richmond-based Central Fidelity Banks Inc., said the bank recently did away with its plant servicing contract, thereby saving about $150,000 a year statewide.

In its place, employees were provided with their own watering cans or asked to make do with artificial plants.

"A nickel here, a nickel there, sooner or later it adds up," Mr. Miller said nonchalantly.

Low Efficiency Ratio

But the sentiment has become one of Central Fidelity's bedrock credos. The company is obsessed with saving money.

In fact, its efficiency ratio, which measures the percentage of operating revenues eaten up by noninterest expense, was 54.58% last year, the fourth lowest among the nation's larger banks.



Lewis N. Miller Jr.
"A nickel here, a nickel there"

"In Central Fidelity's case, it's very much an expense control story," said Anthony R. Davis, a bank analyst at Dean Witter Reynolds Inc., in New York. "They don't waste any motion."

Central Fidelity earned $7,749 per employee in the second quarter, compared with $6,400 for the typical bank followed by Dean Witter, according to Mr. Davis.

A Rough Decade

Mr. Miller dates Central Fidelity's fixation on cost control back to 1989, when he and chairman Carroll L. Saine started thinking hard about the future of the banking industry.

"We realized the '90s weren't going to be good for banks," Mr. Miller says. "To continue to be profitable and to grow, you were going to have to be efficient – get more out of what you've got."

To encourage its employees to buy into the cost-scrimping regime, Central Fidelity makes heavy use of financial incentives.

Last year, after employees succeeded in keeping controllable expenses flat, they received two separate 2% increases in salary.

Added Incentive

The incentive this year is even richer. Under the new "Four for 4?" program, each of the bank's 3,500 employees will receive a 4% boost in salary if the bank is able to get its efficiency ratio below 50%.

Since the ratio dipped to 48.98% in the second quarter, Mr. Miller feels certain the goal can be achieved for the full year.

Its efficiency ratio was 54.58% last year, ranking it No. 4 among its peers.

Unfortunately for Central Fidelity, its strenuous efforts have not won it any kind of premium in the stock market. The bank company's shares sell at a 10% discount to the typical regional bank stock followed by Dean Witter, Mr. Davis said.

Nonperformers Remain High

He cited credit problems related to commercial real estate in the Washington, D.C., area as a "continuing cloud" over the company. At a time when other banks are working down their nonperforming assets, Central Fidelity made no dent in its $112 million of nonperformers during the second quarter.

"Central Fidelity has sort of brought up the rear in this cycle in terms of credit recovery," Mr. Davis said. "They've had problems longer than most banks we follow. Efficiency is just one piece of the puzzle."

Historically a middle-market lender with little razzle-dazzle in its strategy, Central Fidelity has lagged behind the industry in its ability to generate fee income.

Fees accounts for less than 20% of revenues, putting Central Fidelity in the bottom quartile for banks its size. However, it made a major effort to correct that deficiency last year by forming a new mortgage subsidiary and launching a mutual funds and annuities sale drive.

Mr. Miller says Central Fidelity is striving to achieve the averages of its peers in fees. But he is not planning on any major changes in his overall strategy.

"We'll never be in the top rank of fee-earning banks," he said without apology. □



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At 78, Pohlad Still Enjoys 'Romance' of the Deal

By ROBERT B. COX

At 78, most bankers are thinking more about the next Social Security check than the next acquisition.

Not Carl Pohlad, president of Marquette Bancshares.

After more than a half-century in banking, he has amassed an empire of three dozen community banks spanning 10 states, a baseball team that has won two world championships, and a personal fortune estimated at close to $1 billion.

But Mr. Pohlad, who is five years older than the Pope and 31 years older than the President, hasn't considered stopping. In fact, he has just embarked on an acquisition spree that is likely to lead him far from the Twin Cities – through Texas and eventually to California.

'A Long Range View'

"At Carl's age, you would not think he would be looking at things that might not be good five years from now," said Norman Jones, a friend who is chief executive of Metropolitan Financial Corp., a Minneapolis-based regional thrift company. "But Carl always has a long-range view."

When Mr. Pohlad sold the Twin Cities franchise of his bank holdings, Bank Shares Inc., to First Bank System for $240 million last year, many observers figured he would sell the whole lot and head for a leisurely retirement.

Instead, Mr. Pohlad and his executive posse refocused their strategy to acquire small community banks in secondary towns and cities throughout the 10 states they are in, and in others they find appealing.

Known for Baseball

"All the major banks in the country are staking out their territory today," Mr. Pohlad said last week in a rare interview. "We are doing the same thing in a smaller, private way."

A household name in Minneapolis, Mr. Pohlad is less well-known for his banking expertise than his ownership of the Minnesota Twins, who were threatening a move to sunnier climes when he acquired them in 1984. But banking has been the core of the gray-haired executive's empire. His network of 37 community banks, if merged, would create a company with $3.5 billion of assets and 95 offices. Mr. Pohlad also owns $250 million – nearly 9% – of First Bank System stock, and more than $20 million of Metropolitan Financial's shares.



NEW HORIZONS: Well-established in Minneapolis, Carl Pohlad is looking to expand in the West and Southwest.

Mark Luinenberg

Some Disappointments, Too

While most of his investments have been successful, Mr. Pohlad has had his share of disappointments. Early this year, MEI Diversified, a concern with interests in hair salons and medical products in which he had a controlling stake, filed for bankruptcy protection.

Two years earlier, he sold more than 600,000 shares of TCF Financial Corp. just before the market for thrift stocks took off and TCF tripled in value.

And Mr. Pohlad, who calls deal-making "romance," was jilted in his three largest takeover attempts. In 1989 he tried to buy Texas American Bancshares, Fort Worth; and National Bancshares, San Antonio, which would have boosted his Texas holdings to nearly $10 billion. Early this year he and investor Irwin Jacobs tried to raise their 10% stake in Peoples Westchester Savings Banks of New York to full ownership of the $1.8 billion thrift – but offered just $30 per share, a bid handsomely topped at $44 by New Jersey-based First Fidelity Bancorp.

'On the Cheap'

"Carl Pohlad likes to buy things on the cheap," said Piper Jaffray Inc. analyst Steven R. Schroll. "Today you don't buy banks on the cheap unless they have a lot of problems."

Still, "his small community bank strategy is sound, and will be, like most of Carl's endeavors, a success," said Richard Kovacevich, president and chief executive of Norwest Corp.

Over the past decade only two of the Pohlad banks have posted a loss – and those were modest. The average return on assets for the dozen Marquette banks in Minnesota was a healthy 1.4% last year.

The banks are controlled by the Pohlad family directly or through 15 separate holding companies. While they are not centralized and have different names, the Pohlad family exacts efficiencies through its Marquette Consulting Corp.

Through the shell company, Mr. Pohlad and other officers at Marquette offer their many disparate banks centralized functions including auditing, loan review, and compliance.

The career banker said he does not exclude the possibility of merging all of the institutions, conceding: "Maybe some day we will put them all together." Nor does he rule out selling some of his family's share in the chain of banks: "We will continue to give it consideration."

But for now, Mr. Pohlad and the officers of Marquette are focused on doing deals. They are scouting aggressively in the Midwest, Arizona, Texas, and New Mexico, where the Pohlads currently own institutions.

"If we don't think we can achieve $1 billion of assets, we don't have too much interest in a given market area," said Mr. Pohlad.

Since selling the Minneapolis

See **DEALS** *next page*

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PEERLESS

Pohlad Sets His Sights on Risky California Market

By ROBERT B. COX

California may be half a continent away from Minneapolis, but it is likely to be acquisitive banker Carl R. Pohlad's next step.

"We are looking very aggressively in California," said Mr. Pohlad, majority owner of 37 community banks throughout the country, including Twin Cities-based Marquette Bancshares. Since staking out territory in Texas two years ago, Mr. Pohlad has been steadily moving West, buying banks in Arizona and New Mexico, with plans to grow assets in those states to as high as $1 billion.

Mr. Pohlad is now looking for "well-established community banks" outside California's major metropolitan areas with assets from about $200 million to $500 million.

But California does not come cheap, nor does it come without risk.

Acquisition Costs Remain High

Nonperforming loans comprised a troubling 4.34% percent of gross loans at California banks as of March 31, according to Sheshunoff Information Services. In Mr. Pohlad's home state of Minnesota, problem loans were just 1.35% of gross loans, lower than even the 2.9% national average.

Asset-quality woes have done little to lower the cost of acquiring Golden State banks. Hungry acquirers paid an average 185% of book value for California banks over the last four quarters, according to SNL Securities in Charlottesville, Va. The national average was lower, at 170 percent of book.

And early this month, First Interstate Bancorp raised the stakes by paying a hefty 2.55 times book value for the $2 billion-in-assetsSan Diego Financial Corp.

"We won't pay that much," demurs Thomas A. Herbst, executive vice president of Marquette.

Mr. Pohlad remains optimistic. After all, he's bought his share of troubled banks and turned them into profitable institutions. And with 30 million residents and an economy that he believes has bottomed out, he feels the potential is great.

"Two years ago I would have never had the slightest interest in the state," he said. "Now I think there is a place for community banking in smaller areas in California."

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Deals Still a Thrill For Carl Pohlad, 78

Continued from *page 7*

franchise last year, the Pohlad group has picked up three community banks in Texas, two in Minnesota, and one in New Mexico, plus a South Dakota thrift, and has opened a private bank in Minneapolis – adding a total of $700 million of assets.

The Pohlad group recently reached – but has not yet announced – agreements to buy a $30 million-asset bank in Denton, Tex., and a $100 million-asset bank near Houston, as well as a $75 million-asset bank in western Wisconsin.

Perhaps most surprising, however, Mr. Pohlad is looking at about six banks in California alone: "Where there is trouble there is opportunity," he says.

Mr. Pohlad was baptized into banking during the Depression as a collector for an Iowa finance company. "It's easy to make a loan but it takes a genius to collect on it," he says.

To keep asset-quality problems to a minimum, Marquette Consulting takes Mr. Pohlad's underwriting ground on the road – training staff continually at all locations.

"People that are part of the Pohlad organization know that earnings are not the number one priority – asset quality is," said Thomas A. Herbst, an executive vice president at Marquette.

'They Are Family Oriented'

The banker also tries to provide ample incentive for employees throughout the company – though none of the salaries approach the $31 million, five-year deal star Twins outfielder Kirby Puckett signed prior to this season.

"It's a real good organization to work for," said Pauline Nygaard, a vice president at Farmers State Bank of Cut Bank in Montana. "They are family-oriented which means a lot around here."

Mr. Pohlad's "family" at the banking company consists of executive vice presidents James O. Pohlad (Carl's son), Mr. Herbst, and Albert J. Colianni Jr., and chief financial officer Jann Ozello Wilcox. Mr. Pohlad declined to name his successor.

"I might live forever," said Mr. Pohlad, whose 101-year-old mother attends every Twins home game. "The secret of age is that you have got to keep busy." □

PIPELINE / *By Ed Kulkowsky*

Home Loan Stocks Get More Attention

With originations continuing to soar, mortgage banking stocks have getting more attention from Wall Street. Analysts initiated coverage on three last week. The score: one "buy," one "neutral," one "sell."

Gordon Gray at PaineWebber Inc., New York, weighed in with opinions on Fleet Mortgage Group, a "buy," and Countrywide Credit, "neutral." He sees a buying opportunity in Fleet following its recent writedown of servicing rights. On Countrywide he is biding his time, waiting for the market to fully discount an expected slowdown in refinancings. He expects to make Countrywide a "buy" if that should happen.

A 'Sell' Rating

At Mabon Securities in San Francisco, Gareth Plank kicked off coverage of Margaretten & Co. with a "sell."

Said Mr. Plank: "It's a fine company, but in retrospect the price on their acquisition of servicing from NationsBank was a bit too lofty. They bought $7 billion with a weighted average coupon of 9.3%. I see a tremendous refinancing drain coming. The premium paid will have to be adjusted downward."

And if rates rise? "Mortgage bank stocks will be shunned by investors in that environment, as they have been historically."

* * *

One mortgage company that took some lumps last week was Imperial Credit Industries, Santa Ana Heights, Calif. It was given a "sell" rating by Sy Jacobs, an analyst in New York with Alex. Brown & Sons, Baltimore. Mr. Jacobs had previously been neutral on the stock. The reason for the change: a rising stock price despite a decline in originations.

The shares were trading at about $14 at the end of the week, down from about $16.25 before Mr. Jacobs issued his report.

* * *

Some observers were scandalized and alarmed recently when the U.S. government decided to issue the 30-year bond only twice a year.

Thinking About the Long Bond

To understand why they were flustered, you have to understand that the "long bond" is to fixed-income fanciers what the Dow is to the equities crowd: the basis if imperfect shorthand for discussing the state of the market. And lately, the long bond has been on everybody's lips because its price has been rising inexorably.

But now, the talk is that the 10-year issue may become the new standard, and "long bond" may disappear from the argot.

Does anybody in the mortgage business care? Only a little.

"It's like losing an old friend," says David Lereah, chief economist for the Mortgage Bankers Association. But he isn't shedding any tears. "The benchmark isn't really anything technical," he says. "And most mortgage people have been looking at the seven-year and the 10-year anyway"

John Prince, head trader at Freddie Mac, agrees:

"People tend to equate the 30-year bond in their minds with the 30-year mortgage. But the performance of mortgage securities on the yield curve is more related to the seven- or 10-year. If the 30 were gone, we think we would be unscathed in terms of liquidity or performance on MBS issues."

Pulse of the Market

30-Year Fixed Rates

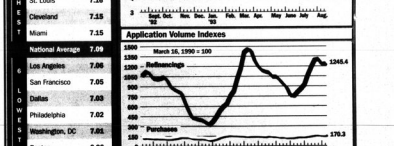
6 highest and 6 lowest rates on 30-year fixed rate loans, by metropolitan area

HIGHEST	Orlando	7.23%
	Minneapolis	7.19
	Chicago	7.18
	St. Louis	7.16
	Cleveland	7.15
	Miami	7.15
	National Average	7.09
LOWEST	San Francisco	7.06
	Los Angeles	7.06
	Dallas	7.03
	Philadelphia	7.02
	Washington, DC	7.01
	Boston	6.96

Interest Rates



Application Volume Indexes



Sources: HSH Associates, Mortgage Bankers Association of America

Lenders Worry that Low Rates Will Fail to Spur Homebuyers

By JAMES H. SAFT

Interest rates on home loans are starting to push below the 7% mark, and refinancings continue to soar as a result. But mortgage lenders are worried that no matter how low rates may go, originations for purchases will stay flat.

A survey of lending rates by HSH Associates of Butler, N.J., shows that average 30-year fixed rates in many cities are hovering around 7% – which means that many lenders are already offering mortgages below that figure.

No Strong Pickup

Boston, according to preliminary findings, has the nation's lowest average rate, at 6.96%.

Yet despite some of the lowest rates in the country, lenders in Boston report no strong pickup in purchase-related lending.

"We're trying to attract some new loans and not just refinancings, but it's tough," said Richard Grane, president and chief operating officer of Hyde Park Savings Bank in Boston.

"The rest of the country may be coming out of a recession, but we've lost a lot of jobs."

Those comments were echoed by Steve Deardorff, vice president of CTX Mortgage Co., Dallas, where the average 30-year fixed rate was 7.03%.

Economic Worries Cited

"We're surprised the lower rates haven't spurred new purchase activity," he said. "It's really a reflection of people's concern about the economy."

Philadelphia is another metropolitan area with low rates – an average of 7.02% – and there the story is no different. Banks see lower rates bringing about the predictable refinancings.

"We're getting the people I call the procrastinators, people who missed the last two waves of refinancings and are now coming out of the woodwork," said Joseph Murphy, vice president at Frankford Bank in Philadelphia.

Public Seen as Jaded

It may simply be that consumers, used to ever-falling rates, have become jaded.

Peter Treadway, an analyst with Smith Barney Shearson Inc., thinks that 7% is not a particularly important barrier psychologically.

"It may cause some people to come to market, but its not like 10%," he said.

Orlando has the highest 30-year fixed rates in the nation, averaging 7.23%.

Next is Minneapolis, at 7.19%. □

Sadly for you, politicians in Washington agree on something.

Lawyers, legislators and lobbyists in Washington—people who've made careers out of being contrary—all are declaring the same thing these days: that government's relationship with the secondary mortgage market is going to change drastically.

They all know about HUD plans to toughen enforcement, new pressures on Fannie and Freddie, and the revival of Ginnie Mae as a major player in the market. And if you want more evidence, look to Capitol Hill, where Congress is toying with mortgage bankers subject to the same regs as commercial banks.

How should you react? You could wax nostalgic—and get clobbered by the government and your competitors. Or you could read *The Mortgage Marketplace.*

Every Monday, in less time than it takes to finish your morning coffee, *The Mortgage Marketplace* tells you about the new rules and ideas that could keelhaul your secondary operations. It names the biggest mortgage company participants in Ginnie, Fannie and Freddie issues. And it scans the horizon to determine what types of loans, and borrowers, that now are considered exotic could soon enter the pipeline of conforming loans.

There's no debate—new regs are coming. What's still at issue is whether you'll be ready for them.

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Mortgage Marketplace
Weekly Source of Public Info Moving Secondary Mortgage Markets

Mortgage Guaranty Led in the 1st Half

By JAMES H. SAFT

Mortgage Guaranty Insurance Corp., Milwaukee, captured the top spot in new insurance written in the first half of this year, with policies on $15.8 billion of mortgages. It is believed to be the first time in several years that the company has held the top rank.

Mortgage Guaranty, or MGIC, surged past GE Capital-Mortgage Corp. ($14.5 billion) by posting a 36% increase over volume in the period in 1992. GE, which held the top spot in 1992, had a 12% increase, to $14.5 billion.

PMI Mortgage Insurance., of San Francisco, saw its volume of new insurance shoot up to $11.2 billion, a 36% increase. United Guaranty Corp., the Greensboro, N.C.-based mortgage insurer, enjoyed an even steeper ascent, registering $6.8 billion, a whopping 41.7%.

Refinancings, Low Rates

Most observers attribute the strong volume largely to low interest rates and the resulting high level of refinancings.

"A lot of these numbers are coming off the high level of originations," said James S. MacLeod, senior vice president of Mortgage Guaranty. While Mr. MacLeod believes that market share is a "nice measure, the ultimate measure is the quality of business on the books."

One reason for Mortgage Guaranty's increased market share, according to Mr. MacLeod, is its increasing efforts to share risk management information with mortgage lenders.

Regional Slumps Hurt GE

Why the loss of market share by GE? Martin Heck, president of GE Mortgage, said, "You need to look at the distribution of where we're strong geographically. We're strong in the Northeast and West Coast, areas which are currently having severe recessions."

Both PMI and United Guaranty pointed to an increased amount of pool insurance business.

Though pool insurance volume is not counted as part of mortgage insurance volume, it has the effect of bringing in business. "If you're doing a lot of pool insurance for a customer, they are more likely to give you their other business," said Claude Seaman, senior vice president of PMI. Mr. Heck has high hopes for GE Mortgage's monthly payment plan, an innovation GE pioneered earlier this summer.

Whether monthly payments will provide GE with a competitive advantage is unknown.

Others Follow Suit

Mortgage Guaranty launched a similar product last week. And United Guaranty Corp. president Charles M. Reid and Mr. Seaman of PMI both indicated that their companies are hard at work at developing their own versions.

Monthly billing is expected to generate new business, especially among first-time homebuyers, by cutting the amount of money needed to close.

One issue mentioned by officials at all four mortgage insurers is that the unprecedented volume is placing stress on operations. "It's volume like we have never seen, and we've had real pressure to keep turnaround time low and service up." □

3 Still in Race for Empire of America

By JAMES H. SAFT

The bidding for Empire of America Realty Credit Corp. has been narrowed from seven potential buyers to three, according to sources.

They are said to be Wesav Mortgage Corp. of Scottsdale, Ariz., Household Commercial Financial Services of Prospect Heights, Ill., and an unidentified investor. Wesav officials declined to comment. Bankers from Empire and Household did not return calls.

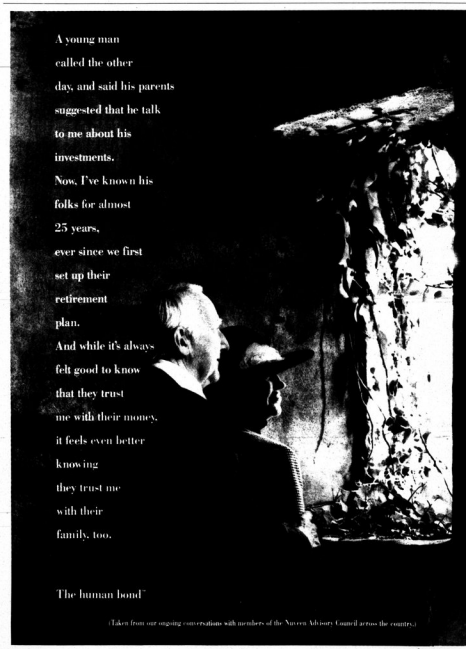
The finalists are said to be performing due diligence. A winner is expected in early fall.

Expansion Potential

Wesav, a unit of First Western Corp., is thought to be interested partly because of the opportunity to branch into a new geographic area.

Household Commercial has also been known to be looking for a property to expand its mortgage banking operations. It was a strong bidder for the mortgage banking properties of Sears, Roebuck & Co. earlier this year. PNC Bank Corp., Pittsburgh, was the winner.

Buffalo-based Empire originated some $4 billion in mortgages last year and has a servicing portfolio of about $6.8 billion. The company was bought from the Resolution Trust Corp. for $40 million in 1991 by Carbadon Corp., which is a joint venture of Cargill Inc., Gordon Investments, and a venture capital pool affiliated with Prudential.





Training Firms Rush to Share in Funds Boom

By KAREN TALLEY

Training companies are jumping on the investment-product bandwagon at banks.

A cottage industry is springing up to help banks license salespeople, learn more about investment offerings, and target customers.

Training companies range from operations like Omega Performance, San Francisco, with scores of employees, to one-person or two-person shops, like Sales Acceleration Systems, Beaverdam, Va. And some big mutual fund companies, such as Van Kampen Merritt, have set up separate units to offer banks training for a fee.

Payback Hard to Evaluate

Bankers says these programs can indeed be helpful – but the financial return is hard to pinpoint.

James McCoy, vice president at Signet Financial Services, Richmond, Va., lauds training Omega supplied to a couple of hundred platform people.

A cottage industry is springing up to help market investment products.

The program, which costs about $475 a person, has helped Signet direct more qualified leads to sales representatives, Mr. McCoy said. But exactly how much new business the training has yielded is "real hard to track" because of other factors that may affect sales, he said.

Some firms that provide comprehensive sales support to banks, including training, scoff at the idea of programs that provide only training.

Niche Training

"Our client banks find it's really not necessary to go to those sources, because their needs are met by us," said Robert Burke, director of education at Invest Financial Corp., Tampa.



R. Scott West
Says firm's approach is unique

But suppliers of stand-alone training programs maintain that their offerings are necessary in an increasingly competitive market. And each company points to a particular niche it serves.

"This is another level," said R. Scott West, director of financial institutions at Van Kampen Merritt, which modeled its program after Xerox's training methods. "We tap into resources that banks aren't going to get anywhere else."



Lou Harvey
Says fly-by-nights won't last

Mr. West said the Xerox strategy, which concentrates on identifying customers needs as a way of selling more products and those that are most appropriate, is unique to banks.

While Van Kampen is a known name, industry observers warn that the lure of potentially easy money will surely entice some fly-by-night operations to enter the fray.

Banks may get burned. But some experts – among them Lou Harvey, president of Dalbar Financial Services, a financial consultant in Boston – are confident that phony firms can't last long.

"If people are not well trained, it becomes obvious pretty quickly," Mr. Harvey said. □

Unit Trust Sales Up Sharply in Half

Some $667.7 million flowed into unit investment trusts in June, bringing their sales at the first half of the year to $4.62 billion. This compares with $4.26 billion for the first six months of 1992, according to the Investment Company Institute in Washington.

Unit investment trusts are investment companies that buy fixed portfolios of bonds or stocks. — **Karen Talley**

Choosing Funds? Check Their Staffs, Experts Say

By KALEN HOLLIDAY

As banks wade deeper into the mutual fund business, they face a sometimes bewildering array of choices.

Selecting which mutual funds to offer to customers is one of the most crucial decisions a bank faces. It can be a mind-boggling chore, especially for banks that are new to the business.

Experts say that in assessing potential mutual-fund providers, banks should look carefully at the size of the companies' sales and support staffs, as well as their qualifications.

To be sure, bigger is not always better.

"Quality counts more than quantity," said Kurt Cerulli, principal of Cerulli Associates, a consulting company in Boston.

Solid Indication

Nevertheless, how many people a fund company has selling to and supporting banks is widely considered a solid indication of its commitment to the bank marketplace.

A sales staff with experience in the bank environment is a major asset to bankers, Mr. Cerulli said, since the bank sales process is different from selling to insurance or brokerage companies.

For instance, he noted, the success of a bank's sales efforts

Bigger is not always better, but it can indicate a level of commitment.

can depend heavily on the mutual fund representatives' ability to get referrals from bank tellers and loan officers. Solid sales support from a mutual fund company can help foster cooperation between the key players.

Fund companies also play an integral part in training bank representatives about their company's products and services. In the brokerage business, that type of training is not so necessary, Mr. Cerulli said.

"The level of hand-holding is a lot higher" when salespeople work with banks, he said.

In an informal survey of some of the biggest mutual fund companies that sell their products through banks, the *American Banker* found big differences in the way sales forces are structured.

The most noticeable differences are what companies call bank salespeople and how they break down their sales staff, making it difficult to determine



Nishan G. Vartabedian
Has biggest bank sales force



Kurt Cerulli
"Quality counts more"



Thomas Ryan
Gets help from nonbank side

exactly how many employees sell exclusively to banks, and who does what.

A number of companies that are acknowledged leaders either would not or were unable to provide data by press time. These companies include Massachusetts Financial Services, Federated Investors, and Capital Research and Management.

One reason given was fear that competitors would "stretch" numbers to appear more impressive.

Reluctance to provide data also reflects the sensitivity of this information.

While this makes straight numerical comparisons difficult, there were some clear leaders.

Fidelity in the Lead

Of the companies that did provide data, Fidelity Investors boasts the largest sales force dedicated to banks.

The Boston-based firm has 40 representatives stationed in nine cities, according to Nishan G. Vartabedian, executive vice president for the bank services division.

The figure includes 11 "external wholesalers," who visit banks to provide support services.

Each is assisted by an "internal wholesaler" counterpart.

John Nuveen & Co. weighed in with the largest number of so-called dedicated wholesalers.

The Chicago-based company has 19 such employees, who focus exclusively on providing sales support to banks that sell Nuveen funds. In addition, four sales associates provide support from the firm's homebase. That is a sizeable chunk of Nuveen's total sales force of 85.

Another Chicago-based company, Kemper Financial Services, followed closely, with 15 dedicated representatives, including a national sales manager, out of a total of 48 salespeople.

Double-Duty Salespeople

Eaton Vance reported 13 regional representatives, or wholesalers, and a senior vice president, assisted by 13 marketing representatives. But these 27 salespeople do double-duty, serving both banks and independent broker-dealers. The Boston-based company manages over $10 billion in assets and derives about a quarter of its sales from banks.

Colonial Mutual Funds also has 13 of its 37 wholesalers in the bank sales channel. The Boston-based company manages about $9 billion for investors.

Franklin Resources, Inc. has eight regional wholesalers in the bank channel out of a 33-person sales staff.

The San Mateo, Calif.-based company has more than $57 billion of assets under management. About a quarter of its sales are to banks.

Pioneer Group has only five wholesalers devoted to thebank channel, but it uses the resources of its 36-person sales force "to help supplement our bank sales effort," said Thomas Ryan, vice president of bank marketing at the Boston-based company.

Using "cross-channel wholesalers" allows Pioneer, which manages about $7 billion in assets, to compete with bigger players, Mr. Ryan said.

tives, regional sales representatives, sales associates or assistants and inside wholesalers.

Telemarketers who work in the bank environment often play a more important role than their colleagues who service brokerage firms, Mr. Cerulli said.

For example, he noted, they tend to have phone conversations that are two or three times longer.

Often a bank representative who calls into a telemarketer has a client sitting in his office and needs immediate answers to a series of questions, Mr. Cerulli explained.

Telemarketers in the bank channel must be well-trained to meet the bankers' needs, he said. "They are almost a part of the face-to-face process."

Of the companies polled, Kemper has the largest internal department devoted to bank sales, with 14 people to field inbound calls, six to place outbound calls, and four marketing representatives. Banks account for about 70% of Kemper's sales.

Expansion Plans

While most of the companies polled said they planned to expand their bank sales forces if bank sales increase, only Oppenheimer Management Corp. and Nuveen stated definite growth plans.

Nuveen plans to add between two and four people next year, according to Mr. Cantro.

Oppenheimer has only 12 outside wholesalers, but they appear to be the one to watch. The New York-based company, which manages over $18 billion of assets, has grand plans.

"With the caveat that there's not a major change in the rate bank sales are growing, we plan to double our sales force by the end of 1994," said Bruce C. Dunbar, senior associate in Oppenheimer's public affairs department. □

Telemarketers

Several firms, including Colonial, Franklin, and Eaton Vance, match each wholesaler with an internal counterpart.

These telemarketers, as they are known inside the industry, have a variety of titles including regional marketing representa-

Eaton Vance to Add 5 Portfolio Managers

Eaton Vance Corp., a Boston-based investment management company, said it was picking up five portfolio managers from Invesco Management and Research Inc., also of Boston.

The portfolio managers, who oversee $1 billion in private accounts for Invesco's Gardner and Preston Moss division, will move to Eaton Vance on Oct. 1. Eaton Vance currently manages $13 billion of assets for institutional clients and mutual funds.

— Debra Cope

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Anti-Amex Restaurant Eats Its Words

By KAREN EPPER

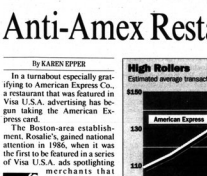
In a turnabout especially gratifying to American Express Co., a restaurant that was featured in Visa U.S.A. advertising has begun taking the American Express card.

The Boston-area establishment, Rosalie's, gained national attention in 1986, when it was the first to be featured in a series of Visa U.S.A. ads spotlighting merchants that "don't take American Express."

That campaign was instrumental in Visa's effort to be perceived as the No. 1 card in the prestigious travel-and-entertainment segment long dominated by American Express. It also helped Visa distinguish its strategy from that of the rival bank card association, MasterCard International.

Restaurateur Rosalie Harrington said she wasn't afraid to play favorites any more. Now the restaurant that gained fame for not taking American Express is poised for another turn in the limelight for changing its mind.

"Customers were asking to use the American Express card, and I didn't want to lose business," Ms. Harrington said. "It was a smart business decision to take the card, and we already can see a big difference in the bottom line."



Ms. Harrington said it is too soon to provide any concrete results. She added that the prospect of an "attractive advertising campaign" dangled by American Express was a big factor in her change of heart.

"Her decision to accept American Express is symbolic of our efforts in winning back merchants," said an American Express spokesman.

Reeling from a protest by merchants – centered in Massachusetts – against its premium pricing, American Express retaliated two years ago with discounts to merchants that automated their transaction processing. The company also lowered – to $500,000 from $1 million – the minimum annual charge volume for merchants to qualify for cooperative marketing funds.

Big Spenders

An advertising campaign in the restaurant trade press currently targets Visa-accepting restaurants.

American Express argues that restaurants lose revenue by refusing to accept its cards, because Amex holders tend to spend more than bank card users.

The marketing push is reportedly paying off. American Express signed up 50,000 new merchants in the first seven months of 1993.

Visa isn't about to give up the anti-American Express campaign after one high-profile defeat.

The Boston eatery Rosalie's is now accepting American Express, to great fanfare.

"You win a few, you lose a few," said Visa U.S.A. president H. Robert Heller. Visa officials fondly point out that the association leads by a wide margin in merchant acceptance, with 10.4 million locations compared with American Express' 3.4 million worldwide. □

B of A Said to Mull Exiting Credit Cards

Continued from page 1

go & Co. adopted such a cross-selling strategy with a credit card offering credits toward the closing costs of a mortgage loan.

Market analysts expect such tie-ins to gain momentum as banks try to fend off new entrants like American Telephone and Telegraph Co. and General Motors Corp. that dangle attractive pricing and rebate offers.

NEWS ANALYSIS

Another possibility being mentioned is that the bank might begin printing cardholders' photographs on their cards – a security technique that has been adopted by Citicorp and Banc One Corp.

And it seems likely the California-based bank will soon adapt its "Banking on America" advertising theme to card products, observers said.

But Mr. Kraushaar said once chargeoffs decline, a sale "is not out of the question." The portfolio might be too large for most competitors to absorb, but a spinoff to investors could accomplish BankAmerica's objectives, he said. □

Travel Gains Are Seen Despite Poor Economy

Business travel will increase despite a weak economy and the unfavorable tax provisions recently signed by President Clinton, according to a poll of corporate travel managers.

Half of the 400 travel managers surveyed in the Business Card by the Gallup Organization Inc. said the tax legislation reducing the allowance for business meals and entertainment will have no impact.

Most travel managers – 73% – said they expected the average length of business trips would remain the same.

Robert Levaro, vice president of commercial card products for Visa International, said the economy and legislation represented difficult obstacles, but added: "This research clearly indicates they will not hinder further growth."

MasterCard's 'Purchasing Card' Could Open Up Lucrative Market

By STEPHEN KLEGE

Targeting an area that generates up to $400 billion a year in transactions, the card will enable managers to streamline billing and accounting by reducing the paperwork.

Credit cards for corporate purchasing departments, like the one unveiled last week by MasterCard International, could open a whole new category of merchants to the bank card industry.

MasterCard officials said its "purchasing card" would create an opportunity for banks that process card sales for merchants to sign new clients with an average transaction size four times the MasterCard average.

Targeting a market that generates up to $400 billion a year in transactions, these cards – also known as procurement cards – enable corporate purchasing managers to streamline the billing and accounting for smaller transactions by reducing paperwork.

The cards are handed out to the employees responsible for buying the supplies. Managers are able to control purchasing activity by setting spending limits on each employee, and are provided with daily reports on purchasing activity.

The vendors of supplies and equipment often are wholesalers that would not otherwise accept credit cards.

A MasterCard spokesman listed Fischer Scientific Co., Electronic Data Services, and the State of Colorado as examples of nontraditional merchants that accept cards in existing procurement programs.

Visa U.S.A., which also has targeted the procurement market, said its research showed only about 40% of the merchants that procurement managers deal with currently accept Visa cards.

Senior vice president Peter Gustafson was quick to point out that the same research shows that only about 8% currently accept the cards of American Express Co., which also is going after the procurement business.

MasterCard's said its program allows the client to receive more detailed daily reports than earlier procurement cards.

Processing Terminals Upgraded

MasterCard has upgraded its processing terminals in stores to cue the merchant to enter a purchase order number when a procurement card is used. This helps the processor to deliver detailed daily reports to the purchasing manager, including important tax-related information.

Total System Services Inc., Columbus, Ga., is the first processor certified to handle MasterCard purchasing card transactions. The second-largest nonbank processor of credit card accounts, Total is controlled by Synovus Financial Corp. □

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Cards Still Have an Upside, Salomon Says

The following is excerpted from a Salomon Brothers report, "Credit Cards – Are Diminishing Profits Inevitable?" It was written by analysts Samuel G. Liss and Mary A. Rhei and published in July.

Revolving consumer debt – a proxy for credit card spending – is accelerating, even while other Federal Reserve data imply that the consumer base is delevergaing.

We believe that judgments on consumer debt trends often are misleading, given the frequent exclusion of home mortgage debt from calculations. Convenience and relatively short-term cash flow needs drive credit card usage.



Credit cards historically have not played a significant debt-consolidation role, although we sense that this may be changing. Increased penetration of credit cards at convenience points of sale – such as food outlets, gas stations, and the health-care sector – offers ample fuel for receivables growth. Regardless of source, however, it is clear that cumulative credit card purchases still total well below 20% of total U.S. consumer consumption.

Fragmented Market

The card marketplace (charge, revolving credit, and debit) continues to be fragmented and has started a renewed growth mode.

The overall marketplace stands to benefit from continued penetration by revolving and debit card issuers into convenience payment channels. Annual consumer payments to federal, state, and local agencies – such as the U.S. Postal Service – represent an extraordinary untapped arena.

Annual growth for credit card receivables had been 10% to 15% in 1988-90. It contracted to 6% in 1991 and reaccelerated to 8% to 10% in 1992. The contraction in 1991 appears to have directly reflected the economic environment and dropoff in consumer confidence.

Co-Branded Efforts

Segmentation-marketing efforts intensified in 1992, and co-branded efforts – including AT&T, regional telephone companies, and automobile/truck manufacturers – are generating account-acquisition success. Strategic objectives differ among these sponsors, which is one issue that drives the intensified competition. Another result to note is the share boost won by MasterCard, relative to Visa, given its acceptance of cobranding efforts.

We expect credit card receivable-balance growth to continue to reflect shifting consumer behavior, perhaps impending easy translation from industrywide, or even company-specific, transaction volume growth to receivables growth. Part of this forecasting challenge is anticipating further shifts in consumer payment behavior as well as spending patterns.

Even so, we expect overall receivables growth to return to a 10%-plus rate in 1993. We expect double-digit receivables growth through at least 1995.

One unknown is the impact of consumer tax rates, which, when translated into impeded income growth, can dampen consumption. This has been noticeable in the several weeks since the Clinton administration put forward its proposals.

Cards still account for well below 20% of U.S. consumer consumption.

Growth Hard to Forecast

Consumers' sensitivity to finance charges, which has been raised by predatory marketing activities, has promoted a pronounced shift in marketing strategy by revolving card issuers. The mix of low-rate teaser finance charge rates with a nominal or no annual membership fee, combined with aggressive marketing for balance transfers, has made specific company receivables growth forecasting more difficult.

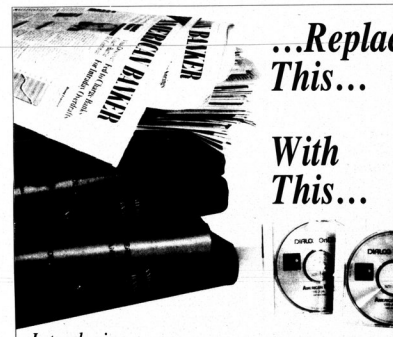
We are quite apprehensive about the extraordinary asset growth fueled by balance transfers, primarily because those particular card members present a much larger propensity for reliance upon existing credit assessment.

This contrasts with a more traditional 24-month to 36-month seasoning process. We are unsure whether these strongly perceived credits will exhibit anticipated usage behavior. For now, however, it is clear that asset growth and net interest spread are accelerated materially with successful balance-transfer marketing.

Growth potential for individual issuers relies on the acquisition and retention of active customers. Yield, fees, volume, and usage all drive the consolidated revenue growth generated from credit card consumer accounts.

Market-share shifts that are occurring reflect on the aggressive marketing techniques and consumer sensitivity to a wider array of variables than historically has been considered.

Membership fee and credit line are no longer the sole critical consumer-motivating variables. □



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Comment

By Wade E. Lamming

Commercial Realty Needs New Wellsprings of Capital

As the nation's economy emerges from recession, the demand for commercial real estate is slowly increasing in many markets. However, the real estate industry will not regain its former vitality until it has reliable sources of capital for purchases, refinancings, improvements, and development.

Where can the real estate industry turn for capital?

Don't look to once-active sources like banks, S&Ls, and insurance companies, which were badly burned in the late 1980s and early 1990s and now face strict regulations regarding real estate loans. Most will avoid commercial real estate for another decade.

Pressures on Pension Funds

If some financial institutions or insurance companies do make real estate loans in the 1990s, they will cautiously demand plenty of equity, prelease buildings, and top-notch locations, thereby shutting out many worthwhile transactions like undervalued or distressed properties.

Pension funds will not come to the rescue, either. In fact, many pension funds will become net sellers – not net buyers – in coming years. Americans are living longer and retiring earlier. In coming years, the baby boomers, whose "leading edge" members turn 46 and 47 this year, will place unprecedented burdens on pension funds.

According to some real estate professionals, the best source of new capital will be offshore foreign investors. Hong Kong and Taiwan buyers have become important players in some markets.

Mr. Lamming is president of Royce Co., a real estate brokerage firm in Los Angeles.

Comment

By Steven H. Shepsman

Banks in Good Position to Capitalize On the Current Popularity of REITs

Banks may be helped with their thornier real estate problems by an interesting paradox that has unfolded on Wall Street.

In the mid-1980s, with both real estate and the stock market approaching new heights, the time looked right for a boom in real estate investment trusts (REITs). Unlike limited partnerships, REITs offered investors a chance to participate in real estate without sacrificing liquidity or worrying about the IRS challenging the tax shelter benefits.

But the boom never occurred. Although many publicly traded REITs were established, usually with generous current yields, most REIT shares were consistent underperformers in a surging stock market. Wall Street never truly got behind REITs, remaining skeptical of the high values assigned to their underlying assets.

Now for the paradox: With real estate in a deep slump today and the stock market lodged on a plateau, REITs suddenly have found new respect on Wall Street. It's hardly a mystery, however: Investors are starved for high yields, and property owners are desperate for ways to reliquefy. And there is a general perception that real estate has nowhere to go but up, even if not immediately. Thus, the REIT now flourishes.

What does this mean to banks? The link between real estate and banking suggests several ways in which lenders can take advantage of the REIT's rebirth. For one thing, would-be REIT sponsors hold great promise as potential buyers of banks' higher-grade foreclosed real estate.

The reason is that many real estate owners with midsize port-

See **REITs** page 16

AMERICAN BANKER

Opinion



BANKS, THRIFTS, *and insurance companies, badly burned in the late 1980s and early 1990s, will avoid commercial real estate for another decade.*

ready transformed many communities, particularly in the greater New York City area, South Florida, Southern California, and the San Francisco Bay Area.

As more cash-rich immigrants settle in the United States, and many earlier immigrant arrivals accumulate wealth, their capital will have a greater impact on many of the nation's real estate markets, not only in established communities like Chinatown in New York or Koreatown in Los Angeles but also in other well-regarded or promising locations throughout the nation.

Tax Inducements

A third source of real estate capital, probably the largest of all, will be syndications. Although the Clinton administration will impose tax increases on the well-to-do, it is also discussing significant changes in the tax code, such as passive loss provisions and deferral of federal taxes on income realized upon the cancellation of certain real estate debt.

If enacted, these measures will once again make real estate investments more attractive as well as reduce the effective high-income tax rates.

In essence, the Clinton administration might reintroduce some of the provisions that created the tax shelter business of the early 1960s. These measures will encourage people to form syndications and invest capital in real estate in order to reduce their taxes.

The increased real estate activity, if historical patterns hold true, will also have a healthy multiplier effect on the economy, encouraging investment in facilities and equipment and creating jobs.

Expensive Lessons

All these investors have come to the United States with deep pockets and great expectations, plus the confidence that they could purchase, develop, and manage properties better than their American counterparts. And most of these investors eventually have gone home a lot wiser and poorer.

Today's Hong Kong and Taiwan-based buyers need not suffer large losses like previous offshore investors, provided that they learn from the others' mistakes. If, however, the Hong Kong and Taiwan buyers reduce or halt their investments in the coming years, what offshore investors will take their place?

Not Enough Capital

The Japanese are unlikely participants because they are now mired in recession. The Germans are just as unlikely because they are spending unanticipated billions on the reunification of their nation.

SYNDICATIONS and tenants-turned-owners are new sources.

Besides their come-and-go tendencies, offshore investors simply cannot provide the enormous volumes of capital required for a well-functioning commercial real estate industry. Just to replace the capital introduced by the Japanese in the late 1980s would require over $10 billion.

Nor do offshore investors typically have long-term interests in American communities at heart. They usually care about profit primarily, not the impact of their investments on our nation's homes, businesses, and economy.

In many markets, three sources may provide the needed funds – in addition to offshore investors.

One source will be office and industrial tenants who decide to buy a building rather than continue to rent space. Earlier this year, for example, Kental, Young & Logan, a law firm, purchased the high-rise Union Bank Building in downtown Long Beach from LaSalle Partners for $5.4 million. That was reportedly one-fourth the price LaSalle had paid to purchase and renovate the property several years ago.

A second source of capital will be cash-rich immigrants who have settled in many parts of the nation and are now investing in local real estate, particularly in office and industrial properties, smaller shopping centers, hotels, and apartment buildings.

Through their investments and hard work, they have al-

Comment

By Steven H. Shepsman

REITs Offer Fresh Opportunities

Continued from *page 15*

folios would love to recapitalize with a REIT but lack the critical mass to satisfy the investment banks. Generally, Wall Street won't look at a portfolio much below $150 million, nor will it allow a sponsor to meet the minimum by acquiring junk.

Motivated Buyers

This turns potential REIT sponsors into highly motivated buyers. They are looking for deals in which they can finance the purchase at two or three points below their cap rate on the property, which, under current conditions, leaves room for somewhat better-than-average prices for the seller.

The assumption is that a successful REIT offering – made possible in part by the acquisition – will allow the sponsor to pay off existing debt and restore a healthy balance sheet.

Therefore, banks with quality foreclosed realty, especially multifamily housing and retail, should be aggressively marketing to midsize property owners.

Of course, banks also can help would-be REIT sponsors by financing acquisitions from other types of sellers. The same logic applies: The lender will add a quality loan to its portfolio if the borrower is comfortable below its cap rate and can pay off debt by selling stock.

But there are two big underwriting caveats: Be sure the property is a high-grade investment and look for ownership that has recognized professional management skills. Wall Street is less likely to bring to market a REIT that lacks either of those attributes.

A third way for banks to participate in the REIT boom is by offering credit lines to existing trusts for new acquisitions. This can be a prudent and profitable activity, since the mortgages are cross-collateralized, and lenders can still dictate conservative loan-to-value and debt-service-coverage provisions.

Some lenders might wonder if banks might themselves be sponsors of REITs, packaging their better-quality REO for Wall Street's consideration. The answer, I believe, is no – at least not for the time being.

Continuity of Management

Investment banks look on REIT formation as the act of recapitalizing an existing business with continuity of management. Even if a bank hired a top professional manager for its proposed REIT, that probably wouldn't satisfy Wall Street's insistence on management with a history tied to the core of the property portfolio.

Therefore, an equity REIT formed by a bank for the purpose of property disposition is unlikely anytime soon. (However, insurance companies that traditionally have owned and operated real estate equity portfolios may be in a better position to sponsor an equity REIT).

Mortgages, on the other hand, may present a different picture, since there is no property management factor. Lenders might want to consider restructuring selected mortgages, adding equity participation features, and sponsoring a publicly traded REIT to which the loans would be sold.

These are some of the ways in which banks can benefit from the new interest in REITs. Of course, a spike in interest rates would hurt REITs in the short run. ❑

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NOTICE
The annual report of the GREENAWAY FOUNDATION for the fiscal year ended April 30, 1993 is available at its principal office located at 244 Long Neck Point Road, Darien, Connecticut 06820 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is P. Prentice Gilbert.

PADCO, Inc. an international housing and urban development consulting firm, and others participating in USAID and World Bank international assistance programs are identifying qualified candidates to fill intermittent (a few weeks each) and medium term (3 to 6 months) consulting positions in construction lending. The requests are predominantly for assignments in Eastern Europe, but those interested in other geographic regions are encouraged to present resumes as well.

Positions will vary and in-depth expertise in commercial real estate finance, especially residential construction lending is needed. Candidates should demonstrate knowledge of all aspects of construction lending from program and portfolio development and design through origination, servicing and loan management. PADCO, Inc. is currently looking to fill one long-term (2 year) position in Poland, and three medium-term positions in Bulgaria. Consultant fees/stipends vary with position and experience. Individuals interested in these positions should submit a resume to:

PADCO, Inc.
Attn: EE/Construction Lending
1012 N. Street, N.W.
Washington, D.C. 20001
No calls will be accepted.

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Foreign bank seeking for a bilingual-Spanish/English, Internal Auditor with under-grad Acct. degree, minimum 2 years bank experience, knowledge of PC & Lotus 1-2-3 a plus. Excellent benefits. Please submit your resume and salary history in confidence to:

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New York, New York 10004
E.O.E

AUCTION NOTICES

DEFAULT In Security Agreement Made by G & H Sound Beach Deli, Inc. to Sound Beach Market Corp. 1 Will Sell On 6/23/93 At 10:30 AM At 178 Sound Beach Blvd., Sound Beach, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK. E. SEIPP, Auct/ Lic #732234 of F.E.S. AUCTIONS INC. As Agents.

Do You Have an Important Legal Notice? Call Lisa Logan at 212/943-5739

AUCTION NOTICE

E.F. Fazio Auctr. Lic. #798972 Sells 9am on 9/1/93 at 907 Grant Ave (Dba) 88 Toyota Camry #JT2SV21E4H0144 Blue 4cyl. A.C. Bales. 9:30am at 975 Washington Ave. (Dba) 84 Ford Bronco #1FMEU15H5ELB-33328 Rt. D. Melvor; 10am at 1828 Webster Ave (Bbx) 86 Pontiac 6000 #1G2AG-19R6GT207934 Rc. M.D. Smith. 87 Hyundai Excel #KMHLF31JH1F194392 Rc. V. Nelson; 10:30am at 502 E. 186th St.(Bx) 85 Honda Mcy. #JH2MC13058-M200 Rc. Mc Kenzie; 11am at 3327 Merritt Ave.(Bx) 82 Jaguar XJ6 #SAJA-V12A7C 340987 Rc. J.A. Zimerman &/or A. Quinn; 11:30am at 40 Secor Ln (Mt. Vernon) 86 Mitsubishi Galant #JA3AE26D-1GG310138 Rc. F.C. Latouche; 12pm at 670 Sanford Blvd.(Mt.) 83 Olds Delta 88 #1G3AY 37Y4DM826213 Rc. C. D. Hallal. 12:30pm at 74-21 Queens Blvd. (Qns) 78 Olds 4dsd #3H35L3R043155 Rc. O. Rogers. 1:30pm at 382 Remsen Ave. (Bklyn) 86 Buick Regal #1G4GJ477 6GP520190 Rc. I. Francois. 2:30pm at 4923 2nd Ave.(Bklyn) 82 Buick Regal #1G4A-M474CH352536 Rc. A.S. Lesser. 3pm at 300 Canal St.(NYC) 87 Chevy Cavalier #1G1JE51139T150111 Rc. S.A. Lee. Terms at time of sale. Inspect 1 day prior. 79 Mc/Bt 300SD #WDB1160120A002904 Rc. S.K. Zutshi 80 D.A. Camaro #1G1AP8787AL-100 Rc. Wyeth AG/ESL# 1019422 Rc. J.A. Capuano &/or J. Stevens. Publ. 8/17 & 8/24/93.

E.F. Fazio Auctr. Lic. #798972 Sells 9am on 9/8/93 at 412 W. 126th St. (NYC) 86 Audi 5000 4dsd #WAUGN0854GA-026020 Rc. M.E. Roberson; 9:30am at 907 Grant Ave. (Bx) 83 Datsun 2dsd #HSD6S07U000123-839 Rc. P.A. Potter; 10am at 975 Washington Ave. (Bx) 74 Chevy Camaro #1Z87T4-N168155 Rc. M.I. Burke, 83 Lincoln T.C. #1MRBP95FXDY693736 Rc. M. Zhikha; 10:30am at 4238 Broadway (Mn) 86 Mits/Sebring 2dsd #JF1AW43B5EC312594 Rc. R. & E. 11:30am at 1010 Wall St. (Bklyn) 84 Merrick Rd. (Seaford) 82 Honda Mcy #JH2PC0531C-M012056 Rc. J. Scalia. 12:30pm at 6020 3rd Ave. (Bklyn) 85 Jeep Cherokee #1C1JJ7B2EL-F 502 Rc. J. Garcia; 1:30pm at 533 W. 27th St. (NYC) 86 Toyota 4Runner #JT3VN39W4G0047109 Rc. G.R. Smith. 2pm at 630 W. 43rd St. (NYC) 89 Chevy s/w #2G1AW81W4K-7111522 Rc. Bus. Food Svc.; 3pm at 2 W.Ea. (NYC) 86 Audi 5000 #WAUF-B044JG0033752 Rc. L.A. Desalle &/or D. Villacis. Publ. 8/24 & 8/31/93.

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AUCTION NOTICE

E.F. Fazio Auctr. Lic. #798972 Sells 9am on 9/13/93 at 907 Grant Ave (Dba) 88 Toyota Camry #JT2SV21E4H0144 Blue A.C. Bales. 9:30am at 975 Washington Ave. (Bx) 84 Ford Bronco #1FMEU15H5ELB-33328 Rt. D. Melvor; 10am at 1828 Webster Ave (Bbx) 86 Pontiac 6000 #1G2AG-19R6GT207934 Rc. M.D. Smith. 87 Hyundai Excel #KMHLF31JH1F194392 Rc. V. Nelson; 10:30am at 502 E. 186th St.(Bx) 85 Honda Mcy. #JH2MC13058-M200 Rc. Mc Kenzie; 11am at 3327 Merritt Ave.(Bx) 82 Jaguar XJ6 #SAJA-V12A7C 340987 Rc. J.A. Zimerman &/or A. Quinn; 11:30am at 40 Secor Ln (Mt. Vernon) 86 Mitsubishi Galant #JA3AE26D-1GG310138 Rc. F.C. Latouche; 12pm at 670 Sanford Blvd.(Mt.) 83 Olds Delta 88 #1G3AY 37Y4DM826213 Rc. C. D. Hallal. 12:30pm at 74-21 Queens Blvd. (Qns) 78 Olds 4dsd #3H35L3R043155 Rc. O. Rogers. 1:30pm at 382 Remsen Ave. (Bklyn) 86 Buick Regal #1G4GJ477 6GP520190 Rc. I. Francois. 2:30pm at 4923 2nd Ave.(Bklyn) 82 Buick Regal #1G4A-M474CH352536 Rc. A.S. Lesser. 3pm at 300 Canal St.(NYC) 87 Chevy Cavalier #1G1JE51139T150111 Rc. S.A. Lee. Terms at time of sale. Inspect 1 day prior. 79 Mc/Bt 300SD #WDB1160120A002904 Rc. S.K. Zutshi 80 D.A. Camaro #1G1AP8787AL-100 Rc. Wyeth AG/ESL# 1019422 Rc. J.A. Capuano &/or J. Stevens. Publ. 8/17 & 8/24/93.

Executives at Mutual S&Ls Profiting From New State Laws on Charters

Continued from *page 1*

ry and filing fees because states charge less than federal regulators do for overseeing federally chartered institutions.

But consumer groups are crying foul over the practice, because mutual thrifts are owned by their depositors and because capital could be raised by selling shares to depositors instead of executives. The institutions' directors and officers are charged with the legal responsibility to look after the depositor/owners' best interest.

Unfairness Seen

"Managements of mutual institutions are walking away with very handsome deals for themselves at the expense of the mom-and-pop depositor base of the mutuals," said Chris Lewis, director of banking and housing policy at the Consumer Federation of America.

Robert J. Warren, a senior vice president at Ferguson & Co., a Dallas-based consulting firm, said, "The trend on those stocks is that once they convert, go up 25% to 30%."

Office of Thrift Supervision regulators govern all federally chartered thrifts as well as state-chartered savings and loans that convert to stock form, but they do not govern state-chartered savings banks. The federal rules set limits on the amount of stock that thrift owners can sell, and allow account holders to buy stock before the insiders.

"We have to live with the rules the state level, the regulations differ fairly dramatically," said Jonathan L. Fiechter, acting director of the Office of Thrift Supervision. "It is our effort to make sure that everyone is treated fairly."

FDIC to Scrutinize Laws

As a result, Mr. Fiechter said the OTS has asked the Federal Deposit Insurance Corp. – which serves as a secondary regulator for state-chartered thrifts – to look into the new state savings bank laws, North Carolina, Wisconsin, New Jersey, Ohio, Pennsylvania, Illinois, and Indiana – to see if they have the same problems.

"Regulatory arbitrage does not make sense in this area," Mr. Fiechter said. "So what we have done is approach the FDIC . . . and suggest that the two agencies work together to come up with a common approach to dealing with these conversions," he said.

An FDIC spokesman would not comment on the trend, except to say, "The staff is developing some proposed guidance for the [FDIC] board to consider."

Eric Luse, a partner at Luse Lehman Pomerenk & Schick, a Washington, D.C.-based law firm that has quarterbacked many such deals – including Guaranty Bank's – said, "These deals all increase capital, and I don't think insider participation is a safety and soundness issue at all."

'A Question of Equity'

Besides, he said, "right now, everybody is pointing to management purchases because there is a strong market. Where were all these complainers three years ago?"

The OTS' Mr. Fiechter said that although states seem to be competing with the federal government for who can offer more attractive stock conversion regulations, the situation is not a repeat of the 1980s, when state and federal regulators competed to offer more generous deals to the savings and loans they regulated. "There are no safety and soundness concerns raised here," Mr. Fiechter said. "It is more a question of equity."

Mr. Luse explained that stock conversions using a state savings bank charter have merits in their favor. "There is regulatory flexibility, which means that you have more flexibility in structuring the transaction and setting insider purchase limits," he said.

Exams Cost Less

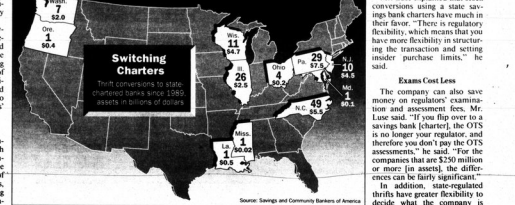
The company can also save money on regulatory examination and assessment fees, Mr. Luse said. "If you flip over to a savings bank [charter], the OTS is no longer your regulator, and therefore you don't pay the OTS assessments," he said. "For the companies that are $250 million or more [in assets], the differences can be fairly significant."

In addition, state-regulated thrifts have greater flexibility to decide what the company is worth when selling stock for the first time. "There is a perception that the appraisal at the federal level is going to be a tougher appraisal," Mr. Luse said.

If the company's value is set too high in an initial public offering, not all of the shares may be sold. But if the company is undervalued in the appraisal, it won't get the full benefit from the sale of its stock, and initial stockholders will realize quick gains as the stock price shoots up.

Privately, investment bankers and financial advisers familiar with the trend of mutual thrifts

*See **S&L** next page*



Lawmakers Aggressively Soliciting Conversion Business

By ROBYN MEREDITH

WASHINGTON — Lawyers seeking to drum up business are actively wooing the executives of mutual savings and loans, offering to help them quickly change their charters to take advantage of looser regulations in certain states on initial public stock offerings.

"The lawyers do a lot of soliciting of thrifts around the country to get their business," said Eric Luse, a partner at Luse Lehman Pomerenk & Schick, a District of Columbia-based law firm that works on such deals.

Jonathan L. Fiechter, acting Director of the Office of Thrift Supervision, said, "In the last year and a half or so, there has been a group of attorneys that have begun to market the advantages to management of converting from mutual to stock under the individual states rather than under OTS rules."

Spelling Out the Differences

An Illinois lawyer, Daniel C. McKay 2d of Vedder, Price, Kaufman & Kammholz's Chicago office, sent a letter to potential customers in February that contrasted Illinois' then-proposed looser laws with OTS rules. The regulations became final in June.

"The Illinois commissioner of savings and residential finance is in the final stages of publishing the conversion to stock regulations for Illinois savings banks. The final draft is in the process of review by a committee of which I am [a] member, and I thought you may be interested in some of [the] differences emerging between the savings bank regulations and the Office of Thrift Supervision" regulations, Mr. McKay wrote.

"A savings bank converting to stock form will now know before the offering that at least 50% of the stock will remain in friendly hands (20% for ESOP [employee stock ownership] and management plans, 20% priority in the subscription offering for directors and officers, and 10% set aside for the stock option plan)," Mr. McKay pointed out in the letter.

"With the number of Illinois institutions that have converted to an Illinois savings bank to date, I would expect that many will take advantage of these new regulations when issued."

Calls to Reporter

A reporter was surprised to get four unsolicited calls over the course of two days from Washington lawyers and lobbyists who had heard *American Banker* was writing about such conversions.

All were active in the stock conversion business – some structuring deals under federal rules, some under state rules – and wanted to ensure that their profits would not be ended by bad press.

State-chartered savings banks have traditionally been found in New England, but the 1989 thrift bailout law allowed them for the first time in other states. Illinois began allowing state savings bank charters in 1990.

Under the state's new stock conversion rules for savings banks, mutual thrift executives and other employees would be able to double their ownership share if they convert to a state-chartered savings bank before they go public.

Big Opening for Insiders

Insiders could claim nearly half the company after conversion and could control the entire institution within a few years if they carefully structure the deal. The OTS limits stock repurchases to 10% annually.

For instance, Illinois savings banks would be allowed to buy back 60% of outstanding stock within three years of going public. This means that the thrift executives that held on to their stock could own the institutions outright after a few years by using the thrift's new capital to buy back its own stock.

The Illinois plan would both raise the amount of stock given to a management recognition plan to 5%, from OTS' limit of 3% to 4%, and let the plans provide every depositors for buying new stock.

Also notable: the Illinois proposal would allow directors, officers, and other employees to buy up to 20% of the offering before depositors are allowed to buy any stock, if the deal is oversubscribed.

Paula Jung, general counsel and deputy commissioner of the Illinois Office of the Commissioner for Savings and Residential Finance, said the new rules are needed "to provide a vehicle to capitalize institutions via stock."

Illinois tried to give thrift directors and officers more of a stake in these deals because they are required to hold the stock they get for three years, she said.

"Our concerns are very bottom-line – we want to see the institutions survive, and one of the incentives to survival is to make sure the people involved have a significant stake and a significant risk," Ms. Jung said.

When asked why the proposed Illinois rules varied from the OTS rules, Mr. McKay, the lawyer and member of the state review committee, said Illinois wanted to ensure that. "If there are going to be changes, we are going to skewhis to the people that built the institutions up – that is, the managers and the local depositors."

Executives of mutual savings and loans are being wooed by lawyers offering to make them rich.

OTS Limits Insiders' Slice, Gives Others First Crack

By ROBYN MEREDITH

WASHINGTON — To help protect the depositor/owners of mutual thrifts, the Office of Thrift Supervision has regulations for stock conversions – and in contrast to initial public offerings in other industries – decides who is allowed to buy stock and in what order.



Chris Lewis

Consumer Federation of America. New rules governing the stock conversion of state-chartered savings banks "have reversed that order," he said.

Under OTS rules, tax-qualified employee stock ownership plans have first priority to buy up to 10% of the stock in the offering.

Established Depositors Second in Line

The second priority goes to thrift depositors who had accounts at least three months before the thrift adopted a stock conversion plan. Under OTS rules, individual depositors may not buy more than 5% of the total stock offered.

Then management and other account holders – including borrowers as well as more recent depositors – may buy stock, but are also limited to buying 5% each. If the offering has not sold out by then, the thrift may sell stock to the public.

Under OTS rules, so-called management organization plans – which typically are gifts of the new stock for up to two dozen thrift executives – may not account for more than 3% to 4% of the stock offering. And unlike some new state laws, OTS rules do not give such plans, which vest over five years, priority in the stock sale.

Buying stock in an initial public offering can be very profitable, so people often want a big piece of the more stock than is available.

OTS rules limit the amount of stock S&L officers and directors as a group are allowed to buy in the conversion to 25-35%, depending on the thrift's assets, and give account holders the right to buy stock before the insiders.

Under federal laws, "management takes a back seat to depositors," said Chris Lewis, director of banking and housing policy at the

S&L Executives Reaping Profits From New Laws on Charters

Continued from page 17

changing their charters to state savings banks before selling stock said the state rules attract-ed managements that were motivated primarily by profits.

They said the state deals were known for the more liberal appraisal rules and for allotting



Gerald J. Levy
"It's what America is about"

management the right to buy more stock.

But half a dozen of those advisers refused to talk publicly about the trend, because, they said, they did not want to hurt the lucrative business they had built around such deals.

In Guaranty's case, appraisers set the book value of the company before the conversion at $16.6 million. The thrift, which has $375 million in assets, had $19.8 million in capital before it sold stock, and now has $26.8 million in capital.

Executives of the company and its subsidiaries who bought stock include Guaranty's chief executive Gerald J. Levy, who was a chairman of the now disbanded United States League of Savings Institutions.

Mr. Levy, who has worked at Guaranty for more than 30 years, defended the large management purchases allowed in the stock sale. "I just wanted to buy a piece of my company that I helped create," Mr. Levy said.

Insiders are claiming more shares in initial public offerings.

"It's what America is about."

He said two other family members bought Guaranty stock in the deal: his son, Douglas S. Levy, who is the thrift's president, and his daughter, Jill Belconis, the president of one of the company's two mortgage subsidiaries.

But some don't see it quite that way. "This is the classic case of an S&L insider getting away with murder at the expense of consumers, and everybody in this town knows who Jerry Levy is," said Consumer Federation's Mr. Lewis.

Mr. Levy was chairman of the U.S. League from November 1985 to November 1986.



Jonathan L. Fiechter
Wants to ensure fairness

BANK CALL NOTICE

Consolidated Report of Condition of
THE BANK OF NEW YORK
of 48 Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries
a member of the Federal Reserve System, at the close of business June 30, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions	
Noninterest-bearing balances and currency and coin	$ 4,160,959
Interest-bearing balances	600,783
Securities	3,412,000
Federal funds sold in domestic offices of the bank	210,650
Securities purchased under agreements to resell	
Loans and leases, net of unearned income 24,026,040	
Less: Allowance for loan and lease losses 350,000	
Less: allocated transfer risk reserve 28,156	
Loans and leases, net of unearned income and allowance and reserve	23,187,937
Assets held in trading accounts	869,659
Premises and fixed assets (including capitalized leases)	661,590
Other real estate owned	132,326
Investments in unconsolidated subsidiaries and associated companies	150,622
Customers' liability to this bank on acceptances outstanding	1,009,056
Intangible assets	49,122
Other assets	1,324,646
Total assets	$35,775,745

LIABILITIES	
Deposits	
In domestic offices	$19,761,712
Noninterest-bearing 7,099,697	
Interest-bearing 12,662,015	
In foreign offices, Edge and Agreement subsidiaries, and IBFs	7,612,377
Noninterest-bearing 76,868	
Interest-bearing 7,535,509	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs	1,247,216
Federal funds purchased	
Securities sold under agreements to repurchase	60,316
Demand notes issued to the U.S. Treasury	300,000
Other borrowed money	951,074
Mortgage indebtedness and obligations under capitalized leases	1,011,538
Subordinated notes and debentures	1,070,780
Other liabilities	1,067,170
Total liabilities	33,082,188

EQUITY CAPITAL	
Perpetual preferred stock and related surplus	75,000
Common stock	942,284
Surplus	452,777
Undivided profits and capital reserves	1,229,392
Net unrealized foreign currency translation adjustments	(5,896)
Total equity capital	2,693,557
Total liabilities, limited-life preferred stock, and equity capital	$35,775,745

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot
Alan R. Griffith
Thomas A. Renyi

Directors

Trustco Hikes Payout, Sets 2-for-1 Stock Split

SCHENECTADY, N.Y. — Trustco Bank Corp. said it had increased its quarterly dividend to 45 cents presplit, from 40 cents.

The company said the higher dividend is payable Oct. 1 to shareholders of record on Sept. 3.

Trustco also said its board had approved a 2-for-1 stock split.

The additional shares will be distributed Nov. 19 to shareholders of record on Oct. 15, according to the company.

Trustco said its board intended to increase the dividend on the newly split shares to 25 cents in the fourth quarter, the equivalent of a 50 cents quarterly dividend on a presplit basis.

Alabama's Colonial To Take 7 Cent Charge

MONTGOMERY, Ala. — Colonial BancGroup Inc. said it would record a charge of 7 cents a share in the third quarter because of debt redemption.

But the company added that the move, in which new debt with a lower interest rate was taken on, would raise fully diluted earnings by 2 cents to 3 cents a share for the remainder of the year and by 6 cents to 9 cents a share in 1994.

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Highlights for Monday, August 23

Top 10 Gainers %

Lake Shore Bancorp., Inc.	8.0
Allied Bankshares, Inc.	6.9
F & M National Corporation	4.7
Republic Bancorp Inc.	4.4
North Fork Bancorporation	3.3
Provident Bankshares Corp.	3.1
USBANCORP, Inc.	3.0
BOK Financial Corporation	2.9
Imperial Bancorp	2.9
Shoreline Financial Corp.	2.6

Top 10 Losers %

City Holding Company	-8.1
First Colonial Bankshares	-4.0
Omega Financial Corporation	-3.5
Intercontinental Bank	-3.3
CVB Financial Corp	-2.9
Home Federal of California	-2.6
First Commerce Bancshares	-2.6
Farmers Capital Bank Corp.	-2.6
First Financial Bancorp	-2.6
Dauphin Deposit Corporation	-2.5

Most Shares Traded

Citicorp	1134900
Chemical Banking Corp.	598200
First Interstate Bancorp	533300
NationsBank Corporation	465800
Comerica Incorporated	463600

Volume as % of Average

CNB Bancshares, Inc.	691.3
Hanmard Bancorp, Inc.	582.9
Lake Shore Bancorp., Inc.	543.0
BT Financial Corporation	488.1
S&T Bancorp	450.7

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21-days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
-0.26	0.75	1.67	-0.02	-0.96	0.85	0.25	1.36	1.79

Top 225 Banks

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg. to 6/4
26¼	20	1stSourceCorp/IN	11.5	156.9	25	—
27¾	18¼	1stUnionCorp/GA	11.1	3,557.4	26	¼
17½	8½	AlliedBcshs/GA	16.5	276.0	17⅛	1¼
19¾	14¼	AmSouthBcp/AL	12.2	1,178.2	19¾	¼
21¾	14¾	AmeribankCorp/NC	10.4	27.4	21¾	1¼
20¾	15¾	AmericaFirstFncl/CA	11.1	102.3	20¾	—
27¾	21¾	AmericanBkr/NY	13.0	1,000.0	27¾	¼
31	21⅜	BT FinCorp/PA	11.2	137.5	30¾	—
12	6	BancFlorida/FL	14.2	118.7	12	—
31¼	24¾	BancPonceCorp/PR	9.6	120.6	29¼	—
24¾	19¾	BancTennessee/TN	12.4	154.4	24¼	¼
53¾	40¾	BancorpHawaii/HI	9.2	135.0	42¼	¼
14¾	11¾	BancorpSouth/MS	11.1	143.3	37¾	¼
54¾	41	BankAmericaCorp/CA	9.5	120.3	45¼	¼
30¾	26	BankAtlantic/FL	12.7	187.2	29¾	—
16¾	9¾	BankSouthCorp/GA	12.7	188.2	16¾	—
49	39	BankersTrust/NY	8.0	172.5	78¾	¼
19¾	12¾	BankersGroup/FT	25.7	100.9	19	—
19¾	15¾	BankersTrust/MD	11.5	108.8	24¾	¼
61¾	39¾	BanknNY/NY	10.7	133.8	53¾	¼
31¾	24¾	BanknAmerica/IL	10.5	1,107.0	27	—
31¾	24¾	BanknAmerica/KY	10.5	137.0	27	—
42¾	33¼	BanknBoston/MA	12.7	1,448.8	37¾	¼
42¾	33¼	BanknBoston/MA	12.7	1,448.8	37¾	¼
29¾	22¼	CFB Inc./IN	8.7	126.4	25¾	—
14	9¼	CalFed/Inc/Cp CA	9.1	148.0	13¾	—
14	9¾	CalfarmsBnkrs/CA	13.9	105.9	12¾	—
14¾	11¾	CalifFirstBk/CA	11.5	138.8	14¼	—
20¼	19¼	CentralBcshs/AL	11.2	177.4	25	—
24¾	23⅝	CentralFidelity/IL	11.9	177.1	23¾	—
24¾	16¾	CentraleServ/MD	10.8	182.4	23¾	¼
24¾	16¾	CentraleServ/MD	10.8	182.4	23¾	¼
37¾	21	ChaseManhattan/NY	8.9	101.2	33¼	¼
37¾	21	ChaseManhattan/NY	8.9	101.2	33¼	¼
25¾	20¼	ChemicalBkg/NY	8.9	1,011.5	25¾	¼
22	13¾	Chittenden/VT	11.3	110.5	20¾	—
22	13¾	Chittenden/VT	11.3	110.5	20¾	—
28¼	19¼	CitizensBancorp/MD	14.9	135.1	26	—
28¼	19¼	CitizensBancorp/MD	14.9	135.1	26	—
7¾	2¾	CitizensFirst/MS	10.6	17.6	6¾	—
14¾	11¾	CityNatCorp/CA	11.4	175.4	27	¼
11¾	4¾	CityNatCorp/CA	NM	156.6	6¾	¼
33¾	27¾	CmrcBncrp/NJ	13.0	335.5	33¾	¼
24¾	17¾	CmrcialNtnl/MO	10.4	180.2	29	—
24¾	17¾	CommerceBancorp/NJ	10.9	151.9	24¾	—
17½	11¾	CommercialNetwork/NJ	10.9	153.9	16¾	¼
30¾	25¾	CommercialBk/FL	14.4	213.6	29¾	¼
40¾	25¾	CommunityBk/NY	14.4	213.6	40¾	¼
15	11¼	CommunityFirst/MT	10.7	107.5	15	—
15	11¼	CommunityFirst/MT	10.7	107.5	15	—
27¾	22¾	Commerce/IL	11.0	180.1	27¾	¼
67¾	47¾	CrestfldInc/Cp/US	11.0	180.1	55¾	¼
67¾	47¾	CrestfldInc/Cp/US	11.0	180.1	55¾	¼
40¾	21	CullenFrost/TX	9.5	183.8	39¼	—
30¾	20¾	DauphinDpsit/PA	11.6	159.8	24¾	—
30¾	20¾	DauphinDpsit/PA	8.8	146.7	31	—
17¾	12¾	F & M Nat'l Cp/VA	12.7	180.2	16¾	¼
22	17¾	FB&MBancorp/MD	10.2	142.4	20¾	¼
24¾	17¾	FBS Bnkg/TN	17.0	125.3	19¾	—
24	14	FarmersCapital/KY	14.3	129.9	19¾	¼
24¾	19¾	FedFncl/Inc/MI	14.9	105.2	22¾	—
42	29¾	FinancialTrust/IN	14.9	213.7	42	1
29¾	17¾	FirstTeamNet/CO	12.9	103.3	22¾	—

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Chg.	Chg. to 6/4
38¾	27¾	FirstAlabama/AL	11.2	172.5	31¾	—
33¼	24¼	FirstAmBcp/TN	11.6	1081.1	25¾	—
33¼	20¾	FirstAmerCorp/TN	12.2	167.5	32¾	¼
33¼	23¾	FirstBancorp/PR	10.2	1,000.0	33¼	¼
33¼	23¾	FirstBancorp/com/ME	27.9	179.7	31	—
33¼	23¾	FirstBancorp/com/ME	27.9	179.7	31	—
33¼	23¾	FirstBancorp/com/ME	27.9	179.7	31	—
18¾	14¾	FirstColonial/L	16.7	133.7	18	¼
18¾	14¾	FirstColonial/L	16.7	133.7	18	¼
77	43¾	FirstCommerce/NC	10.2	156.1	75	2
77	43¾	FirstCommerce/NC	10.2	156.1	75	2
34¾	27¾	FirstCommercial/AR	10.9	161.5	32¾	—
31¾	25¾	FirstCommerce/TN	12.5	161.2	30¾	—
31¾	25¾	FirstCommerce/TN	NM	183.5	30¾	—
1578	128	FirstEmpire/NY	11.6	154.4	141¼	—
51¾	34	FirstFidelity/NJ	10.9	182.1	47¼	—
54¾	38	FirstFidelcor/OH	10.8	226.5	52¾	0⅛
20¾	15	FirstFncl/IN	11.5	147.3	20	—
30¾	23¾	FirstHawaiian/HI	10.6	157.6	28¾	¼
30¾	23¾	FirstHawaiian/HI	8.4	148.4	28¾	¼
27¾	19¾	FirstMichBcrp/MI	13.0	180.1	27¾	¼
27¾	19¾	FirstMichBcrp/MI	13.0	180.1	27¾	¼
22¾	16¾	FirstNiagara/NY	13.4	180.2	20¾	—
22¾	16¾	FirstNiagara/NY	13.4	180.2	20¾	—
47	23¾	FirstOhioBncp/OH	10.5	178.3	35¾	¼
51½	35¾	FirstSecurCp/KY	12.8	164.1	44¾	¼
51½	35¾	FirstSecurCp/KY	12.8	164.1	44¾	¼
26	17	FirstUnited/MD	15.8	206.1	25	—
47	23¾	FirstVirginia/MD	10.5	178.3	35¾	¼
38¾	30	FirstVirginia/VA	10.5	178.3	35¾	¼
30¾	24	FirstWisconsin/WI	11.3	180.2	30¾	—
30	24	FirstBancW/IL	11.7	163.1	30¾	—
38¾	30¾	FirstFinancial/IN	13.4	186.3	38¾	—
37¾	28¾	FirstFinancial/IN	13.1	145.4	31¼	¼
37¾	28¾	FirstFinancial/IN	13.1	145.4	31¼	¼
31¼	24	FourthFin/Corp/KS	11.2	151.6	29	—
30¾	20¾	FranklinCorp/GA	11.2	180.7	30¾	—
30¾	20¾	FrstNorthernCa/CA	12.0	149.7	29¼	—
30¾	20¾	FrstNorthernCa/CA	12.0	149.7	29¼	—
30¾	20¾	FrstNorthernCa/CA	14.8	149.7	29¼	—
17¾	13¾	GBC Bancorp/CA	8.2	129.2	16	—
30¾	24¾	GeorgiaBcshs/GA	10.5	187.2	29¾	—
30¾	24¾	HancockHldg/Cp/Ms	9.6	156.5	30¾	—
30¾	24¾	HancockHldg/Cp/Ms	9.6	156.5	30¾	—
19¾	13¾	HanmaBancorp/MI	11.9	162.4	19¾	—
19¾	13¾	HanmaBancorp/MI	11.9	162.4	19¾	—
8¼	4¼	HiberniaCorp/LA	NM	151.0	7¾	—
27¾	18¾	HuntingtonBcshs/OH	13.4	225.8	25¾	¼
27¾	18¾	HuntingtonBcshs/OH	13.4	225.8	25¾	¼
26¾	21¾	IndependentBk/MA	38.3	152.4	26¾	¼
26¾	21¾	IndependentBk/MA	38.3	152.4	26¾	¼
18	13¾	InterstateBcsh/FL	11.1	144.6	18¾	¼
18	13¾	InterstateBcsh/FL	11.1	144.6	18¾	¼
30¾	24¾	JacksonHw/Cp/MS	10.4	187.2	29¾	—

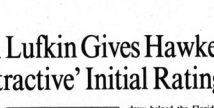
Donaldson Lufkin Gives Hawkeye A 'Very Attractive' Initial Rating

By GORDON MATTHEWS

Donaldson, Lufkin & Jenrette Securities Corp. has opened coverage of Hawkeye Bancorp. with a "very attractive" rating, saying the Iowa bank is well managed and a takeover candidate.

"Hawkeye is steadily raising return on assets, and it ranked No. 1 in asset quality in our latest quarterly survey" of 65 bank holding companies, banking analyst Frank R. DeSantis Jr. said Monday.

Stocks



The stock price of the Des Moines-based bank, whose shares suffered from volatility during this summer's disastrous midwestern floods, was ahead 12.5 cents, to $18.625 a share, in late afternoon trading Monday.

The analyst said he thinks the stock could reach $23 within 12 to 18 months, which would be a 24% gain from its current level.

Mr. DeSantis predicted that the flooding's long-term impact on Hawkeye would be minimal, though the Des Moines area was especially hard hit. "Iowa is estimated to have sustained $750 million in crop losses, which is less than 2% of gross state product," he said.

Moreover, the analyst noted, "flooded areas must be rebuilt, which will help the Iowa economy much like Hurricane Andrew helped the Florida economy."

Thus, he saw no major impact on the bank company's earnings.

Hawkeye, with assets of $1.8 billion, is the largest publicly traded, independent bank in Iowa. It ranks third in market share behind the affiliates of Norwest Corp., Minneapolis, and Firstar Corp., Milwaukee.

Takeover Prospects

Mr. DeSantis said he would not recommend buying the Iowa bank's shares on takeover sentiment alone, "but the long-term appeal of Hawkeye to an outside institution cannot be ignored."

Iowa banks are eligible to be acquired by banks in Minnesota, Wisconsin, Illinois, Missouri, Nebraska, or South Dakota – contiguous states that offer reciprocal acquisition opportunities.

"Notably absent in Iowa is First Bank System [Minneapolis], which would be a logical buyer, and we think that Banc One [Columbus, Ohio] would also view Hawkeye as an attractive way to enter the Des Moines market once state law permits," he said.

Meanwhile, Mr. DeSantis said, Hawkeye's biggest competitive advantage is focusing on business relationships and communities "that are too small to matter to the market leaders."

Mid-1980s Restructuring

The bank has come a long way since 1985, when it was near the brink of bankruptcy from heavy loan losses. Nonperforming assets that year hit a high of 8.7% of loans and foreclosed real estate.

Since a debt-restructuring effort in 1987, the bank is healthy again. Its nonperformers were a minuscule 0.74% of loans and foreclosed real estate at June 30.

Hawkeye earned 1.24% on assets during the second quarter, versus 0.96% on average for banks its size, according to Keefe, Bruyette & Woods Inc. Its efficiency ratio – gross operating expenses divided by fully taxable revenue – was 63%, versus 63.8% for its peers.

With expense control a priority for Hawkeye's management, Mr. DeSantis said, he believes that overhead ratio could fall below 60% in two years, "which would result in 5% earnings growth without any revenue growth."

The analyst said the stock could reach $23 in 12 to 18 months, a 24% gain.

MONDAY'S MARKET

Bank stock prices were mixed to lower.

Wells Fargo & Co. led gainers, advancing $1.375 a share, to $112.50 in late trading, but other California banks fell. BankAmerica Corp. slid 37.5 cents, to $45.375, and First Interstate Bancorp declined 62.5 cents, to $59.25.

Other gainers were KeyCorp, up 75 cents, to $38.625 a share, and J.P. Morgan & Co., 50 cents, to $73.375.

But Bankers Trust New York Corp. was down 50 cents a share, to $78.75, and Bank of Boston Corp. declined 37.5 cents, to $24.125. ❑

Interest Rates Rise As Profit Taking In Bonds Continues

Long-term interest rates rose slightly on Monday as profit-taking continued after last week's bond rally.

At 4 p.m., the price of the 30-year Treasury bond was down about ¼ to 100²⁹/₃₂, boosting the yield to 6.23% from 6.21% on Friday.

The Markets

Prices of other current-coupon Treasury issues held steady. The price of the 10-year note was unchanged to yield 6.21%; five-year notes fell 1/32 to 101⁷/₃₂, increasing the yield to 4.97% from 4.95%; and two-year notes dropped 1/32 to 100³⁰/₃₂, raising the yield to 3.94% from 3.91%.

In the bill sector, the government auctioned a total of $25 billion of three-month and six-month bills at respective average discount rates of 3.02% and 3.12%. The three-month bill was down 1 basis point from last week's auction, while the six-month rate was unchanged.

The Treasury today is scheduled to sell $16 billion of two-year notes. In when-issued trading, the notes yielded 3.98%. The Treasury will follow on Wednesday with $11 billion of five-year notes.

Profit taking also weighed on stocks. The Dow Jones industrial average fell 9.50 points to 3,605.98. The Standard & Poor's 500 index lost 0.93 to 455.23. The Nasdaq composite index fell 0.11 to 730.85.

— Bart Fraust

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Power Vacuum At the FDIC Enters 2d Year

By BARBARA A. REHM

On Friday, Andrew C. "Skip" Hove Jr. marked one year as acting chairman of the Federal Deposit Insurance Corp.

No one at the agency celebrated the milestone.

In fact, Aug. 20 was a day of mourning for many – the one-year anniversary of Chairman William Taylor's unexpected death. That's when Mr. Hove, 59, stepped up to the chairman's job from vice chairman.

Friday also was a frustrating reminder of how long the FDIC has been without a full-fledged chairman. "I had no idea it would be this long," Mr. Hove said.

NEWS ANALYSIS

He said the thought of quitting had crossed his mind but he has assured the White House he will stay on until the Senate approves another chairman.

The FDIC has had six acting chairmen in its 60-year history, but none for as long as a year. The second longest run – John Heimann in 1978 – served six months and 21 days.

The Bush Delay

The first five months of delay in naming a chairman was understandable. President Bush did not nominate someone when Mr. Taylor died because the presidential election was looming and he knew a Democratic Senate would not approve a Republican President's pick.

Because Bill Clinton had a shot at unseating Mr. Bush, the Democrats were not about to fill political posts with Republicans.

Mr. Bush's loss added another couple of months to the wait because Mr. Clinton did not become President until late January.

Why no one has been selected in the past seven months, however, is a mystery.

Clinton's Turn

On his first day in office, Mr. Clinton named a comptroller of the currency – Washington lawyer Eugene A. Ludwig. Everyone figured a permanent FDIC chairman would be picked quickly, but Mr. Clinton apparently cannot find one who suits him.

That's not for a lack of candidates, however.

At least 15 people have been rumored as potential heads of the agency: Arkansas bankers Bill Bowen and Bill Brandon; Washington lawyers Jerry Hawke, Chuck Muckenfuss, and

See **POWER** *next page*

INSIDE NEWS

REGIONAL BANKING

GLENDALE FEDERAL

Bank's recapitalization effort was successful largely because of equity commitments from a prominent group of money managers, including several turnaround funds.
Page 4

COMMUNITY BANKING

BANPONCE CORP., an aggressive Puerto Rican banking company, has confirmed reports that it is considering the acquisition of Pioneer Bank and Trust Co. of Chicago. *Page 6*

MORTGAGES

THE SENATE

Appropriations Committee may soon determine how independent the new Office of Federal Housing Enterprise Oversight will be.
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INVESTMENT PRODUCTS

FIRST MARYLAND, joining the growing number of banks that offer no-load mutual funds, has introduced a fee-free fund family.
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CREDIT, DEBIT, ATMs

MASTERCARD International is out to conquer government – by showing skeptical government officials how their agencies can benefit by accepting credit cards.
Page 16

TECHNOLOGY

VISA INTERNATIONAL has introduced personal computer-based software to help bank executives analyze their credit card businesses.
Page 3

FINANCE

FEDERAL RESERVE

officials believe they remain well-equipped to fight inflation and guide economic growth despite massive changes in financial markets that have reduced the role of banks as suppliers of credit.
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Appetite for BayBanks Stock Expected to Remain Strong

By RICHARD LAYNE

Shares of BayBanks Inc. have been sizzling this summer, and money managers said the heat is still on.

Shares of the Boston bank are up 24% since mid-June.

That's a bigger gain in the period than all but two regional banks, Constellation Bancorp, Elizabeth, N.J., and First Eastern Corp., Wilkes-Barre, Pa.

Both signed merger agreements recently, Constellation with Constellation Financial Corp. and First Eastern with PNC Bank Corp.

"The shares are inexpensive considering the strong consumer franchise of the bank," said Paul von Kuster, senior vice president at Perseverance Capital Management, a unit of Norwest Corp. in Minneapolis.

Stocks



Even with the summer run-up, BayBanks' shares are cheap. They were up 50 cents Tuesday to $48.50, which is 1.3 times book value – one of the lowest multiples among regional banks.

Merger Talk Seen as Factor

If the shares traded at 1.7 times book value – the group average – the price would be around $60, analysts said.

The bargain-basement price is only one of the reasons for the stock's climb this summer, said money managers and analysts.

BayBanks has told analysts that it has ruled out a merger. Analysts believe it would be open to offers at the right price.

Earlier this month, Dennis Shea, an analyst with Morgan Stanley & Co., repeated a "buy" recommendation on what he considers the "No. 1 regional."

At the same time, he increased his earnings estimates on BayBanks by 25 cents in each of the next two years.

Mr. Shea forecast earnings of $3.10 a share in 1993 and $4.10 per share in 1994.

'The L.L. Bean of Banking'

Last year, BayBanks earned $3.57 a share, about two-thirds of which came from securities gains. "BayBanks is the purest consumer marketing company I follow, the L.L. Bean of banking," he said.

No other bank, for example

See **BAYBANKS** *back page*

Card Scams And Forgery Widespread At Big Firms

By BARTON CROCKETT

Check and credit card scams are among the most common types of fraud at large U.S. companies, according to a recent survey by an international accounting firm.

The firm, KPMG Peat Marwick, determined that one-sixth of large American companies were victimized by check forgery last year, and nearly one in seven fell victim to some form of credit card fraud.

'Serious and Growing Problem'

"These statistics show that fraud is a serious and growing problem, and an issue that requires greater management attention," said Michael D. Carey, director of KPMG Peat Marwick's forensic accounting unit in New York.

Three hundred and thirty companies, most with annual revenues or assets greater than $1 billion, responded to the survey. Twelve percent were financial services companies.

Two-thirds of the respondents said they were aware of at least one fraud at their company in 1992.

Nearly a quarter of the respondents said that fraud had cost their companies' more than

See **CARD** *page 3*

Banking on Mutual Funds

MANY BANKS NOW SELL mutual funds, but First Colonial Bankshares is taking the strategy a step further. The Chicago bank is helping smaller institutions market investment products — and it's reaping healthy commissions in the process, says Bette Daniels.

See story on page 12



NEWS *briefs*

B of A Offers $100 Million of Euronotes

LONDON — BankAmerica Corp. launched $100 million of floating rate Euronotes due Sept. 1, 1998, at a variable issue and reoffer price through a sole manager, Kidder Peabody Securities Co.

Interest floats at 25 basis points above the six-month London interbank offer rate for dollars.

Separately, the San Francisco-based bank company said it would redeem a total of $327.4 million principal amount of debentures on Sept. 24.

Wells Fargo to Redeem 8.60% Debentures

SAN FRANCISCO — Wells Fargo & Co. said it would redeem on Oct. 1 all of its 8.60% debentures due 2002. The redemption price will be 102.03% of the principal amount of the debentures plus accrued interest to the redemption date.

2 Ex-Hibernia Officers to Pay Filing Fines

WASHINGTON — Two former officers of Hibernia National Bank in New Orleans agreed to pay the Office of the Comptroller of the Currency a total of $33,000 in fines to settle charges that they filed inaccurate call reports.

Thomas A. Masilla, the bank's former chairman, agreed to pay $17,000. Jay B. Capouch, a former senior vice president and manager of the loan control division, agreed to pay $16,000.

The OCC alleged that they bore some responsibility for eight inaccurate call reports filed by the bank between June 30, 1989, and March 31, 1991. According to the OCC, the levels of past due and nonaccruing loans were underreported by as much as $42 million one quarter. Income was overstated by $4 million in another quarter.

The bank refiled accurate call reports after the two men resigned, the OCC said.

1st Commercial to Buy Clinton Bancshares

LITTLE ROCK, Ark. — First Commercial Corp. has executed a letter of igtent to acquire Clinton Bancshares of Clinton, Ark. Terms were not disclosed.

Clinton State Bank, the operating subsidiary of Clinton Bancshares, has $64 million of assets.

F&M's Bid for Park Ridge Backed by Fed

KAUKAUNA, Wis. — F&M Bancorp. said the Federal Reserve Board approved its acquisition of Park Ridge Bancshares. Terms of the transaction were not disclosed.

Park Ridge Bancshares, based in Stevens Point, Wis., has assets of $27 million, F&M said.

RTC Discloses Corporate-Debt Holdings

NEW YORK — The Resolution Trust Corp. said that its portfolio of junk bonds and various corporate debt obligations had a face value of $293.3 million.

The RTC said it also had 89.3 million shares of preferred and common stock, including warrants; 20 limited-partnership interests; and $132 million of highly leveraged transaction-loan interests.

The RTC has sold more than $101.3 million of debt and 8.6 million shares of preferred stock, common stock, and warrants, and $91.8 million of highly leveraged transaction-loan interests this year. The RTC's total high-yield sales since inception in August 1989 exceed $8.2 billion.

The briefs were compiled from staff and wire reports.

Amsouth Wins Approval from the Fed To Acquire Small Florida Bank, Thrift

Dow Jones

WASHINGTON — The Federal Reserve Board has approved applications by Amsouth Bancorp., Birmingham, Ala., to acquire a small thrift and a small bank in Florida.

Amsouth Bancorp., through its Pensacola subsidiary, Amsouth Bank of Florida, was cleared to acquire certain assets and assume certain liabilities of Mid-State Federal Savings Bank, Ocala, Fla.

Amsouth, with total consolidated assets of $11 billion, is the sixth-largest commercial banking organization in Florida, controlling deposits of $1.5 billion.

Mid-State is the 17th-largest Florida thrift institution, controlling deposits of $653.8 million.

Amsouth also was given approval to acquire Charter Banking Corp., St. Petersburg, Fla., and its subsidiary First Gulf Bank, Gulfport, Fla.

CRA Objection Fails

Charter Banking is the 68th-largest commercial banking organization in Florida, controlling deposits of $102.6 million.

The Fed approved Amsouth's acquisition of Charter Banking over the objection of a citizens group that said the Alabama company did not adequately serve the banking needs of inner-city residents of Birmingham under conditions of the Community Reinvestment Act. The Fed, however, said that Amsouth had taken steps to increase credit availability in areas of low and moderate, and that its Birmingham branch earned an "outstanding" rating in a recent CRA evaluation. □

Power Vacuum at FDIC Enters Year Two

Continued from *page 1*

NEWS ANALYSIS

Ricki Tigert; Banc One executives Kenneth Eaton and Ann Hall; New Hampshire lobbyist Chris Gallagher; New York regulator Derrick Cephas; former Connecticut State Treasurer Frank Borges; regulator-turned-banker Larry Connell; Texas lawyer Jeff Hurt; Washington analyst Karen Shaw; former money-center banker Tom Johnson, and Boston Fed President Dick Syron.

It's not as if no attention has been given the FDIC by the White House, either. President Clinton himself announced in May that he intended to nominate Mr. Gallagher.

So he did not – and everyone who ever had a bad thought about Mr. Gallagher has aired it, dimming his chances.

There have been many other false starts. So many, in fact, that plenty of people have quit speculating.

Ludwig Criticized

As the only Clinton bank regulator, Mr. Ludwig is being criticized quietly for not getting the White House to fill the other regulatory posts.

In addition to FDIC, the Office of Thrift Supervision has had an acting director – Jonathan Fiechter – since Dec. 4, when Tim Ryan resigned.

If Mr. Clinton does not nominate new bank regulators soon, Mr. Hove and Mr. Fiechter could remain in their jobs until 1994.

Congress will need time to hold hearings and confirm the nominees, but lawmakers are scheduled to adjourn in early October. □

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Card Scams, Forgery Found Widespread At Big Companies

Continued from *page 1*

$1 million, while 40% reported losses of $100,000 to $1 million.

The most common type of fraud was misappropriation of funds, reported by 20% of the respondents.

Check forgery and credit card fraud were the second and third most common types of fraud, followed by false invoices, theft, and automated teller machine fraud.

Employees Dismissed

Three-quarters of those companies that detected a fraud dismissed an employee. More than two-thirds of the companies reported a fraud to the police.

Only 43% of the companies that detected a fraud initiated a civil action to recover losses.

The survey respondents attributed 56% of the frauds to poor internal controls, 44% to collusion between employees and nonemployees, 40% to management overriding internal controls, and 17% to collusion between employees or managers.

Increase Expected

Two-thirds of the respondents said they expected the incidence of fraud to rise in 1993.

Factors cited as contributing to the increase included economic pressures, a weakening of society's values, and the growing sophistication of criminals.

Mr. Carey said that banks can help to minimize corporate fraud on two fronts.

First, financial institutions can maintain vigilant controls to keep themselves from falling victim.

Banks can also be on the watch for fraud at their clients, particularly customers receiving loans where banks are required to do due diligence.

"Nearly half of the frauds could have been discovered earlier or prevented if the red flags that existed had not been ignored," said Mr. Carey.

Before taking his current post in November, Mr. Carey was assistant director of the London's Serious Fraud Office.

Nearly half of the survey respondents said there were "red flags" that pointed to the possibility of fraud at their company that either were ignored or not acted upon quickly enough.

The warning signs included changes in an employee's lifestyle or spending habits, unusual banking activities, a decline in employee morale, and exceedingly large corporate expenses or purchases. □



Forgery hits one big firm in six, card fraud one in seven, a survey indicates.

Banctec Acquires a Nynex Subsidiary That Develops Funds Transfer Software

Banctec Inc., a leading supplier of check processing systems to banks, announced this week that it has acquired an electronic funds transfer software firm from Nynex Corp.

The acquired Nynex unit, Lerous, Pitts & Associates, develops and sells software to financial institutions, retailers, and other companies involved in the processing of payments of debit and credit cards.

Lerous, Pitts had revenues of $4 million last year, Banctec officials said. Terms of the sale were not disclosed.

Promising Market

For Dallas-based Banctec, the acquisition marks an entrance into a market that is expected to expand dramatically in the coming years, as more consumers demand electronic payment mechanisms from retailers.

Clearwater, Fla.-based Lerous, Pitts currently has installed software supporting about 150,000 point of sale terminals. — **Matt Barthel**

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Visa Introduces PC-Based Software For Analyzing Credit Card Business

By JEANNE IIDA

Visa International has introduced personal computer-based software to help bank executives analyze their credit card businesses.

The software, called Visa Vue, pulls together data on market share, customer spending patterns, and the reliability of the bank's credit card processing systems.

Visa said several banks are testing the software, but association officials declined to name them.

Easier Availability

Visa has made this information available to member institutions on request, and for a fee, before now. Visa's back-office systems upgrade, the Payment Service 2000 initiative, has enabled the organization to make the information available more easily.

"This is information that is costly for bank executives to get from their own data-processing departments," said Pat Edwards, vice president of information services at Visa.

Visa is marketing two products to member institutions. Software called Market Advantage gives a snapshot of a Visa member's issuing or merchant business, and compares it to the overall marketplace.

Comparisons Can Be Made

For example, bankers can compare the size of charges made by their gold card customers with charges made on cards issued by competing banks.

Another package called Performance Plus lets members review the performance of their product lines and the reliability of their systems. The software monitors chargebacks, and point of sale and automated teller machine authorizations.

Bankers can review how many transactions were declined in a given month, by card type. They can also review how their authorization rates for gold cards compare with the average authorization rates in the region.

A Deterrent to Fraud

Members can view chargeback data, and identify and review the merchants where chargebacks occurred. Visa says this ability can help members cut down on merchant fraud.

The information is updated each month. Members can receive the data in one of three ways. Visa can send a personal computer diskette containing the month's data. Or, members can dial into Visa's host computer and download the data, or Visa can distribute it via electronic mail.

The software runs on personal computers that support International Business Machines Corp. and Apple Computer Inc. □

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A Who's Who of Wall Street Investors Supporting Glendale Federal's Recap

By SAM ZUCKERMAN

SAN FRANCISCO — Equity commitments from a prominent group of money managers, including several turnaround funds, were key to the success of Glendale Federal Bank's recapitalization, according to a list obtained by *American Banker*.

The financial reorganization of the nation's fifth-largest thrift, which was announced last week, hinged on getting investors to buy unsold shares in a $250 million rights offering to current shareholders.

That offering is the biggest part of the recap by the subsidiary of Glenfed Inc. The standby investors include 21 groups acting on their own behalf or for accounts they manage.

Tiger Management Corp., the New York City hedge fund, committed the largest amount – up to $30 million. Mutual Se-

Some top money managers played a crucial role.

ries, a New Jersey mutual funds group, will put in as much as $28 million.

Committing up to $10 million were: Merrill Lynch Global Allocation Fund, the Bass Brothers, West Highland Capital, Omega Advisors, Strome-Susskind & Co., Wellington Management Co., Investment Advisors Inc., and Boston Co.

Pledging up to $1.5 million were: First Boston Special Situations Fund, Merrill Lynch Phoenix Fund, Perry Partners, West Broadway Partners, FAC Capital Management, Carl Marks & Co., Third Avenue Fund, Ryback Management Corp., Ethos Capital Management, Furman Selz, and Arnhold and S. Bleichroeder.

The exact investment amounts depend on the extent to which current shareholders exercise their rights to buy additional shares. □

Star Banc's CFO Resigns to Join an Insurer

By STEVE KLINKERMAN

The chief financial officer of Star Banc Corp. has resigned, opening the way for the company's new chief executive, Jerry A. Grundhofer, to make his first senior management appointment.

The Cincinnati-based banking company said Tuesday that Gust J. Totlis left to join a Midwestern insurance company. Mr. Totlis had been chief financial officer since he joined Star in 1985.

Timothy J. Fogarty will assume Mr. Totlis' duties "on an interim basis," Mr. Grundhofer said in prepared remarks.

Mr. Fogarty is a senior vice president and member of the powerful management committee at Star, which has $7.4 billion of assets.

Departure 'Not Disruptive'

Mr. Grundhofer, a former top officer of BankAmerica Corp., joined Star Banc this summer with a mandate to preserve the bank's independence and accelerate its growth.

The departure of Mr. Totlis "should not be disruptive" since Star Banc is stable and delivering solid profits, said Fred Cummings, a banking analyst with McDonald & Co., Cleveland.

"The main implication is that Mr. Grundhofer gets to install a senior officer of his own choosing," Mr. Cummings said.

Mr. Totlis was not a contender for the chief executive's slot prior to the appointment of Mr. Grundhofer, according to sources at Star. They added that his departure was voluntary. □

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GRAPEVINE/*Edited by Yvette D. Kantrow*

New House of Cards

Chemical Banking Corp. is moving ahead with its plan to acquire Shell Oil Co.'s credit card portfolio.

The latest evidence: Chemical bankers are scouting properties east of New York City in Queens and on Long Island to house a combined Shell-Chemical card operation, sources said.

The banking company currently runs its card business from the Long Island community of Hicksville. But it would outgrow that facility with the purchase in October of Shell's four million credit card accounts, the sources said.

The new digs will house several hundred new customer service and collections staff members that Chemical will have to add to its current payroll in Hicksville of 1,300 people.

Chemical, which plans to issue a MasterCard or Visa card cobranded with Shell, could add up to $1 billion of receivables to its $5.78 billion card portfolio, industry experts said.

The exact amount depends on how many current Shell customers would opt for a Chemical-issued card.

If the deal goes through, the biggest loser is likely to be First Data Resources, which was hired by Shell last year to perform data processing, card issuance, and customer service functions. — **Karen Gullo**

* * *

Great Expectations

Count on a dividend increase from Shawmut National Corp. in the next several months.

"Our expectation is we will raise the dividend," said Gunnar Overstrom, president of Shawmut, New England's third-largest banking company.

"The only question is whether it's later this year or in the early part of the following year."

Analysts are not surprised that Shawmut and many of its regional cohorts will begin lifting their payouts to shareholders. Most cut or eliminated their dividends several years ago as they struggled with real estate induced capital shortages.

Now, said Thomas Theurkauf, who follows Shawmut for Keefe, Bruyette & Woods, the company is likely to return to its historical payout ratio of 35% to 40% of earnings.

The bank's current annual dividend of 40 cents a share comes out to just about half that percentage. Given the fact that the New England economy remains sluggish, Shawmut will work to return some capital to shareholders.

"There's room for a pretty hefty payout ratio because there is little balance-sheet growth," Mr. Theurkauf said.

— **Jed Horowitz**

* * *

Take a Letter, Senator

Five banking groups blanketed Congress with 535 letters last week in an effort to save off the powerful insurance industry lobby.


Sen. C. Dodd

The insurers are hoping to persuade Congress to overturn a recent court ruling allowing banks to sell insurance nationwide from towns with fewer than 5,000 people. At least one senator has already publicly endorsed the insurance agents' agenda.

In a three-page letter dated Aug. 10, Sen. Christopher Dodd urged Senate Banking Committee chairman Donald Riegle, D-Mich., to close the "town-of-5,000 loophole."

"I believe policy changes in this area are properly the province of Congress, not the regulators," wrote Mr. Dodd, a Democrat from Connecticut, which is home to many large insurance companies.

As word of the Dodd letter spread, bankers started a letter-writing campaign of their own. Every senator and congressman received a letter last week from five bank trade associations.

"We urge you to oppose those insurance interests who seek to reverse these court decisions," the letter said.

"The banking industry views this as a matter of utmost significance; one that it will defend strongly."

In addition to the American Bankers Association, signers included the Association of Banks in Insurance, the Association of Reserve City Bankers, the Conference of State Bank Supervisors, and the Consumer Bankers Association.

— **Barbara A. Rehm**

Anything else we should know? Send your tips to American Banker *Grapevine, c/o Karen Gullo, One State Street Plaza, N.Y., N.Y. 10004. Or call 212-943-2932.*

UJB's Barrie H. MacKay Is Dead at Age 55

Barrie H. MacKay, director of corporate communications for UJB Financial Corp., died Aug. 15 of a heart attack.

Mr. MacKay, 55, joined the company, based in Princeton, N.J., in 1989. He created the bank's annual reports and directed media relations, internal communications, and investor relations activities.

Previously, he was vice president and deputy division head of corporate communications at Shawmut Bank, lead bank for Shawmut National Corp.

Mr. MacKay is survived by his wife and two daughters. □

EXECUTIVE *changes*

Amsouth Names Sloan D. Gibson To Head Consumer Bank Group

Amsouth Bancorp. elected **Sloan D. Gibson 4th** as executive vice president and head of the consumer and business banking group at its Birmingham, Ala.-based subsidiary, Amsouth Bank.


Sloan D. Gibson 4th

He will be responsible for consumer services, investments, loans and compliance, marketing, and business banking, as well as the company's customer information center. In addition, he has been named co-chairman of Amsouth's operating committee.

Mr. Gibson had been senior vice president/general banking group.

Also, **W. Michael Graves,** executive vice president and regional executive of Amsouth's central Alabama region, has been named head of its Alabama banking group and a member of the holding company's management committee.


W. Michael Graves

Mr. Graves will have executive responsibility for all 100 Amsouth bank offices in 20 Alabama cities, excluding greater Birmingham.

In another promotion, Amsouth elevated **E. W. Stephenson Jr.,** who runs its consumer banking and marketing division, to senior executive vice president and chairman of Amsouth Bank of Florida.


E.W. Stephenson

Alfred W. Swan Jr. will continue as president of Amsouth Bank of Florida and will assume the additional title of northwest area executive.

— **Franklin Smith**

SOUTHEAST

FORTUNE BANK, Clearwater, Fla., has promoted **Maria Neher** to senior vice president, retail banking.


Maria Neher

Ms. Neher was formerly senior vice president, regional manager for 17 Fortune branches in Pasco, Hernando, and northern Pinellas counties.

In her new post, she will oversee the bank's network of 46 full-service banking offices in eight Florida counties.

MIDDLE ATLANTIC

EUROPEAN AMERICAN Bank, Uniondale, N.Y., has promoted **John P. Schwartz** to chief financial officer.


John P. Schwartz

Mr. Schwartz oversees financial reporting for management and regulatory purposes while counseling executive management on financial control and profitability.

Stephen J. Stellhorn has been promoted to group senior vice president of European American's treasury department.


S.J. Stellhorn

Mr. Stellhorn has overall responsibility for the bank's investment sales and trading functions, foreign exchange, and asset/liability management.

NEW ENGLAND

STATE STREET BANK and Trust Co., Boston, said **Susan K. Frank** has joined the bank as its western regional marketing director while **Kimberly A. Person** has been named eastern regional marketing director.

Ms. Frank will work in the San Francisco office and Ms. Person will be working in the Arlington, Va., office.

WEST

SANWA BANK California, Los Angeles, announced new senior vice presidents at the bank.

They are **Christine Larson,** senior vice president and manager of consumer lending, and **Patricia J. Smith,** senior vice president and manager of corporate communications.


Patricia J. Smith


Christine Larson

Ms. Larson, who joined Sanwa Bank in February 1991, has been vice president and division sales manager for branch offices in metropolitan Los Angeles.

Ms. Smith was formerly a vice president and account group manager for Smith/Fischer Partners Inc., Los Angeles. She also has been director of corporate communications for Blue Cross of California in Woodland Hills. □

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2 Insurers Pooling Loans For Sale to Farmer Mac

Agriculture

By ROBERT B. COX

WHAT DOES WALL STREET have in common with America's farmers?

Well, not much, except that they are now linked by two programs that pool and securitize farm loans and sell them to investors.

Units of Prudential Securities and Travelers Corp. have separately teamed up with the Federal Agricultural Mortgage Corp. to offer bankers a means of pooling long-term, fixed-rate agricultural loans secured by real estate.

The insurers were certified by Farmer Mac years ago to start up such programs, but they have done so only recently.

The programs make it easier for individual banks and their borrowers to access capital markets through Farmer Mac, allowing them to better compete with Farm Credit System banks.

"Banks are now able to offer long-term, fixed-rate loans without having the interest rate risk on their books," said John M. Blanchfield, who manages the American Bankers Association's ag division. Participating bankers will essentially act as loan originators, retaining loan servicing rights without setting aside the capital required for loans on their balance sheets.



John M. Blanchfield

The programs are a boon for banks with liquidity problems, proponents say. In addition to selling new loans to the companies, banks can sell existing loans while still collecting servicing fees.

Banks must qualify as originators for the two programs and must be stockholders of Farmer Mac. They also must adopt the uniform underwriting standards accepted by Farmer Mac.

Under a Travelers Realty Investment Co. program, bankers first get approval for loans from the insurer's field offices and simultaneously fund the loan and sell it to Travelers at closing.

The Hartford-based insurer then warehouses the loans until it has from $75 million to $100 million that it can securitize. So far the company has purchased roughly $50 million in loans from its six participating banks.

The Prudential Securities Secured Financing Corp. program has bankers shifting loans to regional subpoolers, or aggregators, who then send the loans on to offices of Equitable Agri-Business.

The Equitable Co. unit acts as Prudential's central servicer, reviewing credit underwriting and loan appraisals and performing billing and collection functions. Prudential has signed up seven banks and hopes to pool and securitize $40 million in loans this year.

Farmer Mac created by the 1987 Agricultural Credit Act, raises funds on the capital markets and purchases the loans from the program poolers. This allows bankers to compete on rates with Farm Credit banks, which also dip into capital markets for funds.

"We are going to the same market as the Farm Credit System," said Michael A. Martin, a Travelers vice president. "This should help banks compete with the Farm Credit System."

Banponce in Takeover Talks With Pioneer Bank of Chicago

By ROBERT B. COX

CHICAGO — Shifting demographics have made a Chicago community bank the acquisition target of an aggressive Puerto Rican banking company.

Last week, a senior official of Banponce Corp., San Juan, confirmed reports that the bank was considering the acquisition of Pioneer Bank and Trust Co., Chicago.

"We have talked to [Banponce] and other people as well," said S. Michael Polanski, Pioneer's president.

"Our hope is that it [the acquisition] happens in 1993," Jorge Marchand, Banponce senior vice president, said last week.

Demographics a Factor

While it might seem surprising that a Puerto Rico-based bank would buy a small community bank, a quick glance at Pioneer's customer demographics offers some explanation.

Hispanics accounted for 44% of the population in Pioneer's Humboldt Park neighborhood, according to the Community Lending Fact Book, published by the Woodstock Institute, a Chicago firm that tracks lending patterns.

There are a large number of Hispanics in Pioneer's neighborhood.

"Usually we like to enter new markets going through the Hispanic market first," said Roberto Herencia, senior vice president and chief of credit in the United States.

Greater U.S. Presence Sought

Banco Popular, with assets of $10.5 billion, has been aggressively expanding in the United States. At the end of 1992, it operated 30 branches in New York City, one in Chicago, and one in Los Angeles.

"We have been trying to expand our presence in the U.S. market," said Mr. Herencia, who is based in Chicago. "Illinois is a place we have been looking into."

Pioneer is a healthy bank with one branch. Return on average assets was about 0.90% at the first half of the year, said Mr. Polanski, president of the 80-year-old bank.

Numerous Acquisitions Made

The average return on assets for community banks was 1.25% for the first quarter of the year.

Over the last three years, Banponce has made numerous acquisitions of branches from the Resolution Trust Corp. and from the Israel-based Bank Leumi. Banponce also gained a number of New York branches when it acquired Banco de Ponce in 1990. □

Poughkeepsie Savings Wins 'Buy' Rating On Strength of Improved Asset Quality

An analyst has pinned a "buy" rating on shares of Poughkeepsie Savings Bank, citing a reduction in asset-quality problems at the $710 million-asset thrift.

"We believe that the shares are an attractive investment for accounts willing to speculate on the ongoing improvement in the fundamentals," Frank J. Barkocy wrote in a research report released last week.

Mr. Barkocy, an analyst at Advest Inc., Hartford, Conn., also called the bank a possible "takeover target" in the report.

Nonperforming assets at June 30 were $48.6 million, or 6.9% of total assets, compared with $76.2 million, or 10.9%, at year-end 1992. The bank, which was operating under a "prompt corrective action" directive, raised all capital ratios in June and is now designated "well-capitalized" by the Office of Thrift Supervision.

* * *

Suburban Bankshares, Lake Worth, Fla., said it lost $84,000 in the second quarter, versus net income of $6,000 a year ago.

The banking company lost $66,000 for the six months of the year, versus earnings of $404,000 the same time in 1992, according to its Aug. 18 release.

John Dorland, president and chief executive of the $172 million-asset bank, said the quarterly loss was attributable to the high level of nonperforming assets, and a reduction in net interest margin.

Nonperforming assets totaled $13.4 million as of June 30, down 4.3% since Dec. 31. Mr. Dorland, who was named president July 1, expects nonperformers to continue to decline in the second half of the year.

He also expects Suburban Bank's capital levels to continue to rise: tier 1 capital stood at 4.60% in the quarter, while risk-based capital was 5.91%, and leveraged ratio was 3.50%.

Mr. Dorland said Suburban is negotiating a revised offer to merge with Command Credit Corp., a Long Island, N.Y.-based credit card marketing and service business.

* * *

In an effort to further strengthen its capital, $1.8 billion-asset Citfed Bancorp, Dayton, Ohio, offered $40.25 million in subordinated notes last week.

The issue has an 8.25% yield and comes due Sept. 1, 2003. It was underwritten by Chicago Corp. and McDonald and Company Securities. □

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Four Steps for Success with Technology: Select, Install, Implement, and Audit

By PETER D. LOUDERBACK
CCI, Morristown, N.J.

The mainframe computer, whether operated in-house or by an outsource vendor, and all of today's personal computer applications are widely considered to be the heart of a bank.

Deposit and loan products are delivered by automated systems. Computers track how well the bank is doing. A variety of special needs in departments such as marketing and human resources are satisfied by main-frame and PC technology. Automated teller machines, the automated clearing house, and point of sale systems have added a new dimension to the delivery of banking services. Recently, imaging, home banking, and automated voice response are getting attention, and all from the Israel-based Bank Leumi. Banponce also gained a number of New York branches when it acquired Banco de Ponce in 1990.

Comment

Management must understand the nuances of the systems life cycle.

It has become incumbent upon the banker – particularly the community banker who has traditionally been removed from technology decisions – to understand how computers affect the business now and how they will in the future.

There are four critical points that will define success or failure: (1) selection of the system, (2) installation, (3) post-installation implementation, and (4) biannual technology audits.

The Selection

The overall approach to making the right decision – look at a number of solutions, select two to three for intensive review, drive a hard bargain, and go with the winner – is well-known. My recent experience with community bankers on deposit and loan processing systems suggests the importance of reinforcing the following points.

Select a solution to support the needs of the business rather than operating the business to take advantage of the system. The system is a means to an end rather than the end itself. Selecting a computer system is somewhat like selecting a car. Any one of many models will get the buyer from here to there. The variables – comfort, features, color, style, price, and service – are important personal considerations.

Likewise, most systems solutions will solve any bank's basic needs. Its strategic needs should guide the evaluation and selection process.

The bank's strategic plan and direction should drive its selection criteria. Growth, deposit and loan product mix, customer mix, and locations are some of the issues that will need to be explored and then documented for the vendors.

I also suggest keeping the selection process as simple as possible. Cut the number of vendor candidates to two or three as quickly as possible. Talk to some users of the systems being considered. Expect to negotiate on price – there will be discounts.

Don't underestimate the cost of changing vendors. Training alone will involve everyone in the bank and is usually very expensive. After taking a careful look at the alternatives, it may make more sense to spend some money improving the current system rather than changing.

Installing the System

A critical six to eight months is needed to prepare for installing a new system. Procedures and reports will change. Equipment will be ordered and installed. Everyone from tellers to directors will need to be trained to deal with the new system.

Yet the need to operate the old system while learning the new system will necessitate concentrating only on the basics.

I see the selection and installation process as comparable to the way I have bought and initially used a VCR. Prior to going to the store I did some homework, studying which products were rated best, what features I wanted, where I could get the best price. I went to the store on a Saturday afternoon, bought the VCR, picked up a movie, and arrived home to install the unit.

I learned and mastered the basics of operating the unit from the manual. The toughest challenge – connecting the cable box, the TV, and the VCR – was not covered adequately in the instructions. Busy signals when I called the cable company only increased my frustration. Finally, with no help from the manual or the cable company, I tried every alternative until one worked.

I was so intent on watching the movie that I never read the more complicated parts of the manual about fine-tuning, high fidelity recording, the tape timer, and other features.

Patience Required

Banks take the same impatient approach when installing a new system, which is all right only if there is a plan to revisit the manual" after installation and take full advantage of the advanced features and functions that were so appealing when encountered during the selection process.

The conversion period is a demanding time for two principal reasons. The technical staff is most often limited to one or two, and they are extremely busy selecting options, installing equipment, learning the system, tackling the unexpected, and other related jobs.

Also, the amount of time available for clerks, tellers, and management to learn the new system will be limited because the current system must be attended to while studying the new one.

Yet the conversion period is an opportunity to clean up sloppy, time consuming, unproductive procedures and avoid burdening the new system with old procedures.

For example, products should also be reviewed and obsolete ones eliminated. It makes no sense to go to the trouble of engineering the new system to handle discontinued deposit and loan products just because a few customers still use them.

The conversion period is also an ideal time to evaluate the bank's management reporting structure. There are often too many reports – those that are distributed are not used, and those that are used contain too much data. Changes made as a result of installing a new system can be an effective way to add credibility to the new system.

The Implementation Process

This phase is often given short shrift. Typically, the six- to eight-month installation period leaves the bank and its employees exhausted, or at least ready for a breather. But the people often never get back to reading the "manual" and miss out on desirable features and functions.

The bank probably has cut corners during conversion and now needs to revisit the completion of procedures, additional training of employees, development of better reports and forms, and other productivity related issues.

The community bank may have a difficult time freeing the resources to address post-installation issues. Recognize that the issue needs to be addressed and build it into the overall implementation plan. The system's

The system is a means to an end, not the end itself.

full value will not be realized unless this gets the attention it deserves.

Biannual Audits

There is no such thing as a stable environment in the use of technology. Personal computer and mainframe systems are constantly changing as a result of a number of things ranging from system upgrades and software releases to the installation of special purpose systems and/or equipment. The potential problems include:

- Failure to keep up with new releases. In the case of in-house systems, the user is responsible for installing any new software and preparing to use the new features and functions.

Banks that rely on an outside servicer must also adjust procedures to take advantage of the changes. Problems develop when a bank fails to keep up with the new releases and training staff to take advantage of them. Once you fall behind it is difficult to recover.

- Failure to use special-purpose systems that have been purchased and installed. There are literally hundreds of such systems for community banks to satisfy specific objectives, and bankers are not reluctant to spend money on these systems. The problem is that they are often not utilized.
- Failure to train new employees to use the system. Many community banks employ the "buddy system" – an experienced teller will train a new one. A mortgage originator will train a replacement. Over time this is bound to result in shoddy practices being passed on from trainer to trainee.

Critical Elements

The proper installation and use of PC and mainframe technology is critical to the success of a community bank. Management must understand the nuances of the technology life cycle.

The importance of selecting the right system and an attentive vendor cannot be overstated. But the installation and post-implementation phases also need concentrated attention if the value of a system is to be fully realized. □



Peter D. Louderback

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Oversight Office Seen Likely to Win Funds For Hiring Staff of 60

By SNIGDHA PRAKASH

WASHINGTON — How independent will the new Office of Federal Housing Enterprise Oversight really be?

The answer may come soon from the Senate Appropriations Committee. The head regulator, Aida Alvarez, has asked for funds to hire a staff of 60 to regulate the Federal National Mortgage Association and Federal Home Loan Mortgage Corp.

A Senate panel is considering a request to double HUD's projection.

The panel's response could well determine whether Ms. Alvarez can rely on the office's own resources to fulfill its congressional mandate.

The staff she is seeking would be twice as large as the Department of Housing and Urban Development projected last year when Congress created the regulator's office.

'Not Going to Fight It'

Though some on Capitol Hill worry that Ms. Alvarez is presiding over a ballooning agency, observers like her chances of getting the extra money.

"My sense is, if the Congress isn't paying for it, they're not going to fight it," said a Republican House staff member.

Ms. Alvarez said she expected to pay her staff at rates comparable to those paid by other regulatory agencies in Washington. She also hopes to use headhunters to hire financial talent from Wall Street, if she can do that within the budget.

She expects to hear by mid-September from the Senate on the funding request. She has hired five staffers so far.

In addition to the $5.7 million already budgeted for the 1994 fiscal year, Ms. Alvarez has requested $1.3 million for the year beginning Oct. 1. She also has $3 million intended as start-up costs for the 1993 fiscal year. ☐

Stock Analyst Sees Long-Term Value In Holding Mortgage Banking Shares

Wall Street has been paying increasing attention to mortgage banking stocks as a result of the protracted boom in originations. One analyst, Gary Gordon of PaineWebber Inc., initiated coverage of two mortgage banks last week: Countrywide Credit Industries, which received a "neutral" rating, and Fleet Mortgage Group, rated a "buy."

Q&A

American Banker's *mortgage editor, Edward Kulkosky, talked with Mr. Gordon about the new coverage.*

Q.: Many people think the mortgage business may be peaking right now. Is this a a good time to start covering mortgage stocks?

GORDON: Yes and no. Short-term, it's not. If interest rates stabilize, there will be something of a shakeout in the business. The mortgage banking industry will be originating most of the country's loans going forward. Working with [Fannie Mae and

"It's going to be extremely tough for thrifts to win back market share."

Freddie Mac], they have developed a system that is more cost-efficient than that of portfolio lenders, thrifts, or commercial banks over the long term.

Q.: Who will the winners and losers be in the shakeout?

GORDON: The winners will be those who rely most on loan servicing. When refinancing slows, servicing becomes more profitable. The losers will be those who rely on loan production.

Q.: Where does that leave portfolio lenders like the thrifts?

GORDON: I think it's going to be extremely tough for thrifts to win back market share. Since the last period of heavy demand for [adjustable-rate mortgages], in 1988, we have had a big buildup in competition. Countrywide will be all over the product when the time comes. And plenty of mortgage brokers will be competing against the thrifts.

Q.: Is there any ray of sunshine for the thrifts?

GORDON: If anything, the situation may get worse. The commercial banks are building their presence in mortgage banking, and they have tremendous capital resources. There's not much else [in the way of loan demand] out there for them right now. And the mortgage banks have been pretty much distracted by refis. They will focus a lot more on ARMs when the time comes.

Q.: Do you like any other mortgage stocks?

GORDON: No. I'm neutral on everybody else but Fleet. I also follow Plaza, Imperial Credit, and North American.

Q.: Another analyst downgraded Imperial to a sell last week. Are you hanging in?

GORDON: Yes. Imperial has some unique things going that could help. One is a loan that allows people that don't quite qualify for Fannie or Freddie to get a mortgage. And they have found investors willing to buy such loans. ☐

BancPlus Mortgage to Issue Debt

By JAMES H. SAFT

BancPlus Mortgage Corp. of San Antonio, Tex., is embarking on a refinancing campaign that will include the sale of $150 million of notes and the syndication of $475 million of new bank debt.

The company has filed a registration statement with the Securities and Exchange Commission for $150 million of senior notes due 2003. Donaldson, Lufkin & Jenrette and J.P. Morgan Securities Inc. will lead the sale.

The sale will occur within 90 days, said Herbert Carrel, president of parent BancPlus Financial Corp.

Proceeds from the offering will be used to retire existing bank debt as well as 11.5% subordinated notes due 2001, according to the SEC filing.

Separately, Bank of New York and Banc One are syndicating for BancPlus a $475 million package of bank loans.

BancPlus' credit includes a $400 million mortgage warehouse loan priced at the London Interbank Offered Rate (Libor) plus 150 basis points.

Mortgage warehouse credits are used to provide short-term funding for mortgages awaiting sale into the secondary market.

The company will also receive a $75 million, seven-year loan to finance planned acquisition of servicing rights, according to bankers familiar with the deal. That credit, priced at Libor plus 250 basis points, contains a provision that may increase the deal to $100 million.

Bank of New York and Banc One are seeking underwriters for the credit. ☐

Homebuying Surge Indicated by Poll

A poll by Fleet New York, a subsidiary of Fleet Financial Group, Providence, R.I., found that a significant jump in homebuying may be on the horizon.

The poll, conducted in New York State, found that while almost half of those surveyed did not own a home, two-thirds said they would like to buy one soon.

"Significantly," the poll said, "many of those who plan to purchase a home have high enough incomes to make their dreams a reality."

"As a result, as much as 12% of the current adult population of the state could be added to the ranks of prospective new homebuyers in the next five years," the poll found.

Sadly for you, politicians in D.C. agree on one thing.

People who've made careers out of being contrary are declaring that the government's relationship with the secondary mortgage market is going to change dramatically. They all know about HUD plans to toughen enforcement, new pressures on Fannie and Freddie, and the revival of Ginnie Mae as a major player. And if you want more evidence, look to Capitol Hill, where Congress is toying with mortgage bankers subject to the same regs as commercial banks.

How to react? You could wax nostalgic—and get clobbered by the government and your competitors. Or you could read *The Mortgage Marketplace.*

Every Monday, in less time than it takes to finish your morning coffee, *The Mortgage Marketplace* tells you about the new rules and ideas that could keelhaul your secondary operations. It names the biggest mortgage company participants in Ginnie, Fannie and Freddie issues. And it scans the horizon to determine what types of loans, and borrowers, that now are considered exotic could soon enter the pipeline of conforming loans.

There's no debate—new regs are coming. What's still at issue is whether you'll be ready for them.

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Assessing the California and Boston Market Meltdowns

By KARL E. CASE
McLean Professor of Economics
Wellesley College

There is great concern on the minds of many today about the decline in home values in the Northeast and in California. After experiencing tremendous losses in Texas and Alaska in recent years, mortgage holders and guarantors are watching developments with a worried eye.

The newly booming $100 billion mortgage-backed-securities industry is facing falling ratings and nervous buyers. California and the Northeast make up 25% of the country in population and labor force, but because values are high, the two regions account for much more than 25% of the total mortgage debt.

Of course, regional declines and rising unemployment lead to increases in mortgage delinquency rates, but foreclosures, claims, and losses don't rise dramatically unless collateral values drop as they have in California and the Northeast. Thus, in predicting losses, home price information is critical.

Median Sales Prices Used

Unfortunately, good information on home prices is difficult to come by. For years we were forced to rely on "median sales prices," whose ups rise and fall with the mix of properties that happens to sell period by period.

A drop in collateral values in both areas has accelerated loan foreclosures.

with no appreciation or depreciation of property values.

New techniques can now accurately measure price changes by looking at actual transactions and checking for earlier sales of the same home. Such data are now available for most of the country.

Since the most dramatic movements in home prices have been in Los Angeles and Boston, the discussion below is based on repeat-sales data on 748,000 properties in Los Angeles County and 42,000 properties in greater Boston.

California 'Frenzy' Faded Fast

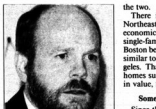
On June 1, 1988, the *Wall Street Journal* carried a front-page article about the "frenzy" in the California housing market. At its peak, prices were rising 3% a month!

Overall from the peak of the market in early 1990, prices more than doubled.

Since the second quarter of 1990, prices have been falling, and they show no sign of bottoming out. The biggest declines in California have been in properties over $230,000. Since the peak of the market, higher-priced homes have dropped nearly 23%, and half of that decline has come in the last year. As of the end of June, prices continued to slide.

Lower Price Range Fell Less

The lower price range has declined somewhat less. Single-family homes in the lower tier show a drop of 6.3% during the past year. Not surprisingly, properties in the middle tier show declines that fall between the two.


Karl E. Case

There is better news in the Northeast despite continuing economic woes. The pattern of single-family price declines in Boston between 1988 and 1991 is similar to the pattern in Los Angeles. That is, the higher-price homes suffered the biggest drop in value, falling just under 19%.

Some Price Gains Made

Since the 1st quarter of 1991, prices in Boston have shown some improvement. All three tiers showed increases during the spring of 1991 and again in 1992. In both cases, these increases were erased during the fall.

Surprisingly, over the past two years, despite some improvement in spring, the lower-priced properties have continued to drift downward at a rate of about 3% a year.

As of the end of June, lower-priced properties are down 7.8% from their peak, middle-tier properties are down 12.7% and higher-tier properties are down 11.5%. This is the opposite of the pattern in California.. ☐

Viewpoint



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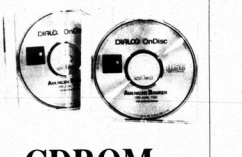

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In addition to teaching, Mr. Case is a partner in the firm of Shiller Weiss Inc., Cambridge, Mass., which specializes in producing home-price indexes.

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First Colonial Helps Small Banks Sell Funds

By KAREN TALLEY

First Colonial Bankshares just can't get enough of the investment products business.

The Chicago company, which has been selling mutual funds and annuities through its 16 subsidiary banks since 1987, is now marketing the products through smaller banks in its own backyard.

First Colonial has signed up three banks since starting to beat the bushes for outside business in January.

This is a rare strategy for any sized bank, let alone a community bank like First Colonial, which has $1.6 billion of assets.



Roach Johnson

CONFIDENT STRATEGIST: Bette B. Daniels, center, chairman of First Colonial Investment Services, says it's only a matter of time before her company's strategy snares more banks as brokerage clients.

Formidable Rivals Faced

By promoting its mutual-fund marketing program to smaller banks, First Colonial is going up against some formidable rivals. The distribution business is dominated by third-party marketing firms such as GNA Corp., Invest Financial Corp., and Essex Corp., which specialize in setting up mutual-fund and annuities sales programs for banks. In addition, regional brokerage firms have carved out a niche by serving community banks.

But First Colonial believes it has an edge in placing its brokers in bank lobbies.

"We're bankers talking to bankers," said Bette B. Daniels, chairman of First Colonial Investment Services, the bank's in-house broker/dealer.

"We know how we wanted things done in our own banks, and are offering the very same to other banks," she said.

A More Equitable Payout

Perhaps most important, First Colonial gives banks control of programs by having the banks approve prospective brokers and control all marketing, Ms. Daniels said.

Moreover, the payout to banks can be more equitable than marketing firms or brokerages offer, Ms. Daniels said. Banks keep a straight 30% of commission revenue, with First Colonial receiving the balance to cover operating costs and generate a profit.

Not surprisingly, profit is indeed the motivation behind First Colonial's initiative. This year, the bank company projects net income of $1.5 million from $4.3 million in gross commissions from investment product sales.

Economies of Scale

It costs First Colonial about $60,000 to bring a bank on line. This covers start-up compensation for a broker for the first six months, a computer terminal, access to on-line research materials and ongoing marketing support.

Economies of scale should increase profits as the bank signs up more clients, Ms. Daniels said. First Colonial sees more brokers generating dollars to offset operational costs for software and automatic quotation systems.

The network arrangement with other banks is a natural for First Colonial, Ms. Daniels said.

"We supply other services to banks through correspondent agreements," she said. "Why not take that approach as a broker/dealer?"

Hinsbrook Bank Signs Up

One of the first banks to sign up with First Colonial was Hinsbrook Bank and Trust in Willowbrook, Ill.

The $58 million-asset institution approached First Colonial because it was less than satisfactory experiences with independent broker/dealers during the prior two years.

Since joining with First Colonial in April, Hinsbrook's program has had its ups and downs, including the recent departure of the broker heading its program. But Hinsbrook's president, Robert Buhrke, is not discouraged.

"We like working with a community bank that knows our problems and business," he said.

A Matter of Time?

First Colonial also has marketing agreements with two institutions that are part of Hibanc Corp., a holding company First Colonial plans to buy.

Ms. Daniels believes it's only a matter of time before First Colonial's new marketing venture snares even more banks as brokerage clients.

C. Paul Johnson, chairman of First Colonial's holding company, agrees.

"There is customer demand for mutual funds and annuities, and these products are a very significant part of our non-interest income," he said.

Taking the Initiative

Mr. Johnson, a former air force fighter pilot and a dyed-in-the-wool entrepreneur, is no stranger to taking initiatives.

He used some of his fortune to buy $65 million-asset Colonial Bank in 1972. Through a series of acquisitions, he built First Colonial into a $1.6 billion asset organization.

Mr. Johnson embraced Ms. Daniels' idea of First Colonial adding another business unit, and agreed to seed it with $100,000.

Ms. Daniels joined First Colonial in 1987, with a solid background in retail and community banking under her belt.

Initially, Ms. Daniels headed programs that the bank operated with assistance from regional brokers Wayne Hummer & Co., Chicago, and Stephens, Inc., Little Rock, Ark.

Two years ago, she helped the bank company launch its own brokerage subsidiary.

"We believed there were better profits to be made and we also wanted greater control of the products we offered," Ms. Daniels said.

Challenges Will Be Faced

First Colonial's broker/dealer "is the first company I ever started," Ms. Daniels said. But the bank's entrepreneurial environment "supported me every step of the way."

Now, Ms. Daniels faces the challenges of growing a business from the foundation she's laid. And this has required constant tinkering.

First Colonial discovered early on that a securities license doesn't necessarily make a broker a good salesperson. "We made some mistakes in hiring," Ms. Daniels said. "Some people had strong product knowledge, but difficulty closing sales."

First Colonial also found out that the way brokers are compensated makes a difference in the way they sell investment products.

"Brokers were very comfortable with the base salary we initially paid them, and productivity wasn't increasing at all," Ms. Daniels said.

Now, brokers are compensated solely on their production, a change that has helped step up product sales, Ms. Daniels said.

In another measure to beef up volume, First Colonial uses investors, giving middle managers, platform people and tellers $25 for each referral that results in an appointment with a broker.

Grappling with these and other issues has, if anything, increased Ms. Daniels' enthusiasm for the investment program.

"I'm having a great time," she said. "This has been the highlight of my career." □

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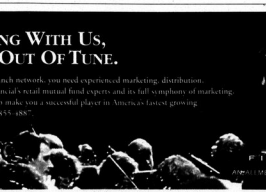

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First Maryland Enters the No-Load Mutual Fund Arena

By KALEN HOLLIDAY

Joining the growing number of banks that offer no-load mutual funds, First National Bank of Maryland has introduced a fee-free fund family.

First Maryland decided to launch no-load funds to "leverage our branch distribution network" and establish an "equal footing with other companies that offer mutual funds," said Jennifer Lambdin, a senior vice president and investment officer with the bank.

Initially, the Baltimore-based bank's Ark funds will be made available only to customers who have established trust, custodial, or money management relationships with the bank.

First Maryland plans to make these funds, which include a selection of money market, fixed-income, and equity portfolios, available to customers through its branches.

"We will have a retail class of shares in the next six months, pending SEC approval," Ms. Lambdin said.

At a Glance: The Ark Funds

Funds:	7
Assets:	$500 million
Investment adviser:	First National Bank of Maryland
Sponsor and administrator:	Fidelity Distributors Corp.
Transfer agent:	U.S. Trust Company of New York

Right now, the funds offered are a trust class of funds which by definition must be no-load, Ms. Lambdin said.

99% Conversion Rate

First Maryland has about $500 million of assets in the Ark funds, which were launched in June. The assets all came through the conversion of trust accounts.

The bank had about a 99% conversion rate on the variable net-asset funds, she said. Of the $800 million of money market assets, about $300 million is in the Ark money market, she said.

Keeping Funds at Home

By introducing its own no-fee fund family, First Maryland hopes to stem the tide of money from the bank to mutual funds.

"It's no secret that money has been flowing out to mutual funds," Ms. Lambdin said. "We wanted the capability to keep business in-house."

With 70 years' experience managing money, First Maryland has ample ability in this field, Ms. Lambdin said.

Instead of sweeping money into funds managed outside, the bank can keep the business at-home. Also, "we wanted more control," she said.

From the trust side, creating the Ark funds enables First Maryland to better compete with other companies that offer mutual funds, Ms. Lambdin said. Specifically, the change gives trust customers daily liquidity and the ability to look up their holdings in newspapers.

The bank has about $500 million of assets in the funds.

Demand Seen

There also has been demand from retail clients, Ms. Lambdin said. When the bank expands the products to retail customers, it will have the ability to charge a load, she said. A decision about whether to charge fees to other customers has not been made.

When the funds are introduced to First Maryland's non-trust customers, the bank plans to use direct mail, posters, and other advertising techniques. Salespeople will be compensated on a commission basis.

The Ark Funds now include a Treasury money market, a tax-free money market, income, growth and income, and capital growth portfolios.

The company would like to expand and perhaps include a tax-free bond fund, an international fund, and others, Ms. Lambdin said.

What's in the Name

The name "Ark" was chosen for the funds because it combines symbols used by both the state of Maryland and Allied Irish Banks PLC, the bank's parent company.

Maryland's symbol is the ark and dove, and the ark is an ancient Celtic symbol that Allied Irish uses as its corporate logo, Ms. Lambdin said.

And there was another reason. "Ark is at the beginning of the alphabet," making it easier for customers to find in newspapers' increasingly crowded mutual fund listings, she said with a laugh.

First Maryland's assets, as of Dec. 31, 1992, were about $6.8 billion. The 187-year-old bank has $24.4 billion of assets under administration, with $2.4 billion under investment management at the end of last year.

Fidelity Distributors Corp. acts as administrator and distributor for the funds. U.S. Trust Company of New York is the transfer agent. □

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Ruling Means Insurance Powers Fight Is Over – and the Banks Have Won

By DAVID F. FREEMAN JR.
Arnold & Porter
Washington

The insurance industry realized its two worst nightmares on Friday, July 16.

First, the floodwaters of the Mississippi and its tributaries broke through levees along that mighty river, adding further to the billions in dollars of losses suffered by insurance underwriters in recent years from various natural disasters.

Second, the U.S. Court of Appeals for the District of Columbia Circuit in Independent Insurance Agents of America v. Ludwig upheld the power of national banks with branches in small towns to sell all forms of insurance as agents to customers nationwide.

Comment

This court decision opens the way for bold new competition by national banks in retail insurance agency activities, including sales of such diverse products as fixed and variable annuities, property and casualty insurance, and life and health insurance.

National banks have two sources of power to sell insurance:

• The "incidental powers" clause of the National Bank Act, which the Comptroller of the Currency has determined authorizes national banks in any location to sell certain forms of banking-related insurance, such as annuities and credit life.

• Section 92, which authorizes national banks located in towns of 5,000 or fewer persons to sell any type of insurance.

The D.C. Circuit decision involved only section 92.

No Limits

At issue was whether a national bank could sell insurance only in the town of 5,000 or nationwide. The court ruled the latter.

The court declined to limit the insurance customer base of small-town national banks to persons located in the small towns, as the Independent Insurance Agents had urged, because "we have found no specific congressional intent to restrict the geographical reach of the insurance sales authorized by section 92."

The court noted that "a world of microchips, communication satellites, fax machines, direct mail and telephone solicitation, and all other technologies and techniques" now enables a nationwide business to be conducted "from every hamlet."

The result of the court's decision should be increased competition in the insurance agency business, greater availability of insurance products for customers, increased convenience, and lower costs for consumers.

Phantom Regulation

Before you start flipping through Title 12 of the U.S. code to find section 92, be forewarned: It is not there.

Section 92 was enacted in 1916, but sloppy punctuation led to its removal from the Code in 1952, on the theory that it had been accidentally repealed in 1918.

The Comptroller's office, Congress, and the banking industry nonetheless continued to operate as though section 92 was still good law. In reliance on section 92, national banks located in small towns for years have sold insurance to customers in those small towns.

In 1984, U.S. National Bank of Oregon asked the Comptroller's office to allow the bank to

The insurance industry's litigation strategy has backfired.

sell insurance from a small town to customers located elsewhere. The agency approved the proposal in 1986.

The Independent Insurance Agents brought suit, but lost in the district court.

On appeal, the D.C. Circuit held that section 92 was no longer valid law in light of the 1918 "accidental repeal".

In June, the Supreme Court reversed the D.C. Circuit, finding that section 92 had not been repealed, and sent the case back to the D.C. Circuit to determine the meaning of section 92.

On remand, the D.C. circuit decided on July 16 that the reanimated section 92 authorizes national banks in small towns to sell insurance to customers nationwide.

Other Suits Pending

The lawsuit is one of many filed in recent years by the insurance industry against the Comptroller's office and Federal Reserve Board attempting to restrict competition from banks.

Currently pending are lawsuits in the Sixth Circuit involving states licensing of national banks as insurance agents, and the Fifth Circuit involving the power of national banks to sell annuities as "incidental" activity.

Other recent decisions are a June decision by a New York state appeals court holding the New York state-chartered banks have power to sell annuities under the 'incidental powers' clause of the state's banking law, and a 1992 decision by the Second Circuit that section 92 by implication limits the incidental insurance powers of national banks.

Strategic Error

Like the securities industry lawsuits against the federal banking agencies in the 1970s and 1980s, the insurance industry's litigation strategy has backfired.

The insurance agency powers of banks have been clarified and strengthened rather than limited as the insurance industry had hoped.

Now, rather than focusing on the few narrow forms of insurance that the Comptroller's office has determined are incidental to banking, a national bank can simply open a branch office in a small town and market any type of insurance from that office to anyone, anywhere.

Historic Ruling

The D.C. Circuit decision has transformed the pending battle over the incidental insurance powers of national banks into little more than a rear-guard action.

An appellate decision means that a national bank can simply open a branch office in a small town and market any type of insurance from there to anyone, anywhere.

The decision opens the way for national banks to "export" insurance agency sales from one small town to customers nationwide.

It mentions directly mail and telecommunications, as well as "all other technologies and techniques" – which presumably could include a traveling sales force of bank officers based in the small town calling on customers in other towns and states.

The 1978 Supreme Court decision in Marquette National Bank v. First Omaha Services Corporation opened the way for national banks "located" in one state to market credit cards in other states using the interest rates of the bank's home state.

In much the same way, the recent D.C. Circuit decision clears the path for a similar move by banks to sell insurance products on a broad geographic basis.

State Power Limited

Many states take the position that a bank and its employees must be licensed by the state insurance regulator in order to sell insurance to customers in the state. Many states refuse to grant such licenses to banks.



David F. Freeman Jr.

National banks, however, are chartered by the federal government and get their powers from federal law.

A long line of judicial and Comptroller' office decisions interpreting the Supremacy Clause of the U.S. Constitution preclude the states from requiring national banks to obtain a state license to conduct business or otherwise exercise "visitorial powers" over national banks.

Barring congressional action to reverse 150 years of federal court precedents limiting state authority to regulate federally chartered banks, state efforts to restrict national bank insurance agency activities through licensing requirements inevitably will fail.

Review Unlikely

The Independent Insurance Agents have the option of seeking Supreme Court review of the D.C. Circuit decision.

It appears unlikely, however, that the Supreme Court would reverse the decision. The court receives thousands of petitions each year and has time to hear only a select few cases.

Typically those cases involve matters of national importance involving a split in authority between two or more courts of appeal. No such split exists here.

A trade association's challenge to a Comptroller's decision that has been upheld on two levels of appeal in the federal courts is an extremely unlikely candidate for review.

Moreover, the court of appeals decision is a rather straightforward application of well-settled principles of statutory interpretation and deference to the authority of a regulatory agency.

Bit if the Supreme Court were to devote its limited resources to reviewing the case, it very likely would uphold the decision. □

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Brokers' Pay Surged Last Year As Volume and Prices Climbed

By KAREN TALLEY

Retail brokers' average earnings rose 18%, last year, to $116,510, according to the Securities Industry Association.

The average for institutional brokers climbed 14%, to $271,495, the New York-based trade group said.

The association, which represents some 700 securities brokers and investment banking firms, based its findings on gross earnings of sales representatives at 69 firms, including several bank brokerage units.

Lively Year

Increased market activity and higher stock prices propelled commission revenue, said Jeffrey Schaefer, a senior vice president.

Retail brokers saw their fourth consecutive earnings gain. The average last fell in 1988, the year after the market crash, to $71,309, from $93,959 in 1987.

Production also rose last year, to record levels. The median on the retail side rose to $197,523 from $173,467, while median institutional production climbed to $508,857 from $421,926 in 1991.

The rise averaged 18% for retail brokers and 14% for institutional.

Different for Banks

The figures, although including some bank representatives, are probably a bit high for many financial institutions, industry observers say.

The survey bases its findings mainly on commissions, while banks often have more varied compensation arrangements. These can include a flat salary or a salary/bonus combination that can supply less compensation than commissions.

But bank reps make up ground when it comes to getting more generous benefit packages, said Robert Bosserman, managing partner of Sales Acceleration Systems, a Beaverdam, Va., consulting firm.

Benefits at banks can typically add 30% to 35% to base salaries, Mr. Bosserman said.



Bruce Wheeler
Bulking up

Mellon Hiring Brokers For Mutual Funds Push

Mellon Bank Corp. is stepping up sales of mutual funds and annuities in branches.

The $36 billion-asset company, based in Pittsburgh, is hiring brokers to bulk up a program that currently has fewer than 100 investment representatives covering 450 branches in Pennsylvania, Maryland, and Delaware.

Mellon will employ the new brokers as personal investment consultants with InvestNet, the bank's in-house broker dealer.

Mellon is looking primarily for representatives with broker credentials from the National Association of Securities Dealers.

Holders of this brokers' license can sell individual stocks and bonds as well as mutual funds and annuities.

Wide Search

The bank is finding staff at brokerages, financial planning firms, insurance agencies, and in its own ranks, said Bruce Wheeler, executive vice president for regional banking, who is charge of the building.

Mellon "listened to our customers" in deciding to broaden its investment product thrust, Mr. Wheeler said.

Focus on Laurel Funds

Customers were looking for alternative investments in the low interest rate environment, he said.

Mellon, like other banks, found customers weren't rolling over their certificate of deposit.

Mellon's Laurel family of nine mutual funds serves as a cornerstone for the increased retail selling effort.

Laurel funds, which include stock and bond offerings as well as several money market funds, have $2.4 billion of assets under management.

Mellon may also begin offering retail customers some of the 19 mutual funds managed by Boston Co., Mr. Wheeler said. Boston Co. funds have $1.4 billion of assets under management.

Mellon acquired Boston Co., a Boston-based mutual fund distributor, earlier this year for cash and stock worth $1.453 billion.

Mellon also offers annuities and products from a preferred list of five mutual fund families.

The bank is taking great pains to make sure that customers are sold the most appropriate products, Mr. Wheeler said.

Training Program

To avoid potential problems, brokers go through a bank-designed training program and are also required to provide information about clients' investment needs and risk tolerances.

This benefits customers as well as the bank, which recognizes that regulators are paying more attention than ever to banks' investment programs, Mr. Wheeler said.

Money Funds' Assets Rose Slightly in Week

Money market mutual fund assets rose to $581.49 billion in the week that ended Aug. 18, the Investment Company Institute reported.

That is a slight increase from $580.15 billion the prior week.

Retail assets grew to $392.39 billion, a $3.19 billion increase.

Gains were notched in both the taxable and tax-exempt categories. Institutional assets slipped to $189.1 billion, a $1.86 billion decline. Taxable fund assets fell, which tax-exempt fund holdings rose. — **Debra Cope**

T. Rowe Price Tries Seminars Aboard Luxury Cruise Ships

By MICHAEL O'D. MOORE

T. Rowe Price thinks a little sea duty for its personnel is a good way to bend the ears of well-to-do prospects and clients.

The Baltimore-based mutual fund company packed two of its employees off on a two-week luxury-liner cruise on the Mediterranean earlier this summer to tutor passengers on its products.

The plum assignment – directing three seminars – fell to T. Rowe Price vice president Steven E. Norwitz. After the seminars drew a total of 600 passengers, the company signed up Mr. Norwitz for another tour of duty in October.

"It's a good opportunity for us, being no-load direct marketers, to meet customers face to face," said Mr. Norwitz. He added that customers didn't confine their questions to the seminar periods, but came up to him anywhere on deck for information.

Since each passenger pays $4,000 to $20,000 for the two-week cruise, every passenger is a potential big ticket worth talking with, he said.

For the upcoming cruise, T. Rowe Price has extended an invitation to its existing customers to find a berth, sea-legs, and investment advice aboard *The Crown Odyssey*.

Seminar topics will look at issues such as developing retirement investments, investing for tax-free income, and calculating the impact of President Clinton on various investments. □



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MasterCard Revving Up Its Campaign For Government to Accept Card Payments

By LISA FICKENSCHER

MasterCard International is out to conquer government.

By the end of the year, the New York-based association expects to be armed with convincing evidence from two pilot programs that will show skeptical government officials how their agencies can benefit by accepting credit cards.

In the meantime, to prepare for the marketing onslaught, MasterCard has taken internal steps that include the appointment in May of David M. Lewis as vice president of government acceptance.

People in the News

Emphasizing MasterCard's commitment to the cause, Mr. Lewis said, "We have had dedicated staff working on these issues for the past 18 months."

Governments have come around slowly to acceptance of credit cards for anything from postage stamps to traffic fines, partly because agencies are reluctant to pay the processing fees that conventional merchants are accustomed to bearing.

Legislative Proposal

To cover costs, some agencies want to pass along the merchant fees to the cardholders, but association rules make that difficult.

Rep. James P. Moran, D-Va., introduced a bill in May that would prohibit credit card issuers from limiting the ability of federal, local, and state governments agencies to charge fees. The bill has been referred to the House Banking Committee's subcommittee on consumer credit and insurance, but no hearing has been scheduled.

In June, 555 post offices in Dallas, Orlando, and Washington began accepting Visa, MasterCard, and Discover cards in preparation for a national rollout. There are 33,000 post offices in all, with $25 billion in annual sales.

Moreover, consumer make more than $300 billion a year in payments to governments, and credit cards are used in only 1% of those sales.

New Frontier

Mr. Lewis said the climate is ripe for credit card acceptance to spread to governments, which like supermarkets are viewed as a new frontier by both MasterCard and Visa U.S.A.

"Government agencies are in tough financial shape," Mr. Lewis said. "They are very anxious for any kind of revenue, and they need to cut costs."

Another plus for credit card acceptance in the public sector is the fact that government agencies want to be more like their private-sector counterparts by providing better service.

Several agencies on the state, local, and federal levels have developed initiatives without prodding by the associations.

For example, the motor vehicle departments of seven states (California, Michigan, Indiana, New Jersey, Illinois, Wisconsin, and Oklahoma) are accepting card payments. Some have installed self-service kiosks, and others allow payment by phone.

Toll Collection Systems

Several cities are collecting tolls using technology that allows vehicles to pass through tollgates without having to stop. A computer-encoded tag in the vehicle's front window provides the information to draw funds from a designated account. Mr. Lewis said research shows that credit cards would be the preferred form of account.

> **"Government agencies . . . are very anxious for any kind of revenue, and they need to cut costs."**
> **David M. Lewis**
> *MasterCard International*

New Jersey and New York toll highway authorities are currently involved in rolling out the system, marketed in some places as "E-Z Pass." Other states are adapting the basic concept of automatic vehicle identification to their own uses.

More than 300 agencies affiliated with the U.S. Treasury Department, including the U.S. Mint, are accepting bank cards.

The tougher part will be conveying the merits of plastic to other agencies nationwide.

Last fall and winter, MasterCard started pilots with the New Jersey Division of Law and Public Safety and the California Department of Motor Vehicles.

The New Jersey pilot involves payments for traffic violations. The results are expected to illustrate how credit cards can save governments money, provide more efficient service, and in some instances boost revenues.

The most receptive areas of state governments so far have been the drivers' license and registration bureaus, the agencies responsible for collecting tolls and fines, and the public transit systems.

IRS Legislation

On the federal level there has been some discussion about the Internal Revenue Service's accepting credit card tax payments. Enabling legislation is currently before Congress.

Some of the benefits to agencies, as outlined by Mr. Lewis, are decreased labor expenses, quicker reimbursements, increased collections, the elimination of bounced checks, and a reduction in cash handling and transportation costs.

For example, many parking and traffic-violation tickets are never paid. MasterCard maintains that more offenders would pay if offered the convenience of using credit cards.

Although Mr. Lewis is not ready to reveal the results of MasterCard's tests, he promises that a financial model for government agencies is forthcoming, and other pilots may be launched. In the meantime, his responsibility, plain and simple, is "to implement a strategic plan which convinces government agencies to use credit cards." □

Verifone Delivers Its 3 Millionth System

REDWOOD CITY, Calif. — Verifone Inc., the leading manufacturer of terminals for authorizing and processing card transactions, reported the delivery of its three millionth system.

> **The company shipped its first system in 1982.**

The milestone device, a Tranz 380, went to Cardway Processamento, which provides card processing services for Banco Nacional in Sao Paulo, Brazil.

Opportunities in Latin America

The U.S.-based terminal manufacturer has been making significant strides overseas. It views Brazil as a "virtually untapped market" for its transaction automation systems.

"As with many Latin American countries, there are significant opportunities for automated payment-processing in Brazil," said Roger Bertman, vice president and general manager of Verifone's network systems division.

Verifone, which had 1992 revenue of $226 million and has installed systems in 70 countries, shipped its first system in 1982, its millionth in Finland in 1989, and its two millionth to France in 1991.

Pushing into New Markets

Verifone's rapid growth has come from pushing into new businesses and markets. It now centers on the retailing, health care, and government sectors.

Moving beyond traditional, on-line transaction processing in industrial-country markets, the company is active in developing countries and is pursuing emerging domestic opportunities, including electronic benefits transfer, prepaid cards, and smart cards.

Filling a payment-processing void, Verifone recently introduce Omnicheck, a point of sale check reader, which allows retailers to verify the transactions electronically. It also formed Verigem, a joint venture with French-owned Gemplus Card International, to develop smart cards — plastic cards enhanced with computer chips.

— Jeffrey Kutler

Centura Banks to Unveil A Hybrid Visa Debit Card

ROCKY MOUNT, N.C. — Centura Banks Inc. said it planned to unveil Pocket Check, a product that will combine the features of a direct-debit transaction card with conventional automated teller machine access.

Pocket Check is a version of the Visa Check card, formerly Visa Debit. It can be used at any point of sale that accepts Visa cards, and purchase amounts or ATM withdrawals will be deducted from a checking account.

> **The chairman is Gary Roboff of the NYCE network.**

manager of retail operations and electronic banking.

■ Dan Cunningham, president of Gemplus Card International Corp., a French-owned manufacturer of smart cards and card-reading terminals.

■ Deborah D. McWhinney, senior vice president of Bank of America and head of its consumer electronic banking division. She was a product manager when the Versatellar ATM network was introduced in 1979, spent six years in the world banking division, and has been managing ATM networks since 1986.

All were named to vacant seats on the EFT Association's 26-member board. The chairman is Gary Roboff, acting chief executive of the NYCE ATM network.

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Natwest Plan for Town Affinity Card Creates a Flap

By STEPHEN KLEEGE

Residents of a Long Island, N.Y., town are resisting a proposal to raise revenue by offering credit cards.

In an affinity program with National Westminster Bank USA, North Hempstead, population 210,000, would receive $5 for each card issued to residents.

Meanwhile, cardholders would be allowed to apply up to 1% of their purchase amounts toward local taxes. The rebate calculation would be similar to that on Dean Witter, Discover & Co.'s Discover credit card.

Residents Booed Proposal

But some North Hempstead residents and consumer advocates booed the proposal when it was aired at a recent hearing.

According to an article in the newspaper *Newsday*, the response was in protest of the proposed 15.9% interest rate, even though it is below the 17.3% national average.

Some critics say the marriage of governance and marketing sets a dangerous precedent.

"This kind of program encourages people to incur debt. I don't think this is a wise way for government to cut taxes," said Richard Kessel, the state Consumer Protection Board's director.

He added that the program would tend to favor the rich, who are able to charge more and pay off their balances without incurring finance charges.

> **The town would receive $5 for each card issued to residents.**

A spokesman for Town Supervisor Ben Zwirn said North Hempstead is likely to go ahead with the card once the State Comptroller's Office completes a review that was requested by one of the town's board members.

A spokesman for Natwest said it was too soon to provide other details about the program.

Potentially Lucrative Market

Card marketers see governments as a potentially lucrative outlet for affinity programs, which play on cardholders' loyalty to a given organization or cause.

MBNA Corp., the Delaware banking company that is the largest affinity issuer, has been marketing to states, but is emphasizing the loyalty factor, not strong usage incentives like Natwest's.

Countering Mr. Kessel's criticisms, Michael Auriemma, a card marketing consultant who is not involved in the North Hempstead promotion, said that fears about revolving debt are overblown, and that the wealthy are not the only ones who could benefit. The rich might charge more on their cards, but their taxes are higher, he said.

Mr. Kessel, who plans to run against Mr. Zwirn in the Democratic primary for Nassau County executive, said he did not expect to raise the credit card as a campaign issue. □

EFT Association Names 5 to Board

WASHINGTON — Michael L. Douglas, chief operating officer of Electronic Payment Services Inc., and four other prominent executives have been elected to the board of the Electronic Funds Transfer Association.

Mr. Douglas, formerly of PNC Bank Corp., became the No. 2 officer of EPSI when it was formed last year as a joint venture of PNC, CoreStates Financial Corp., Banc One Corp., and Society Corp.

Also joining the board were:

■ Peter Gustafson, senior vice president of Visa U.S.A. He is responsible for the card association's debit products, automated teller machine network, and supermarket card-acceptance programs.

■ David E. Donaldson, first vice president of Comerica Bank in Detroit, where it was formed.

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Opinion

Comment

By Paul S. Nadler

Lenders Less Accommodating To Tax-Dodging Entrepreneurs

To get a better understanding of why we have so great a budget deficit, visit a mortgage bankers meeting and talk to any member about the problem of arranging home finance for the self-employed.

Simply put, a great many self-employed work "off the books," meaning, of course, they operate a cash business and report only a small fraction of what they earn to the Internal Revenue Service.

As a result, when they come in for a mortgage, their reported income is way below what they earn, and they are not eligible for a home loan.

Upset at Being Rejected

Many mortgage lenders report these potential borrowers scream, "I earn an awful lot more than this statement shows. Do you have any idea how much I make and how easily I can finance this mortgage?"

The response of one mortgage banker was, "Do you know how much I can raise my income too if I report you to the IRS?"

Up to now, these members of the "underground economy" have been able to have it both ways: They report small income so they can pay a small tax bite, yet they have used "no-income mortgages," which rely on a substantial down payment and no examination of income levels, to secure the loan.

But banks don't like to accept no-income loans anymore.

First of all, banks know how hard it is to obtain control of the collateral if a home borrower defaults. And second, banks do not want to have real estate owned on their books anyway.

Since banks today are relying on earning power far more than on collateral to back all mortgages – both primary and home equity loans – this makes the individual who operates a cash business and underreports income far less attractive as a candidate for a mortgage than would be the case were he to report what he honestly earns.

And with more and more Americans now leaving large business, due to downsizing and streamlining, and entering the world of the independent entrepreneur, this willingness of so many individuals to use the underground economy bodes ill for government tax collections.

It helps explain why so many observers would prefer a national sales or value added tax or a higher gas tax as the basic sources of increased government revenue. These proponents feel it would be more easily collected than is an income tax levy in a nation of expanding individual entrepreneurship.

Long Mortgages

Another development I learned about at this recent mortgage bankers meeting I attended is that a number of bank and thrift mortgage lenders are going back to making 15-year and 30-year fixed-rate loans and adding them to their portfolios instead of selling them in the secondary market.

"I thought they had learned their lessons," I said. "Didn't bankers realize," I asked, "that making long-term fixed-rate mortgages and funding them with short term liabilities that can soar in cost is a certain recipe for disaster when rates rise again."

But I was told that a number of banks have such liquidity that they want to put the money out and will gamble on rates not rising enough to make these fixed mortgages unattractive. On top of this, these banks report that they have adequate capital today, so if the market does turn against them, they can write off part of their losses with no problem whatsoever.

30-Year Loans in Favor

Implicit in this policy is the recognition that the customers like long-term fixed-rate mortgages and are even moving from 15-year to 30-year loans to cut the monthly interest and amortization charges.

But I do not feel that the function of capital is to provide comfort to a bank that wants to accommodate its customers by adopting an unsound lending policy.

If the customer wants a 30-year loan, either sell it immediately or don't make it in the first place. After all, 30 years is a long time. Think of what your bank was like in 1963 – what its asset and liability policies were and how much volatility in interest rates lay ahead.

Above All, Jobs

These are the issues that mortgage lenders are buzzing about. But at the conference I just attended, all agreed that the key to their industry's immediate future is not interest rate levels, it is jobs.

Without employment for one or both breadwinners in the household, no level of low interest rates is going to attract a family to take out the commitment of a new mortgage, unless both the borrower and the lending bank or thrift have serious mental problems that have not been resolved. □

The product manager may not be doing a good job of keeping management informed on the state of the business and on key issues affecting, or likely to affect, the business.

Role Remains Unclear

The role of the product manager in the organization may still not yet be fully understood by all functions. The role of the product manager in product development and pricing and sales support is clearly understood, in most instances. However, the broader role of the product manager in the business may not really be recognized.

The product manager may not be fully "on top of the business" (i.e., knowing what is happening and why it is happening in all parts of the business at all times). The manager may not feel as responsible for achieving business results as he or she should feel.

In some instances, the product manager sees the figures, but does not act aggressively to fix

See **COMMENT** *next page*

Mr. Nadler is a contributing editor of *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

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Comment

By William Wichman

The Training of Product Managers Needs Greater Attention from Banks

Product management has been prevalent for 10 to 15 years in retail banking and cash management, and for a shorter time in other fee-based areas and private banking. But the function has not been performing at an optimum level, which raises concern in senior management.

The product manager is still having trouble developing an effective annual business plan. We are talking here about the capacity of the product manager to (1) analyze the state of the business, (2), based on this analysis, recommend objectives, strategies, and plans to move the business ahead, and (3) make a cogent, compelling case for his or her recommendations.

The product manager (and the entire function) is still learning how to have meaningful dialogue with sales personnel on the state of the business and on key strategic issues. There is plenty of contact with sales on specific customer issues, operating problems, technical questions, etc., but limited dialogue on strategic matters.

In the fee-based service business, there may be a "duality," with product management moving in one direction and sales, perhaps, moving in a somewhat different direction. In the retail business, "duality" can develop because of lack of effective dialogue between product management and marketing staff and/or between product management and the branch system.

THOUGH MANY *problems in developing product management have been resolved, there is work to be done in training.*

Mr. Wichman is president of William Wichman Associates, a banking and insurance consulting firm based in Cincinnati.

Comment

By William Wichman

Product Manager Training Needs Attention

Continued from page 18

problems or capitalize on opportunities. Management has to take the lead, which is not the way the system is supposed to work.

Landscape Has Changed

It should be noted that product management today is markedly different than product management in the early 1980s, when there usually were not enough people, nor the right people, and often limited knowledge of how the product manager should operate.

Today, product management is established, and working reasonably well. There are more people – and stronger people – in organized roles.

They have broader responsibilities and they are making a significant contribution to the business. However, as noted, there are still important areas where improvement is needed.

In the beginning, there was not only limited understanding of the concept at the senior management level but, at the operating level, first-line management did not have a clear vision of the role of the product manager. This, of course, had a negative impact on the training and development of the product manager.

IF PRODUCT *management is not operating optimally, the cost to the bank can be significant.*

While many of the historical problems relating to the development of product management have been resolved, there is still plenty of work to be done in the training area.

It should be recognized that the product manager has great responsibility, but limited authority. Consequently, many factors must be right in the operational equation if the product manager is to contribute fully to the development of the business.

Today, training in some banks tends to be sporadic and fragmented, and does not give the product manager a perspective on the total job.

Training tends not to put enough emphasis on how the product manager works and interacts with the rest of the organization.

Effective Training

There is more to the training of a product manager than acquired knowledge of specific subjects. The effectively trained product manager has developed in-depth understanding of the concept, his or her role, and a real conviction about how he is expected to operate.

Effective training requires what might be termed a "total system" approach. Training cannot be excellent on just basic classroom instruction or seminars or other fragmented approaches. The following elements must be present:

• An emphasis on on-the-job training, with the product manager "learning by doing" in real-world situations.

• Training must be day-by-day, week-by-week, month-by-month. No one is going to learn product management with a continuous training effort by the direct supervisor.

The product manager cannot work or be trained successfully unless an appropriate operating process for product management is in place. The proper operating process has a great deal to do with training.

As an example, it is obvious that the product manager will learn about the state of the business, then the product manager is going to be effective in analyzing and understanding the business.

TRAINING *in some banks tends to be sporadic and fragmented and does not give perspective.*

In the same vein, effective product management requires that, within reasonable limits, the product manager be able to have meaningful dialogue with his or her business. The senior manager who participates actively in this type of dialogue will contribute greatly to the development of the product management function and increase the contribution of the function.

The senior manager who does not have this kind of dialogue will impede the development of the function.

It is worth spending significant management time and resources on training. If the product management function is not operating optimally, because of weaknesses in the training area, the cost to the bank can be significant.

A Big Impact

The product management group can and should have a significant impact on the marketing effectiveness and profitability of the bank. The product manager should lead in establishing strategic direction, developing products, pricing, and – importantly in the marketing area – providing appropriate support to sales.

On the latter, it can be argued that effective sales support and developing an effective dialogue between product management and sales and/or branches can have a major bearing on the effectiveness of the sales resource. □

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Fed Says Its Grip on Economy's Rudder Remains Firm

By STEPHEN A. DAVIES
The Journal of Commerce

JACKSON HOLE, Wyo. — Federal Reserve officials believe they remain well equipped to fight inflation and guide economic growth, despite massive changes in financial markets that have reduced the role of banks as suppliers of credit.

Speaking last weekend at a two-day conference on monetary policy sponsored by the Federal Reserve Bank of Kansas City, Fed officials also signaled that they intend to continue to take a wide variety of financial and economic indicators into account when setting short-term interest rates.

Participants, who included central bank officials, academic economists, and Wall Street fund managers, generally agreed the Fed can implement monetary policy without major problems despite the increased complexity of financial markets.

"The bottom line is the Fed can still tighten and ease by changing [short-term] interest rates," said Mickey D. Levy, chief economist for NationsBank.

"What has changed because of financial innovations is not the Fed's ability, to use intermediate targets to achieve its inflation objectives. That has become more difficult."

Banks' Far Less Special'

Federal Reserve Board Chairman Alan Greenspan, in opening comments, said that increased competition for deposits from money market mutual funds and higher-yielding stock and bond funds has made banks and thrifts "far less special than they once were."

Mr. Greenspan said rapid growth in commercial paper markets and increased competition from finance companies have cut banks' share of short-term and intermediate-term credit in business "to little more than half."

Banks remain the primary source of credit for small business, but even that role could be scaled back if Congress passes legislation to securitize small-business loans, he said.

Can Still Influence Rates

Given such changes, he said, "the fairly direct effect that open market operations once had on the credit flows to business and home construction is largely dissipated."

Still, he said, the Fed retains its ability to influence short-term rates, although the desired effect on U.S. goods and services "may take longer to achieve larger movements in rates."

The stampede by investors from bank certificates of deposit to stock and bond funds led Mr. Greenspan to announce last month that the Fed is no longer targeting growth in the M2 measure of money.

M2 includes currency, savings and checking accounts, and certificates of deposit under $100,000.

M2 "may well become more useful again over time" to policymakers, Mr. Greenspan said, but in the meantime the Fed will have to rely more heavily on economic and financial indicators in setting rates.

The Federal Open Market Committee voted last month to maintain the Fed's bias toward raising short-term rates, according to minutes released Friday.

Over the same period, pension and trust funds, investment companies, and insurance firms boosted their combined share of household assets from 34.1% to 49.3%.

Conference participants agreed that the diminished role of banks in financial markets, globalization of trading in securities, computerized communications, and growth of new products such as derivatives, all

See **FED** *next page*



Alan Greenspan
Sees banks' role as diminished



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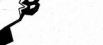

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Statement of Condition
as at June 30, 1993

Assets	
Cash and Due from Banks	$1,935,181,000
Federal Funds Sold & Securities Purchased Under Resale Agreements	192,044,000
U.S. Government, State & Other Securities	349,971,000
Loans	1,042,678,000
Less: Allowance for Possible Loan Losses	21,568,000
Loans, Net	1,021,110,000
Customers' Liability on Acceptances	12,227,000
Premises & Equipment, Net	9,721,000
Other Assets	31,464,000
Total Assets	$3,551,718,000
Liabilities	
Deposits	$3,188,998,000
Acceptances Outstanding	12,227,000
Other Liabilities	21,221,000
Subordinated Capital Notes	20,833,000
Total Liabilities	3,243,279,000
Stockholders' Equity	
Preferred Stock	26,965,000
Common Stock	75,259,000
Surplus	24,394,000
Undivided Profits	181,821,000
Total Stockholders' Equity	308,439,000
Total Liabilities & Stockholders' Equity	$3,551,718,000

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Fed Grip on Economy's Rudder Remains Firm, Conferees Told

Continued from page 21

create a challenge for central bankers in executing monetary policy.

Severa warned that the Fed may find problems that could prove nettlesome to Mr. Greenspan and his colleagues.

'Much Greater Risk Takers'

"Households in the U.S. are becoming much greater risk takers," said Henry Kaufman, president of Henry Kaufman & Co.

He said consumer spending may prove to be much more volatile now that households are putting more of their savings in stock and bond funds instead of federally insured deposits.

In the event of a big market drop, that could put a brake on spending and the economy that "poses a significant problem" for the Fed in executing monetary policy, he suggested.

Leonard Santow, managing director of Griggs & Santow Inc., said he has seen more and more investors reaching for yield and going for junk bonds.

These funds do not have much cash and will have to be sold if the bonds are called in a market downturn, he warned. "The world doesn't go one way forever," he said.

Conference participants were less interested in discussing the changed financial environment and more interested in discussing the fine art of Fed-watching — second-guessing the central bank's view of the economy and the prospects for inflation.

In his testimony, Mr. Greenspan said the Fed will be placing new emphasis on real interest rates, or rates adjusted for inflation.

Tracking Rates 'No Panacea'

But David Kohn, director of the Fed's monetary affairs division, told the conference that tracking real interest rates "is no panacea." One problem, he said, is measuring inflation expectations in order to calculate any equilibrium level for rates.

Moreover, he said, the most relevant rates for spending by consumers and business are in the intermediate-term and long-term maturities, where the Fed's influence is weakest.

Benjamin Friedman, a professor of economics at Harvard University, endorsed the Fed's multi-indicator approach to setting monetary policy but suggested it would be useful to monitor the spread between Treasury bill rates and commercial paper rates, which are typically higher.

Economist research has shown that a widening gap between rates on commercial paper and Treasury bills typically precedes a recession, the same way a flattening Treasury yield curve does.

But even the paper-bill method can sometimes send "false signals," said Mr. Friedman.

Allan Meltzer, an economics professor at Carnegie-Mellon University, argued that the Fed would be better served by setting monetary policy if it used a rule based on growth of the money base.

The monetary base consists of currency in circulation plus bank reserves and is a long-standing favorite of monetarists who oppose the Fed's more discretionary approach to policy.

'You're Wrong,' Greenspan Told

Mr. Greenspan at one point asked Mr. Meltzer whether reliance on a complicated rule would not essentially be the same as what the Fed does now, drawing a startling "you're wrong" reaction by Mr. Meltzer and a charge that policymakers are trying "to fool markets."

Mr. Greenspan politely responded that he "would love to continue the debate" but was unable to do so.

Conference participants listened keenly to the exchange, but for the most part seemed to side with Mr. Greenspan. Jacob Frenkel, governor of the Bank of Israel, said the chief rule now guiding the Fed is the need to cope with the pace of change.

"In this rapidly changing world, formulas that are done by 30 mathematicians cannot really substitute for good judgment and solid analysis of fundamentals," he said.

There was a pretty broad endorsement of a policy based on a spectrum of indicators," said Roger E. Brinner, executive research director for DRI/McGraw Hill.

"M1 or M2 is not going to be replaced by real interest rates but by inflation, GDP growth, employment growth, and anything else the Fed feels is relevant to gauging future inflation potential," he said.

The Bond Buyer **is a sister publication of the** *American Banker.*

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a member of the Federal Reserve System, at the close of business on June 30, 1993, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS

	Dollar Amounts In Thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 1,431,000
Interest-bearing balances	3,503,000
Federal funds and securities purchased in the trading account	5,022,000
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:	
Federal funds sold	1,780,000
Securities purchased under agreements to resell	1,032,000
Loans and lease financing receivables:	
Loans and leases, net of unearned income	47,750,000
Less: Allowance for loan and lease losses	1,427,000
Loans and leases, net of unearned income, allowance and reserve	46,323,000
Assets held in trading accounts	29,758,000
U.S. Treasury securities	208,000
Other bonds, notes and debentures (including state and local municipal securities)	272,000
Investments in unconsolidated subsidiaries and associated companies	153,000
Customers' liability to this bank on acceptances outstanding	24,000
Intangible assets	17,000
Other assets	5,232,000
TOTAL ASSETS	$93,960,000

LIABILITIES

Deposits:	
In domestic offices	$ 9,671,000
Noninterest-bearing $ 3,232,000	
Interest-bearing 6,439,000	
In foreign offices, Edge and Agreement subsidiaries, and IBFs	15,790,000
Noninterest-bearing $ 555,000	
Interest-bearing 15,235,000	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:	
Federal funds purchased	4,940,000
Securities sold under agreements to repurchase	1,055,000
Other borrowed money	13,000,000
Mortgage indebtedness and obligations under capitalized leases	6,000
Bank's liability on acceptances executed and outstanding	360,000
Subordinated notes and debentures	1,000,000
Other liabilities	13,594,000
TOTAL LIABILITIES	60,343,000

EQUITY CAPITAL

Perpetual preferred stock and related surplus	250,000
Common stock	488,000
Surplus	2,987,000
Undivided profits and capital reserves	29,000
Net unrealized holding gains (losses) on available-for-sale securities	(137,000)
TOTAL EQUITY CAPITAL	3,510,000
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL	$63,853,000

I, Geoffrey M. Fletcher, Managing Director and Principal Accounting Officer of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

GEOFFREY M. FLETCHER

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Charles S. Sanford, Jr. \
Frank N. Newman / Directors \
George J. Vojta

Bank and Thrift Stocks

Highlights for Tuesday, August 24

Top 10 Gainers ⅞

Security Capital Bancorp	5.5
Tompkins County Trust Company	4.6
Iowa National Bankshares Corp	4.4
First Colonial Bankshares	4.2
National Bancshares	4.2
NBD Bancorp, Inc.	4.0
City Holding Company	3.7
SouthTrust Corporation	3.4
Hawkeye Bancorporation	3.4
Wells Fargo & Company	3.3

Top 10 Losers ⅞

F & M National Corporation	-4.5
F&M Bancorp	-4.2
FNB Corporation	-4.0
Peoples First Corporation	-3.8
Bank One	-3.7
First Merchants Corp	-3.4
UJB Financial Corp.	-3.4
Heritage Financial Services	-3.0
USBANCORP, Inc.	-2.9
BanPonce Corporation	-2.6

Most Shares Traded

Citicorp	1178200
Chase Manhattan Corporation	1121900
BankAmerica Corporation	1071800
Chemical Banking Corp.	1026100
Norwest Corporation	675600

Volume as % of Average

Lake Shore Bancorp, Inc.	2006.2
United Carolina Bancshares	1017.7
Century Bancorp, Inc.	542.2
California Bancshares	482.0
First Tennessee National Corp.	481.4

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.91	1.44	2.00	1.19	0.94	1.21	0.53	1.86	1.69

Top 225 Banks

52 Wk		Name	PE	Mkt	Chg.	Chg.
Hi	Lo			to Mk		
26¾	20	1stSourceCorp/h	11.5	136.9	25	—
27⅛	18¾	AMCORE Fin'l.	11.1	125.7	24	—
19⅝	15	ANB Financial	10.5	65.2	25	—
35¾	26⅜	AmSouthBancorp/A	10.9	149.3	31⅜	¼
36¾	27⅞	AtlantaBancGrp/h	13.2	182.3	36½	—
35⅜	28¾	BB&T Fin'l Corp/C	11.8	152.8	34	—
31⅜	23	BancFirst Corp/h	12.6	78.1	29½	—
33	21⅜	BT Fin'l Corp/h	11.7	204.1	29¾	⅛
30	24	BancTennessee/h	14.4	125.9	11⅝	¼
51¾	24¾	BankAtlantaGrp/A	9.3	117.5	26¾	—
61	42⅜	BancOne Corp/ch	14.2	227.6	53⅞	⅜
43⅜	29⅝	BancorpHawaii/cd	11.6	134.8	39¾	⅛
40¾	27⅛	BancorpSouth/cd	11.2	142.4	37½	—
34⅜	41	BankAmericaCorp/cA	9.7	122.6	16.323.000	
30¾	26	BankGranCorp/cC	17.6	276.0	30½	⅜
18¾	9¾	BankSouth Corp/h	12.6	186.7	16	—
80	59	BankersTrust/cY	8.7	173.8	79¾	¼
19½	13⅝	BankersCorp/cA	28.0	102.2	19¾	⅛
28⅜	18⅜	BanknorthGrp/cA	8.8	110.1	24½	—
61¾	39⅜	BarnettBanks/cA	10.9	138.3	54¾	1
50¾	34⅜	BarnettBanksfw/A	17.9	173.2	49¾	—
52⅝	28⅜	BayBanks Inc/cA	12.6	126.3	46½	—
84¼	49⅜	BostonPriv&Ex/cA	11.9	156.9	60¾	—
44⅜	29⅜	BostonBancp/cA	13.9	107.5	39¾	—
37⅜	27	BrenhamBcshs/cA	17.9	172.2	29½	—
36¾	29¼	CBT Corporation/cY	10.2	146.4	34¾	—
34¾	23⅜	CCB Financial/cA	12.6	148.3	34¾	—
34¼	23⅜	CNB Bancshares/h	16.3	190.0	33	—
29¾	22¼	CPB Inc./cA	11.3	123.4	29¼	—
13¾	7¼	CNB Fin'l Corp/cA	8.9	146.8	12⅜	—
19¾	14¼	CalFed Bancorp/cA	14.2	168.0	19¾	—
24	13⅜	CalSouthBancp/cA	11.5	138.4	14¼	—
26⅜	19¾	CalFed Bancorp/cA	11.3	177.4	25	—
41⅜	31⅞	CentralFedBk/cA	11.9	171.1	29¾	—
24¼	16⅝	CentralBancsh/cA	11.9	188.7	23¾	—
24½	18¾	CenturaBanks/cC	11.4	157.7	21	⅛
57¾	21	ChaseManhattan/cA	7.9	103.5	49	¼
44	30¾	ChemicalBanking/cY	8.5	117.1	40¾	⅛
47⅜	35¾	ChemicalFinCp/cA	8.1	178.8	44⅜	—
22	13¾	ChittendenCorp/cY	11.4	111.9	20¾	—
31⅜	23⅜	CitizensBcp/cA	11.4	111.2	29¾	—
31⅜	17⅜	CitizensFinancl/cA	10.8	135.1	14¾	—
31	17⅞	ClybnkGrp/cBV	15.4	181.9	28	⅛
51⅛	41¾	CoastFSB Corp/cA	10.4	180.0	50¾	—
23¾	17¼	ColonialBancGp/cA	8.1	130.3	20¾	—
46⅜	34⅜	ColumbiaBkg/cA	10.4	180.0	39¾	—
26¾	14½	CommercialBcs/WI	16.3	189.6	26¾	—
27⅛	11½	CommBcshs Inc/cA	10.9	151.9	18¾	—
33¾	25¼	CommerceBcshs/MO	11.2	136.0	29	—
24⅜	20¼	CommerceBcshs/KS	10.4	213.0	45	—
30½	19	CommunityBkSys/cY	8.7	136.0	28¾	—
28⅜	21⅛	CommunityFirst/cA	10.9	155.1	14⅝	—
19⅝	3⅜	CrestaInter/cA	NM	189.7	19⅜	—
8⅜	4⅜	CrossLandFed/cA	6.7	87.9	8⅜	—
40¾	47⅜	CrestBancFin/cA	11.1	161.7	44¾	—
30⅜	21⅜	CullenFrost/cA	11.1	165.4	29¾	—
41¾	27¾	FAB Bancorp/cA	10.9	187.2	37¾	—
27⅜	20⅜	DauphinDeposit/cA	12.1	183.0	24¾	—
27⅜	20¼	DiBanco Corp/cA	8.7	145.3	20¾	—
17¾	12¾	F & M Bancorp/cA	12.1	156.7	16	—
27¼	17⅞	FBOMidwest/cA	9.8	136.4	20	—
16¾	9¾	FNB Corp/cA	16.4	115.5	14¾	—
24	16⅜	FerrellGas/cA	14.5	122.5	20¾	—
58½	46¼	FifthThirdBcp/cOH	17.6	296.6	53	—
42	29⅜	FirstAmBcshs/cA	14.9	212.7	42	—
33¾	27¾	FirstTennNat	13.1	306.2	50¾	—

52 Wk		Name	PE	Mkt	Chg.	Chg.
Hi	Lo			to Mk		
35¾	24⅜	FirstAlabamaBc/A	11.5	177.9	32¾	1
26¼	11	FirstAmerBc/TX	8.1	200.1	25¾	⅛
28¾	21⅜	FirstArkansCp/cA	10.8	129.6	28¾	—
50¾	39¾	FirstBancorp/cA	11.3	162.1	48¼	⅛
23¾	22¼	FirstBancorp/cA	10.4	161.6	23¾	—
46¾	29⅜	FirstChicagoL	120.1	125.8	45¾	¼
28¾	19⅜	FirstCmwlth/cA	11.2	135.2	28	—
14¾	10⅜	FirstCmwlth/cA	12.3	183.2	14¾	—
40	28⅜	FirstCommerce/cA	10.0	189.4	38	⅛
34¾	24⅜	FirstCommerce/cA	11.4	154.0	34	-1
34¼	27⅜	FirstCommercial/cA	10.9	161.5	32½	—
23¾	12	FirstCumb/cPA	12.3	161.2	19¾	—
25¾	9¼	FirstEastern/PA	NM	182.5	24¾	⅛A
157⅛	128	FirstEssex/cA	11.6	154.4	141½	—
51¼	34	FirstFidelity/NJ	11.0	163.8	47¾	⅛
54¾	38	FirstFinancial/cA	10.4	224.9	53¾	⅛
56	36¾	FirstFinCorp/IN	11.5	147.3	55	—
105	56⅜	FirstHawaii/cA	12.3	156.3	94¾	—
65¼	38¼	FirstInterstate/cA	8.5	152.5	60¾	1⅛
31¾	24⅜	FirstKentucky/cA	10.4	165.9	29¾	—
27⅜	18	FirstMidwest/IL	17.8	174.8	27¼	¼
31⅜	19⅝	FirstNBAbilene/cA	13.2	181.7	29¾	—
30⅜	21¾	FirstNatCorp/cA	10.4	183.6	28¼	—
28¼	19¼	FirstNBofBoca/cA	11.2	180.7	27	—
31⅜	22⅜	FirstNBofMd/cA	10.1	168.9	30¾	—
37	26⅜	FirstNiagara/cA	11.6	200.4	34	⅛
24	16⅜	FirstNorthCp/cA	11.5	184.8	17	—
43¾	30⅜	FirstNorwicle/cA	11.2	168.0	36¾	¼
28¾	19⅜	FirstOhioBncp/cA	10.1	145.9	31¾	—
44¾	32¾	FirstRepwstAZ/cA	13.2	169.3	40¾	—
18¼	14	FirstRICorp/cS	11.1	140.6	16¾	—
28¼	20¾	FirstSIBCorp/cA	11.2	181.4	28¼	⅛
30¾	20¾	FirstSecurity/cA	10.4	180.0	28¾	—
44¾	32¾	FirstTennBkCp/cA	13.2	169.3	40¾	—
18¼	14	FirstUnionBcp/cA	11.1	140.6	16¾	—
28¼	20¾	FirstVirginia/cA	11.2	181.4	28¼	⅛
30¾	20¾	FirstWachovia/cA	10.4	180.0	28¾	—
44¾	32¾	FirstWestBcp/cA	13.2	169.3	40¾	—
18¼	14	FirstWisconsin/cA	11.1	140.6	16¾	—
28¼	20¾	FirstWyoming/cA	11.2	181.4	28¼	⅛
30¾	20¾	FleetFinGrp/cA	10.4	180.0	28¾	—
44¾	32¾	FleetBcshs/cA	13.2	169.3	40¾	—
18¼	14	FleetBcshs/cA	11.1	140.6	16¾	—
28¼	20¾	FleetBcshs/cA	11.2	181.4	28¼	⅛
30¾	20¾	FleetBcshs

BayBanks Shares Likely To Remain in Demand

Continued from *page 1*

sends customers a catalog of services from which they can pick and choose.

But the biggest marketing strength comes from the bank's automated teller machines, 1,000 of them in eastern Massachusetts alone.

Partly because of that electronic network, BayBanks has a relationship with one out of every two households in that area, Mr. Shea said.

No other regional bank dominates its consumer market to that degree.

The franchise may be powerful, but the bank's performance has been weak. In the second quarter, return on assets was 0.6% and return on equity 8.6%.

Hurt by Nonperformers

Bad real estate and other loans continue to depress the bank's results. At the end of the second quarter, the bank had $153 million in foreclosed real estate and $156 million in nonaccruing loans, according to First Boston Corp.

Shares of other New England banks with comparable levels of bad loans, however, trade at higher multiples to book value.

Peers Have Higher Multiples

For example, Shawmut National Corp.'s stock trades at 1.6 times book value.

Analysts said there is no reason for the gulf between the two banks' trading multiples.

"Those two stocks should be moving in lockstep," said Thomas Hanley, an analyst at First Boston.

One reason for Shawmut's higher multiple may be that Mr. Hanley and other analysts consider it a likely takeover target.

BayBanks' shares have only recently benefited from similar speculation. But Mr. Hanley said he does not expect the bank to accept a bid until either late 1994 or 1995.

When and if BayBanks does strike a deal, Mr. Hanley said, the price per share should be $88, or 2.25 times an estimated 1994 book value of $39.07.

Stocks

Shares of the Boston-based banking company have gained 24% since mid-June.

TUESDAY'S MARKET

Bank stocks rallied Tuesday, in step with a rising overall market. The Dow Jones industrial average closed up 32.98 points to a record 3,638.96.

J.P. Morgan & Co.'s shares jumped $1 to $74.375, Citicorp's $1 to $33, NBD Bancorp's $1.25 to $32.875, Bank of New York Co.'s $1 to $54.25, and Wells Fargo & Co.'s $3.75 to $116.75.

UJB Financial Corp.'s shares fell $1, to $28.875. The stock, which ran up significantly this year based on takeover rumors, has backed off recently as investors have been taking profits. An article in *The New York Times* on Tuesday threw more cold water on speculation that the Princeton, N.J., company would soon be acquired. □

United Financial of S. Carolina Lifts Payout

GREENWOOD, S.C. — United Financial Corp. of South Carolina Inc. said its board approved a regular quarterly dividend of 8 cents, payable Oct. 1, to shareholders of record Sept. 10.

The company said that as a result of the 3-for-2 stock split distributed last month, the dividend represented an effective increase of 50% from the 5.3 cents that would have been paid on postsplit shares under the old rate. □

$16 Billion Sale of 2-Year Notes Spurs a Rally in the Bond Market

The Treasury Department successfully auctioned $16 billion of two-year notes on Tuesday, sparking a rally in the government securities market.

The average yield on the notes was 3.94%, versus 4.26% at the previous auction, on July 27.

The yield was at the low end of expectations," said Astrid Adolfson, economist at MCM MoneyWatch.

Prior to the start of bidding, the notes were yielding 3.96% in when-issued trading.

Indicating the strong demand, bids exceeded accepted offers by a ratio of 3.49 to 1.

In the last year, the average "bid-cover ratio" for two-year notes is 2.4 to 1, said William Sullivan, money market economist at Dean Witter, Discover & Co.

Market analysts said the strong auction reflected big demand from municipalities, which use the notes to back municipal bond defeasance programs.

Short-Term Rates Seen Low

In addition, recent signs of weakness in the economy have convinced investors that the Federal Reserve will not raise short-term interest rates now.

Thus, investors can buy shorter-term securities without fear of a Fed-induced price drop.

"The data have been so weak that people are no longer afraid of a tightening," Ms. Adolfson said.

Mr. Sullivan said strong demand from banks also supported the auction.

Bond Prices Buoyed

The rally in bond prices, which stumbled in the last two trading sessions, got new life from the auction.

At 4 p.m., the price of the 30-year bond was up ⅝, lowering the yield to 6.19% from 6.22% on Monday. Most of the gains occurred after the auction, when Treasury bond futures prices hit contract highs.

Prices of current-coupon intermediate Treasuries also moved up.

10-Year Note Gains

The price of the 10-year note rose ½, lowering the yield to 5.55% from 5.60%. Five-year notes - of which a new issue will be launched today – rose by about ⅜ in price. Their yield fell to 4.87% from 4.96%.

The bond-equivalent yield of the one-year Treasury bill fell to 3.36% from 3.40%.

Mr. Sullivan thinks that market participants may be returning to yield-curve-steepening trades.

For months, traders have been buying longer-term securities in anticipation of a flattening of the yield curve.

Low Yields Lift Stocks

Low yields in the bond market pushed up stocks prices. The Dow Jones industrial average climbed 32.98 points to a record 3,638.96. At the same time, the Standard & Poor's 500 index rose 4.54 to 459.77, and the Nasdaq composite index advanced 4.25 to 735.11.

The Markets

Strong demand by municipalities was seen as fueling the auction.

The dollar was mixed as the foreign exchange market awaited Thursday's Bundesbank meeting. Some traders and economists think the German central bank will lower interest rates at that meeting.

The currency finished at 103.63 Japanese yen, up from 103.05, and at 1.6775 German marks, down from 1.6835.

— **Bart Frasst**

Abbey National, Baring in Swaps Venture

Dow Jones

LONDON — The commercial bank Abbey National PLC and investment bank Baring Brothers & Co. said they agreed to form a joint venture to provided risk-management services in the currency and interest-rate swap and option markets.

Swaps and Options

The new operation, to be called Abbey National Baring Derivatives, will be established as a branch of Abbey National Treasury Services, a wholly owned division of Abbey National, at Baring Brothers' London offices.

Abbey National said the venture has been 18 months in preparation and should be able to start trading next month.

Initially, it will offer interest rate and currency swaps, interest rate options and swap options in pounds sterling, dollars, German marks, and other main currencies of Organization for Economic Development and Cooperation nations.

Use of Bank's Credit Ratings

Abbey National said it will fully and unconditionally guarantee the obligations into which the venture enters, giving it the benefit of the commercial bank's credit ratings.

Currently, those are AA by Standard & Poor's Corp. and Aa2 by Moody's Investors Service Inc.

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AMERICAN BANKER
VOL. CLVIII NO. 164 Thur. 158th year

Glendale Federal Wager Paid Off For the OTS

By ROBYN MEREDITH

The Office of Thrift Supervision last week won a billion-dollar gamble on one of the thrift industry's long shots, the struggling Glendale Federal Bank.

June 30 was the date regulators had set for Glendale, the nation's fifth-largest thrift, to raise capital or face the possibility of seizure. But when that summer day rolled around, the OTS took a different, more risky course – it extended the deadline for the money-losing, undercapitalized thrift to Aug. 31.

The high-stakes bet paid off on Aug. 19. That is when the Glendale, Calif.-based thrift leased Wall Street into injecting $425 million in new capital, letting the bank meet its OTS-imposed goals and then some. (See related article on page 3.)

Most elements of the deal are scheduled to close today.

The OTS decision to give Glendale more time was a handicapper's nightmare.

If the OTS had sent $17.9 billion-asset Glendale to the Resolution Trust Corp., it would have hurt the already bruised California economy and cost taxpayers about $3 billion.

A Peril for All Thrifts

The S&L industry feared even worse: If Glendale failed and Congress saw that the OTS had let the RTC, the cost of that single failure would have threatened the industry's reborn federal deposit insurance fund, causing premiums to soar to the point where thrifts feared they wouldn't be able to compete with commercial banks.

But if Glendale were allowed to live and the OTS was later forced to shut it down, the delay might cost the government even more – because the thrift had lost money for the past six quarters.

Congress, which has passed laws to ensure the early closure of troubled banks and thrifts to avert such losses, would have skewered the agency.

Climate Has Improved

"We are very fortunate that the capital markets were in our favor," said John F. Downey, deputy director of regional operations at the OTS.

The situation wouldn't have been possible just a few years before. But now the business environment even for borderline thrifts is better, because wide interest rate spreads have im-

See **GLENDALE** *page 2*

INSIDE NEWS

REGIONAL BANKING

CHASE MANHATTAN Corp. has tapped Deborah Talbot, the head of its U.S. private banking business, to run a newly formed unit specializing in global payments services. *Page 4*

COMMUNITY BANKING

BAY BANK AND TRUST Co. of Panama City, Fla., dodged the auction block last week after its owners agreed to pay off a $4.4 million loan to SouthTrust Bank of Alabama within 45 days. *Page 6*

COMPLIANCE

WHEN BANKERS faced the "death penalty," they put John J. Byrne on the case. For nearly a decade, Mr. Byrne has been the American Bankers Association's point man on money laundering and white-collar crime. *Page 8*

MORTGAGES

WHO'S THE TOP mortgage originator in California – Bank of America or Countrywide Credit Industries? A difference of opinion has arisen from the definition of an origination. *Page 10*

INVESTMENT PRODUCTS

FLEET FINANCIAL Group and Citicorp said investors are giving the thumbs-up to programs that enable them to trade shares of money market funds through automated teller machines. *Page 14*

TECHNOLOGY

U.S. BANCORP, in an effort to accommodate strong growth in its auto dealer finance division, plans to install a $1 million computer system. *Page 3*

COMMENT

WHEN BANKS bet against interest rate movements, shareholders rarely win, writes Donald R. van Deventer. The logic is a simple application of the "no free lunch" rule of the financial markets, he writes. *Page 18*

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Fifth Third Lures Short-Sellers Betting Highflier Is Due for a Fall

By GORDON MATTHEWS

Shares of Fifth Third Bancorp have attracted heavy short interest recently as some investors bet that the high-priced stock is going to fall.

Some analysts say the short interest may represent a sign that some investors think bank stock prices have peaked or are faltering.

Banks have recently fallen behind the pace of the stock market on worries about the profit impact of falling interest rates.

Others view the short interest activity as the work of arbitragers after an acquisition deal by the Cincinnati bank.

Short interest is essentially a wager that a stock's price will fall. It represents shares borrowed on the hunch that the loan can later be repaid at a lower price.

From mid-July to Aug. 13, short interest in Fifth Third's stock totaled 839,850 shares, the National Association of Securities Dealers reported this week.

The short interest represented 22 times Fifth Third's average daily share volume, the 18th-highest multiple among over-the-counter stocks in the month and the highest among Nasdaq-traded banks.

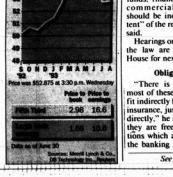
The 22 multiple was a large jump from 12 in July.

Holding Steady

Fifth Third's share price was steady in the period covered by the survey. On Aug. 13, it closed at $54, down from $54.50 on

See **FIFTH THIRD** *back page*

Losing Momentum?
Price per common share of Fifth Third Bancorp



Gonzalez, B of A Want CRA to Cover Nonbanks

By CLAUDIA CUMMINS

SAN ANTONIO — The chairman of the House Banking Committee and the chief executive of BankAmerica Corp. both want financial institutions other than banks to comply with the Community Reinvestment Act.

The anti-redlining law currently applies only to banks and thrifts insured by the Federal Deposit Insurance Corp. Most of them complain that the law is excessively burdensome.

"Why should other credit-granting institutions be exempt?" said committee Chairman Henry B. Gonzalez, D-Tex., in an address Tuesday to 300 bankers at a conference sponsored by the Federal Reserve Bank of Dallas.

Wider Reach Sought

He said the law should be amended to apply to credit unions and nonbank banks such as mortgage and insurance companies.

"I want to take advantage of this interest now in community banking and say, 'What about their role?' " Mr. Gonzalez said.

Speaking at the same conference, Richard M. Rosenberg, the chairman and CEO of BankAmerica, echoed the congressman's view.

"The government should recognize the vast resources that nonbank financial institutions, which are not bound by the Community Reinvestment Act, bring to the CRA arena," he said.

The 'Big Tent'

"As part of any consideration of banking reform, Congress ought to consider expanding the scope of CRA to bring these institutions under its umbrella."

And the government should look beyond banks if it really wants to make a difference in the inner cities and in minority neighborhoods, he said. Mutual funds, finance companies, and commercial paper markets should be included in the "big tent" of the reinvestment act, he said.

Hearings on a longer reach for the law are scheduled in the House for next month.

Obligation Seen

"There is no question that most of these institutions benefit indirectly from FDIC deposit insurance, just as banks benefit directly," he said. "Yet, because they are free from the regulations which are rapidly making the banking industry irrelevant

See **GONZALEZ** *page 22*

NEWS *briefs*

Fed's Lindsey Pleased with Inflation Fight

SAN ANTONIO — Federal Reserve Governor Lawrence Lindsey, one of the Fed's most outspoken inflation fighters, said there is good news on the inflation front, citing low figures in reports the past three months.

The inflation figures, he said, are "very gratifying." Mr. Lindsey's remarks came one week after the most recent meeting of the Federal Open Market Committee, of which he is a voting member.

Mr. Lindsey predicted only a small change in second-quarter gross domestic product growth of 1.6%, annualized, when a revision by the U.S. Commerce Department comes out in early September.

Many economists believe that the . vision will be downward because of a large trade deficit in July. Mr. Lindsey, however, said trade in investment equipment will offset up to one-third of the trade deficit.

"It will be small, the changes they will be making overall," Mr. Lindsey said.

He spoke Tuesday night in San Antonio at a Dallas Federal Reserve Bank conference on community development.

Shawmut Gets Upgrade on Senior Notes

NEW YORK — Fitch Investors Service Inc. said it has upgraded the ratings on $250 million of senior notes issued by Shawmut National Corp.

Fitch said the upgrade reflects the improved financial condition of the New England-based banking company.

The agency upgraded the notes to BBB-minus from BB-plus. Affected are $150 million of 8.875% senior notes due in 1996 and $100 million of 8.125% senior notes due in 1997.

Unionfed Financial's Offering Clears SEC

BREA, Calif. — Unionfed Financial Corp. said its registration statement for a proposed rights offering has been declared effective by the Securities and Exchange Commission.

The company is seeking to raise at least $37.5 million in an offering to investors, directors, executive officers, and shareholders to comply with a regulatory order to boost its capital. That directive requires the bank to achieve 5% leverage, 4% Tier 1 risk-based capital, and 8% total risk-based capital ratios by Sept. 23.

The company also said the Office of Thrift Supervision approved its sale of branches with about $180 million of deposits to California Federal Bank. The branch sale is part of an OTS-approved capital restoration plan and is expected to be closed no later than Friday, the company said.

BB&T Buying Mutual Savings of N.C.

WILSON, N.C. — Mutual Savings Bank of Rockingham County said it received approval from the North Carolina Savings Institution Division to convert from a state-chartered mutual savings bank to a state-chartered stock savings bank and become a unit of BB&T Financial Corp.

Mutual Savings, based in Reidsville, N.C., said it will be merged or consolidated with Branch Banking and Trust Co., a unit of BB&T, after the acquisition.

Under the conversion plan, BB&T will offer up to about $8 million of common stock at various prices to certain members of Mutual Savings in a subscription offering and to residents of North Carolina's Rockingham County in a simultaneous community offering.

First Citizens of N.C. in Acquisition Deal

RALEIGH, N.C. — First Citizens Bank, a unit of First Citizens Bancshares, said it has agreed to acquire the Bank of Bladenboro. The terms were not disclosed.

First Citizens, which has $5.3 billion of assets, said the acquisition would allow it to expand its statewide franchise and strengthen its presence in the new market area of Bladen County. The Bank of Bladenboro has about $22 million of assets.

The briefs were compiled from staff and wire reports.

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Glendale Federal Bet Paid Off For Office of Thrift Supervision

Continued from page 1

proved the outlook for earnings.

Large numbers of thrifts, even troubled institutions, have been able to raise capital as a result.

"This is the largest by far of any private recapitalization effort," said Stephen J. Trafton, chairman and chief executive officer of Glendale and its parent company, Glenfed Inc.

It took Glendale months to win regulators over to the view that the thrift might be able to pull off a deal if given enough time, people familiar with the deal said.

NEWS ANALYSIS

Some observers are reluctant to give the OTS that much credit, saying that the agency couldn't work up the nerve to put Glendale down, and instead placed heavy bets that the long-shot deal would work.

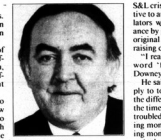
Between late December 1992 and now, 64 problem thrifts with $53 billion in assets raised capital through a recapitalization, merger, acquisition or added to capital through retained earnings.

Of those, 31 thrifts with $42.4 billion in assets have been recapitalized through an infusion of capital, according to the OTS.

Reception Was in Doubt

Many analysts and consultants were convinced earlier this month that OTS had miscalculated the mood of investors and that the deal would never fly.

Glendale's reception on Wall Street was considered touch-and-go because of the deal's size and the thrift's location, square in the center of the rocky California economy.



John F. Downey
"We are very fortunate"

The Glendale deal stumbled when Calfed reported bad second quarter earnings and fired its chairman, which drove its stock down.

Many investors associate Glendale with Calfed because it

The decision to give Glendale more time was a handicapper's nightmare.

too is a large California thrift that attempted a recapitalization.

Although some criticized the OTS for being too lenient on Glendale, the agency apparently wasn't unnerved.

"We didn't expect it to go down, and it didn't go down," Mr. Downey said.

Mr. Downey agreed that the industry's condition is much different than it was during the S&L crisis, but he remains sensitive to any suggestions that regulators were exercising forebearance by pushing back Glendale's original June 30 deadline for raising capital.

"I really take exception to the word 'forebearance,'" Mr. Downey said.

He said the word does not apply to today's thrifts because of the difference between now and the time of the thrift crisis. Now, troubled thrifts are either making money or will soon be making money.

And management teams at thrifts are generally better than just two years ago, when S&L reform legislation was signed into law, he said.

Equal Treatment

He said all troubled thrifts have gotten the same treatment from the agency. The OTS since spring has been encouraging thrifts to tap capital markets as soon as possible while Wall Street is so receptive to their stock.

The OTS will only work with institutions if it believes there is a "better than 50% chance of the institution achieving its fully capital levels, Mr. Downey said.

Mr. Trafton, naturally, agrees with the regulators' policy of giving troubled institutions the time necessary to turn around by themselves.

When undercapitalized thrifts' conditions are improving, "every effort should be made to achieve a private recapitalization of those companies, and I think that we ought to go slow in our drive for burial with public money," Mr. Trafton said. □

Home Loan System Membership Tops 4,000

WASHINGTON — Membership in the Federal Home Loan Bank System has topped 4,000, the Federal Housing Finance Board said on Wednesday.

Favorable Loan Terms

The increase is largely due to an escalating number of commercial banks joining the Home Loan Bank System. The system had 3,217 thrift members in 1989, when commercial banks, credit unions, and insurance companies were allowed to join.

The government-sponsored enterprise provides advances to its member institutions on flexible terms and at rates close to those on Treasuries. Members must buy stock in the system to join, and most thrifts are required to belong.

— Robyn Meredith

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U.S. Bancorp Upgrading Dealer-Finance System

By BARTON CROCKETT

To accommodate strong growth in its auto dealer finance division, U.S. Bancorp plans to install a $1 million computer system.

Over the past year, the Bellevue, Wash.-based unit has nearly doubled its monthly automobile loans, to $65 million. Lending is expected to grow another 20% this year, forcing the division to buy new computers, said Michael Luiten, senior vice president of the unit.

"We're looking for a way to become more productive, to control fixed costs as well as increase production," he said.



Michael Luiten
Planning for growth

He said the dealer finance division of U.S. Bancorp, a $20.8 billion-asset bank holding company in Portland, Ore., is among the 30 largest indirect automobile lenders in the country. Its loans are originated by dealers, but booked by a bank.

For years, U.S. Bancorp has used a mainframe computer to manage this business. But Mr. Luiten said the division has squeezed all the economies of scale it could out of this machine, and needs a new system.

The new computer system consists of software from Credit Management Solutions Inc., of Columbia, Md., running on a Hewlett-Packard Co. midrange computer hooked over a telecommunications network to personal computers in bank offices in Oregon, Washington, California, Idaho, and Nevada.

Goal Is Higher Productivity

The system is slated for installation in the first quarter of next year. It is intended to make the 120 employees of the dealer finance division more productive.

For example, with the new computer system, an underwriter should be able to produce an average of about $4 million loans a month, instead of the $2 million a month average with the older computer system.

A $1 million setup is to be installed early next year.

new system. Instead, staff will be retained and redeployed to accommodate the growing business.

Credit Management, a small, privately held vendor, has sold its dealer finance software to a handful of banks, including NationsBank, Charlotte, N.C., and Boatmen's Banchares, St. Louis.

Mr. Luiten said he visited the NationsBank dealer-finance operation, one of the largest in the country, and was impressed with what he saw.

Mr. Luiten also said he examined Credit Management's financials and found them to be acceptable. "We think they're going to be around for a while," he said. "Otherwise we wouldn't be doing a seven-figure investment with them."

The U.S. Bancorp contract is a boon for Credit Management, especially since it comes on the heels of what president James DeFrancesco called "a 22-month ordeal" to buy back a major stake in the company from the Resolution Trust Corp.

The RTC obtained the stake from Perpetual Savings Bank, Vienna, Va., when the troubled thrift, which had owned the asset, was put into the RTC's accelerated resolution program. □

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Metropolitan Prunes Branches To Clear the Way for Expansion

By STEVE KLINKERMAN

Norman M. Jones is betting that efficiency gains and acquisitions will energize Metropolitan Financial Corp. and preserve its independence. But experts say success is far from guaranteed for the sprawling Minneapolis-based thrift.

Mr. Jones, chairman and chief executive of the $6.9 billion-asset company, believes divestitures and branch closings already under way can restore profits to levels he considers satisfactory.

Company Focus



Norman M. Jones
Says it is buy or be bought

What is more, he is adopting an audacious stance on acquisitions. He believes Metropolitan should buy banks and sell their thrift-based products through his 190 branches.

"I don't know why it wouldn't work," he said in an interview last week.

Mr. Jones said his plans are motivated by a buy-or-be-bought banking environment. To ensure independence, he wrote in Metropolitan's 1992 annual report that the thrift must attain a "critical mass" of $10 billion.

Anemic Stock Price

But getting there is another matter. With Metropolitan's stock trading at book value, Mr. Jones has a severe bidding disadvantage in stock-swap deals.

Indeed, the company's low stock price and profitability have heightened its potential to be taken over. Despite good asset quality and capital, Metropolitan delivered a weak 0.77% return on assets last quarter.

"Norm runs a class act and wants to remain independent, but Metropolitan without question is a desirable target," said Kenneth Puglisi, an analyst at Chicago Corp.

Mr. Jones, who is viewed as a one-man show, reclaimed the chief executive's post one year ago. Subsequently, the company's president and executive vice president resigned. They have not been replaced.

Mr. Jones, who at Feb. 1 owned 2.7% of Metropolitan's stock, said he reclaimed the reins because the thrift needed strong guidance in an uncertain climate. "With all this merger activity, I decided it was better to be back as CEO," he said.

Regulatory Adviser

In the two years before his return, Mr. Jones monitored Metropolitan from the chairman's office, spending spare time as a regulatory adviser. He still serves as chairman of the Savings Association Insurance Fund Advisory Board.

At Metropolitan, Mr. Jones quickly asserted his vitton. In an unorthodox move this spring, he tried to buy National City Bancorp, a Minneapolis bank with $550 million of assets. Despite a preliminary agreement, the deal fell apart. No official explanation was given, but analysts speculate that the thrift could not withstand dilution from a stock swap nor goodwill from a cash purchase.

Mr. Jones, who is earning base pay of $400,000, says he is not retreating from his bank-buying strategy. One barrier will be lifted this fall, when Metropolitan spins off a thrift brokerage and a title company to shareholders. It then will have legal clearance to build multiple charters.

The Base One Model

Mr. Jones said he envisions scooping up banks and operating them under a multicharter holding company, "like Banc One." At the same time, he is cutting costs. Metropolitan said in the first quarter that it would close 17 branches.

At an operational level, acquisitions should be fairly routine for Mr. Jones, who has engineered almost 30 buyouts over the past decade.

Analysts, however, warn that spiraling takeover prices could put a crimp in his plans.

"The question is, what price would Metropolitan have to pay for that rite of passage," said Bruce Harting, a thrift analyst at Salomon Brothers Inc.

Succession at Issue

A further concern, analysts say, is whether Mr. Jones, who will turn 63 soon, has a management team capable of running an expansionist operation.

"There is a question about management succession and development at Metropolitan," said Steven R. Schroll, an analyst at Piper, Jaffray & Hopwood, Minneapolis.

But Mr. Jones says perceptions that he runs a one-man show "are wrong." He claims to be building a strong team of managers who can run the company when he leaves. □

Chase Payment Services Combined Under Talbot

By KAREN GULLO

Chase Manhattan Corp. has tapped Deborah Talbot, the head of its U.S. private banking business, to run a newly formed unit specializing in global payments services.

In her new post, Ms. Talbot, a senior vice president and 11-year veteran of Chase, will oversee the delivery of cash management, trade finance, and payments clearing to customers in 30 countries.

The newly combined unit integrates traditional cash management services with another unit specializing in servicing importers, exporters, and other institutional banking customers.

Ms. Talbot, who ran private banking for two-and-a-half years, is being succeeded at the post by F. Daniel Prickett, who joined the New York bank in March. Previously, he was an executive vice president in charge of investment management and trust at Boston Co.

Chase said it combined the cash management and institutional banking groups to gain efficiencies from merging operations and integrating sales, product management, and customer service functions.

A Chase spokesman said the bank is not reducing staff as a result of merging the two groups. The new global payments unit has 1,600 employees.

The new unit is part of Infoserv. Chase's transaction services division. Ms. Talbot will report to Michael Urkowitz, the executive vice president who runs Infoserv.

Thomas Hayne, the senior vice president who headed the global institutional banking group, has been appointed to a new post. As senior client executive at Infoserv, he is responsible for managing relationships with banks and financial institutions that use Chase's transaction services.



Deborah Talbot
Heads staff of 1,600

Susan Schoon, a senior vice president who was in charge of global cash management, will now run marketing for all Infoserv businesses.

As part of the new alignment, Chase has merged all marketing functions for Infoserv into a single organization. □

BB&T Selling Branches to N.C. Bank

Dow Jones

WILSON, N.C. — BB&T Financial Corp. agreed to sell two branch facilities and related loans and deposits in Cleveland County, N.C., to Carolina State Bank of Shelby, N.C.

Terms were not disclosed.

BB&T Financial said the sale of the branches is expected to be completed before the end of November.

BB&T Financial said it intends to acquire, subject to regulatory approval, Old Stone Bank & Trust Co. in late August or early September.

In order to obtain regulatory approval for this acquisition, BB&T is required to divest itself of about $17 million of deposits in Cleveland County.

BB&T said it will achieve this divestiture through the sale of Old Stone's Boiling Springs office and Branch Banking and Trust Co.'s South Dekalb office in Shelby to Carolina State Bank.

Carolina State Bank will be receiving the branch facilities, about $12 million of deposits in the Boiling Springs office, and about $5 million of deposits in the South Dekalb office, BB&T added. □

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Glendale's Trafton: The Possibility Of Failure 'Never Crossed My Mind'

By SAM ZUCKERMAN

Stephen A. Trafton appears to have done what few believed he would be able to do – save Glendale Federal Bank.

Based in economically devastated Southern California and dogged by regulators, the thrift faced long odds until it announced last week that its $425 million recapitalization was successfully under way.

Mr. Trafton's success at engineering an exceedingly complex financial restructuring at the eleventh hour for his $17.9 billion-asset thrift, is a testament to the force of his personality.

Q&A

At 46, Mr. Trafton has plied his trade as a financial specialist for 25 years at banks and thrifts. He joined Glendale's former parent company, in 1990 as chief financial officer.

He took the No. 2 job a year later, vaulting past Glenfed's previous chief operating officer, Keith P. Russell. In 1992, he was named chairman and chief executive officer.

The Seattle-born Mr. Trafton is a controversial figure. Some regard him as a tireless and inspirational leader who has kept Glendale's morale high under tough conditions.

Others describe him as a bully who browbeats his staff and coldly cuts jobs. But no one denies the singlemindedness that he has brought to the task of turning Glendale around.

In the interview below, conducted only a few days after he declared success on the recapitalization, Mr. Trafton gives his views on the outlook for Glendale.

Q.: Did you ever have doubts that Glendale would survive?

TRAFTON: The question of surviving has never crossed my mind. I would add rather quickly that clearly we have a long way to go.

My biggest concern is that we could stay focused on the financial aspects, the recapitalization aspects for long and not focus as intently as we need to on the marketing aspects of the company to cure the core earnings.

We have been reading from a different script than other people have been reading from. The script in the past for major troubled institutions has been a slow floundering and then death by deregulation and regulation. That same script was being prepared for this institution. We absolutely refused to read from that script.

Q.: Does your reorganization mean that Glendale Federal's capital problems are solved?

TRAFTON: This transaction goes a long way toward meeting the final objective as far as capital is concerned – the 5% and 10% [core and risk-based capital] requirements called for under the supervisory action agreement with the Office of Thrift Supervision.

Clearly we want to achieve the 5 and 10 at the earliest possible date. We have to [do it] by December 1994. If, however, at any time we touch 5 and 10, then the agreement is considered completed and there are no other ongoing requirements.

Q.: Glendale has posted losses for six consecutive quarters. When will you return to profitability?

TRAFTON: What we have been aiming to achieve is a consistent, sustainable improvement in asset quality and core earnings quarter by quarter.

As we look ahead, we expect that the September quarter will show some further improvement from the prior quarter, and the December quarter further improvement still. By the time we get to the March quarter, we hope to cross into positive territory.

We believe that the earnings stream can be rebuilt. The core base is there: the 215-branch franchise, one of the strongest franchises in California, and the Washington franchise, which is an incredibly strong bank. The Florida franchise is certainly substantial and profitable.

Q.: But you have put 23 western Florida branches up for sale. Do you intend to exit Florida altogether?

TRAFTON: The Florida sale represents a strategic option that we want to pursue. It is consistent with our philosophy that we want to pursue contiguous market areas for efficiency.

Q.: What is your plan for restoring earnings?

TRAFTON: It is multipart. One will be continued sustainable improvement in the overall asset quality of the institution. No. 2 is continuing to drive the efficiencies of the institution.

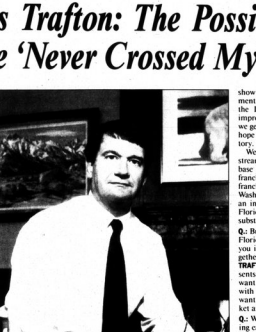
The third side of the equation is basic improvements in our single-family lending capability. We have focused our loan production on a purely retail basis from our branch system. We are prepared to implement a dealer-based lending program.

We at one time were active in the multifamily lending market, and we shut that down. There are now good values in that marketplace and, we plan to reopen that business line.

The fourth area is the development of the fee-income stream. We will have a much more intense focus on the sale of our brokerage and insurance products within our branch system and through a new telemarketing effort.

And we are exploring a number of strategic alliances for services that we hope to develop in tax planning, tax preparation, and estate planning through the branches.

Q.: Now that you have recapitalized, would you consider selling the thrift?



Todd Finch/Los Angeles Business Journal

STEPHEN J. TRAFTON, CEO of Glendale Federal, managed a do-or-die recapitalization. But he says his work has only just begun.

TRAFTON: Our goal is not to sell, but over the next three to five years to develop along two lines. One line is to build core earnings so that we can demonstrate a superior return to our investors. And the other path is to continue to develop franchise value.

Q.: Why in the middle of your recap effort did you switch from Goldman Sachs to First Boston as your investment banker?

TRAFTON: Goldman Sachs played a very important role in the original development of our strategic plan and in the initial negotiations with our bondholders. But we felt that First Boston had more experience in this type of transaction.

Q.: Glenfed common shareholders got only a 2% ownership stake after the recap, reducing the value of their shares to less than 40 cents. Was that the best you could do for them?

TRAFTON: The new money got about 10% of the bank. That was necessary in order to achieve a rate of return sufficient to pay them for their new investment.

The remaining three [classes of] holders needed to negotiate the remaining 20% of the bank. The bondholders and preferred shareholders clearly had a priority claim. The board and management did everything they could.

But clearly the significant dilution for the common shareholders was required in order to attract enough new money to recapitalize the bank.

Q.: Will Glendale's new owners change the makeup of the board of directors?

TRAFTON: The board should reflect the broader ownership of the institution. We will be working to achieve that representation.

Q.: As you change the board, are you worried that the new directors could fire you, as happened to Jerry St. Dennis after he engineered a similar turnaround at California Federal Bank?

TRAFTON: The answer is no. I have never lost sight of the fact that we would have to make a basic shift from recapitalization to regeneration of the core earnings stream. My work is really just starting. I would hope to a great extent that the investors came in because of my vision of the bank going forward.

Q.: Suppose the recap had failed. Did you have anything else up your sleeve?

TRAFTON: What would we have done next? I don't know. I would have thought of something. □

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Florida's Bay Bank Battling SouthTrust, Regulator

By BILL ATKINSON

Bay Bank and Trust Co. dodged the auction block last week after its owners agreed to pay off a $4.4 million loan to SouthTrust Bank of Alabama within 45 days.

The Panama City, Fla.-based bank was scheduled for auction Aug. 16 because the John Christo family, Bay Bank's owners, are behind on loans totaling $7 million, SouthTrust attorney Jesse H. Austin 3d said.

"I'm still here," said John Christo 3d, Bay Bank's vice chairman and former president.

Mr. Christo, his father, John Jr., and the bank's holding company, Florida Bay Banks Inc., are plaintiffs in a $60 million lawsuit against SouthTrust – a unit of South Trust Corp. – and Florida's top banking regulator, Gerald Lewis. The suit alleges the two have conspired to seize the $153 million-asset bank.



Gerald Lewis
Put bank on notice



John Christo 3d
Vows to continue fight

'The Piper Must Be Paid'

SouthTrust has countered that the bank has filed "false and fraudulent" call reports. And the state banking department alleges that the Christos have violated insider lending laws.

"There comes a time in every case when the piper must be paid," SouthTrust said in court documents. "In this case, that time is now."

John Christo 3d said he is working to repay the Birmingham-based bank, but he declined to say where he would get the funds.

Mr. Christo said the bank is worth $14 million based on a recent appraisal by Alex Sheshunoff & Company Investment Banking, Austin, Tex.

Owns 97% of Voting Stock

If the Christo family can't pay off the loans, SouthTrust will foreclose and auction Bay Bank on Sept. 30. The Christo family owns 97% of the voting stock of Florida Bay Banks.

At least five banks – including First Union Corp., First Alabama Bancshares, and Union Planters Corp. – have shown interest in Bay Bank because it holds a hefty 26% of deposits in the Panama City market.

This is the latest chapter in a bitter feud that pits the Christos, a prominent business family in the panhandle, against Southtrust and Mr. Lewis, who is publicly elected.

The Christos' suit, filed in January in the U.S. District Court for the Northern District of Florida, alleges that Mr. Lewis is retaliating against the family because it refused to contribute $25,000 to his 1990 reelection campaign.

The suit claims that Mr. Lewis is trying to "destroy the reputation" of the family because it backed the efforts of a member of Florida's House of Representatives to impeach the comptroller earlier this year.

Claims Comptroller Took Gifts

"We are dealing with a bad guy," John Christo 3d said. "He has given me holy hell. I am not the most perfect person in the world, by any means, but I sure don't deserve what I'm getting from him."

Mr. Christo also claims that Mr. Lewis has taken gifts from the family, such as a cases of vodka and Cuban cigars, and accompanied the Christos on hunting trips, free of charge. When the relationship cooled in 1990, they said, Mr. Lewis hammered the bank with tough examinations.

Terence McElroy, a spokesman for Mr. Lewis, denied the allegations that Mr. Lewis has taken gifts from the Christos. He also denied that the comptroller had singled out the Christos for harsh treatment.

"The suggestion that it is some sort of 'vendetta is absurd," he said. "We believe these guys, John Christo Jr. and John Christo 3d, have operated this institution in an unsafe and unsound manner, and have snubbed their noses" at the regulatory process.

'That Is Preposterous'

As far as the allegations that Mr. Lewis is in cahoots with SouthTrust to seize the bank, Mr. McElroy said, "Absolutely not. That is preposterous."

The rift widened in 1991 when the state conducted an examination of Bay Bank, which regulators say turned up a number of violations. In addition to the bank being under-reserved and falling short of specific capital targets, examiners said, a loan to John Christo Jr., Bay Bank's former chairman, and another to JCJ Irrevocable Trust – of which he is guarantor – were in violation of Regulation O, the insider lending rule.

Two $425,000 loans did not receive proper board approval and were made on terms "more favorable than the average person would get," said Terence M. Straub, a director of the division of banking.

Mr. Christo disputed the charges that the loans violated government banking laws.

Cease and Desist Order

State examiners concluded that the bank was engaged in unsafe and unsound practices. In October, the bank entered into a written agreement with the state, and by yearend it had lost $1.5 million.

The Federal Deposit Insurance Corp. is also pursuing a cease and desist order against the bank, for alleged unsafe and unsound banking practices and violations of insider lending laws, according to a spokesman for the agency.

In March 1992, Mr. Lewis' department fined Bay Bank $67,494 for the previous year's examination, and it took steps to throw the Christos out of banking altogether. The Christos disputed the fine, claiming it was "retaliatory and discriminatory," and they have since been fighting the removal action.

The Christos argued that Mr. Lewis' term "unsafe and unsound" was "loosely and inconsistently" applied and had a vague and uncertain meaning. They contend he has used "secret" enforcement rules.

Mr. McElroy said allegations that the banking department uses secret rules are not true.

Besides fighting with the regulators, the Christos have also been at odds with SouthTrust. In the summer of 1991, Florida Bay Banks Inc. defaulted on loans from SouthTrust totaling $7 million, according to court documents. SouthTrust didn't foreclose because the Christos said they would raise funds or sell the bank. The same year, Bay Savings Bank, a West Palm Beach thrift in which John Jr. was a primary investor, failed.

SouthTrust Financed Purchase

The lending relationship between the Christos and SouthTrust went back to 1983, when the bank loaned John Jr. and the family funds to buy Bay Bank. The loan was secured by 100% of Bay Bank common stock. It also made John Jr. and the JCJ Irrevocable Trust loans that today total $2.5 million, and are secured by 51% of the holding company's preferred stock.

"These loans have been in default and have been past due," said SouthTrust's Mr. Austin.

In documents filed this month in federal court, SouthTrust alleges that Bay Bank submitted fraudulent call reports. It says bank numbers don't provide reserves for loans owed to the bank by John Jr. and the JCJ Irrevocable Trust. SouthTrust said the FDIC and Florida's banking department have classified as loss or doubtful $1.6 million out of $2.4 million in loans to John Christo Jr. and the trust. Another $869,000 in loans to John Jr. have been classified by the state as substandard, court documents show.

"As a result, all call reports which Bay Bank has filed since June 1992, with the Federal Reserve on a quarterly basis ... have been false and fraudulent," SouthTrust alleges.

The court document also said that John Elsasser, the former chief financial officer of Bay Bank, refused to sign the call reports unless specifically directed by bank management. He is no longer with Bay Bank.

SouthTrust contends Bay Bank's failure to properly reserve for potential losses has overstated the bank's equity position and earnings by $1.2 million.

Says Bank Is on the Mend

Mr. Christo denies that the bank filed false call reports.

He says the bank is on the mend after posting earnings of $416,000 for the first six months of the year. But it has been hit with the defections of several executive officers and directors. And the acting president, Frank Wood, has not been approved by the FDIC or Mr. Lewis.

Mr. Christo said he is considering converting Bay Bank to a national charter.

How long will he keep up the fight?

"Till I die," he said. □

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Pennsylvania Banks Seek Eased Rules On Consumer Loans

By PHILZAHODIAKIN

Pennsylvania bankers hope their state will simplify a package of consumer lending rules by the end of this year's legislative session.

A bill to eliminate an 18% interest rate limit on credit cards already has passed the state Senate.

The bill also would deregulate bank lending below $50,000 for all but student, first lien, and homebuying purposes. It was sponsored by state Sen. Eugene Scanlon, and written by the

A bill to eliminate a rate cap on credit cards has passed the state Senate.

Pennsylvania Bankers Association – which has led this fight for more than 10 years.

But the Pennsylvania Association of Community Bankers, whose members increasingly are offering credit cards, also wants to see the measure enacted.

The limits have driven more than 5,000 banking and other jobs to neighboring Delaware, says Frank Pinto, president of the community bankers association.

Moreover, he says, "Even if we make just 25 basis points more, we're just recycling the money. We have new members, and earning more means more reinvestment in their communities."

Pennsylvania's banking secretary, Sarah W. Hargrove, supports the concept of simplification but would like similar revisions to the state's motor vehicle finance and other consumer lending rules, says Paul Wentzel, Ms. Hargrove's executive assistant.

"They're all a mess," says Mr. Wentzel. "We have eight or nine antiquated usury statutes, and they're a very strange patchwork.

"If you finance a rug that won't be nailed to the floor, it's governed by the Goods and Services Installment Sales Act, and you might pay 1.5% a month.

"If you finance a wall-to-wall carpet, it's governed by the Home Improvement Finance Act, and the rate might be 14%. It's very confusing for the banks, let alone the borrowers."

Threat to Consumers Seen

Although Ms. Hargrove wants sweeping simplification, her department still will lobby for the bill, Mr. Wentzel says.

Lobbying against the bill during House deliberations will be Senate majority whip Leonard Bodack, who backs simplification, but worries that "the simplification proposed by the bankers might destroy 60 years of consumer protection," says the senator's administrative assistant, Charlie Wilson.

"It's more what the measure doesn't say that's the threat. It would allow banks to impose any interest rates they want; to charge anything they want for services or bounced checks; to demand immediate loan repayments even if a borrower hasn't defaulted; to eliminate grace periods, and require any collateral they want – like a house for a refrigerator loan."

Greater Uniformity

Mr. Wentzel says the opponents of the bill are technically, but not practically, correct.

He also believes that sweeping revisions would afford more uniform lending agreements.

"It would make things more user friendly from both sides. When the laws were changing, back in the 1980s, the small banks had to have attorneys explain the changes to them."

The Senate passed the bill in a 29-to-19 vote on June 21. The Business and Economic Development Committee of the House, which returns to work Sept. 27, will be next to debate the bill. □

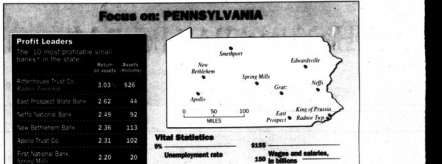
Focus on: PENNSYLVANIA

Profit Leaders

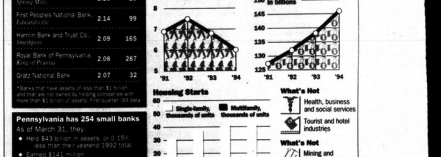
The 5 most profitable small banks* in the state

	Return on assets	Assets ($mil)
Williamstown Trust Co.	3.03	526
Avalon Bank		
East Prospect State Bank	2.62	44
Neffs National Bank	2.49	92
New Bethlehem Bank	2.36	113
Apollo Trust Co.	2.31	102
First National Bank, Spring Mills	2.20	20
First Peoples National Bank, Edwardsville	2.14	99
Hamlin Bank and Trust Co., Hamlin	2.09	165
Royal Bank of Pennsylvania, Kingsville	2.08	287
Gratz National Bank	2.07	32

*Banks that are aware of less than $1 billion and that are not owned by holding companies with more than $1 billion of assets. First quarter '93 data



Vital Statistics



Sources: DRI/McGraw Hill, Ferguson & Co., American Banker

Pennsylvania has 254 small banks

As of March 31, they:

- Held $43 billion in assets, or 0.15% less than they reported 1992 total.
- Earned $141 million.
- Had a 0.4% ORE asset ratio.
- Returned 1.30% on average assets.
- Returned 14.48% on average equity.

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He's the ABA's Point Man on Money Laundering

By ROBERT M. GARSON

When bankers faced the "death penalty," they put John J. Byrne on the case.

In its first incarnation, the 1990 legislative proposal would have required regulators to revoke a bank's charter, without a hearing, if an institution or its employees were convicted on money laundering charges.

When the dust settled two years later, the industry and Mr. Byrne had won a significant victory. Though the death penalty remained, the law included a number of safeguards and even a long-sought "safe harbor" to shield banks from privacy lawsuits when they report suspicious customers.

'A Lot of Emotion'

"We were afraid back then that we were going to lose," Mr. Byrne said. "There was a lot of emotion surrounding the issue when the bill was introduced."

For nearly a decade, Mr. Byrne has been the American Bankers Association's point man on money laundering and white-collar crime, the lobbyist who deals with lawmakers who write the laws and the regulators who implement them.

In between, he teaches classes on money laundering regulations at two ABA schools each year and speaks at conferences. He even ventured to Eastern Europe a year ago to explain the ins and outs of money laundering to Polish authorities. In addition, he is the trade group's specialist on environmental law.

Getting Along

Living with the money laundering laws will never be easy, Mr. Byrne said. But he suggested a number of things bankers can do to make their lives a little easier.

First, he said, establish a relationship with the local office of the Internal Revenue Service's Criminal Investigations Division, as well as local and state police.

Getting in touch with IRS authorities is a lot easier in small towns with few banks than in big cities, Mr. Byrne said, but the effort is worth it no matter where you're located.

Heeding Warnings

"It will help you stay up to date on changes in patterns of illegal activity and you'll get a quicker response" when you need to talk to authorities, he said. And when something goes wrong, "you may get the benefit of the doubt," Mr. Byrne added.

The effort will also help in the event that bank ever faces the loss of its cheer because employees engaged in money laundering. Under the provisions of the 1992 death penalty law sponsored by Rep. Frank Annunzio, D-Ill., and Rep. Chalmers P. Wylie, R-Ohio, past cooperation with law enforcement authorities is a factor regulators are required to consider.

Second, bankers should listen carefully when regulators criticize their compliance efforts.

"A lot of the recent Treasury penalties were levied on banks that were warned their compliance efforts were poor, but who didn't clean up their act," Mr. Byrne said.

Finally, the ABA counsel said, bankers should pay close attention to the more technical areas, such as Treasury's explanation of what kind of businesses are entitled to exemptions from requirements for reporting cash transactions. The rules are by no means obvious.

Didn't Seek Career

Consider: Among the businesses automatically entitled to exemptions are convenience stores, auto-supply shops and sports arenas.

By contrast, businesses which cannot be exempted without permission include churches, auto repair shops, and ferries.

Though money laundering regulation turned into a career path for Mr. Byrne, he hadn't given it much thought when he joined the ABA in 1984. In fact, the banking industry as a whole was paying almost no attention to the cash reporting requirements that had been on the books since 1972.

Pivotal Events

All that changed with two events. First, the director of the President's Commission on Organized Crime singled out the industry in 1984 by declaring that each bullet fired at a drug agent had been financed by a bank that turned a blind eye to money laundering.

A few months later, in March 1985, the issue moved to the front pages when First National Bank of Boston copped a plea to a felony count of failing to report $1.2 billion in foreign, interbank currency transactions.

The issue quickly got hot on Capitol Hill and within law enforcement circles. "There were all these proposals flying around and nobody at the ABA had any expertise," Mr. Byrne recalled.

Mr. Byrne, then a lawyer working on election law, was drafted to fill the void.

Into the Political Arena

Mr. Byrne, his wife, Sue, and their three children live in suburban Virginia, where he divides his time among jogging, coaching youth soccer, and civic activities. And he has managed to carry his work in money laundering over to the political world.

A Democratic candidate for the Virginia Assembly, Mr. Byrne wants to attack gun control by requiring gun dealers to report suspicious customers to authorities, much as banks are now required to report suspicious cash transactions.

What's good for banks, he reasoned, ought to be good for gun dealers as well. □



John J. Byrne

Age: 37

Born: Flushing, N.Y.

Home: Centreville, Va.

Title: Senior federal legislative counsel, American Bankers Association

Family: Married, with three children

Education: George Mason Law School, 1983 Marquette University, 1978, BA in political science and history

Expertise: Money laundering and white-collar crime

Interests: Running and civic affairs

Next goal: To win a seat in the Virginia Assembly

Battle Lines Form on Threshold for Appraisals

By PETER SCHOENKE
Special to the American Banker

WASHINGTON — When Jasper Plant Foods in Jasper, Ind., needed to mortgage four fertilizer plants worth $750,000, there were two area banks willing to provide the loans.

But there was one problem: The loan required an appraisal, but there are no appraisers in the Jasper area who are qualified for fertilizer plants.

The company got around the problem by importing an appraiser and a consultant, but that added $7,000 to the cost of the loan.

"That money is right down the tube when the deal is already done," said Michael J. Hochgesang, president of the fertilizer company.

Mr. Hochgesang was so angry, he sent this congressman a letter which the congressman, in turn, passed on to the Federal Deposit Insurance Corp.

It was added to hundreds of comments from people who favor a proposal that would only require certified appraisals for properties worth $250,000 or more — up from the current $100,000 threshold. A decision on the proposal is expected in the fall.

The proposal is part of President Clinton's campaign to spur lending.

Taxpayer Protection Sought

The proposal is opposed by consumer groups and the real estate industry, which argue that for every good loan that might be lost, more will be gained protecting taxpayers, who must ultimately cover losses, from risky loans.

"It's a shocking example of history repeating itself," said Bernard J. Fountain, president of the Appraisal Institute, which certifies the people who make certified appraisals. "In essence, the proposed rule frees banks and thrifts to conduct business without constraint and without requiring that they adhere to sound loan-making practices — at the taxpayer's expense," he said.

Raising the real estate appraisal requirements is part of President Clinton's campaign to spur lending.

The same proposal would also exempt business loans of less than $1 million from appraisals if real estate is not the primary source of repayment.

Too Low for Some

While the banking industry welcomed the changes, some comment letters to the federal regulatory agencies expressed disappointment that the requirement had not been raised higher.

"We feel strongly that it should be $1 million," wrote Roman J. Gerber, executive vice president and general counsel of Banc One Corp., Columbus, Ohio.

A substantial amount of lending under $1 million is for one-family to four-family residential properties and loans to small businesses where overall loss experiences have been relatively moderate, Mr. Gerber wrote.

The National Association of Realtors supported separate thresholds for commercial property and endorsed a $250,000 limit for small business.

But Stephen D. Driesler, a realtors association senior vice president, wrote that raising the $100,000 threshold for residential property would make federal financial institutions "a hiding place for residential real estate loans that cannot withstand a professional appraisal."

The lack of official appraisals would allow lenders to manipulate property values to favor selected borrowers, critics said.

The change would remove 85% of loans secured by one-family to four-family residential properties from the appraisal requirement, the Consumer Federation of America estimated.

But banks said that kind of reduction would have a dramatic effect on loans, especially for smaller banks.

Mr. Schoenke writes for the Medill News Service.

Wire Transfer Rules Drawing Rave Reviews

By ROBYN MEREDITH

WASHINGTON — Bankers are ecstatic about the new wire transfer regulations they will be asked to comply with starting next year.

"This new regulation is nothing revolutionary. It is responsible banking," said Jane L. Weston, vice president and senior attorney at Citibank.

The Federal Reserve Board on Aug. 13 issued for public comment proposed regulations that would require banks and nonbank financial institutions to keep records for five years of the international wire transfers they send and receive.

Domestic Transfers Excluded

Bankers had been worried that the new regulations would cover domestic and international transfers, and would contain onerous reporting requirements as well.

Last year, 270,000 wire transfers worth $800 billion were sent on an average day over Fedwire.

Under the proposed regulations, institutions would not be required to report the information they collect to the government unless the transfer raises suspicions of illegal activity.

"This new regulation is . . . responsible banking."
Jane L. Weston
Citibank senior attorney

Won't Lead to New Cases

Wire transfer records can't lead the government to new cases, Ms. Weston said. "What they can do, if property maintained, is provide evidence after a case has begun," she said.

Comments are due Oct. 4 on the new rules.

The government believes the regulations will help it track laundered money by leaving a paper trail of all money wired abroad. Investigators can check the records in suspicious cases.

Under the proposed rules, the bank that originates a wire transfer abroad must keep records of the name and address of the sender, the amount of money, the date it was sent, and all payment instructions received — such as the account number and the name of the bank the money is being sent to.

In addition, if the sender gives such information, the originating bank is required to keep a record of the name and address of the person to receive the money.

A bank that receives the wire transfer must keep a copy of the payment order on file. If the person receiving the money has a deposit account or a loan from the bank, the bank must keep account records in a retrievable form.

If the person receiving the wire transfer payment does not have an account at the bank, it must obtain and record the receiver's name, address, and social security number, alien identification number, or employer identification number, or note the lack of such a number in the record.

When the bank delivers the funds in person to a nonaccount holder, it must verify the receiver's name and address.

If there is an intermediary bank involved in the wire transfer, it must retain a copy of the transfer order it receives from the originating bank before passing the transfer on to the recipient bank, under the proposed rules. □

Tax Law Provision May Lead to Rise in Bankruptcies

WASHINGTON — A change in the tax code could be an incentive for money-losing corporations to declare bankruptcy by yearend, a possible nightmare for bankers trying to work out troubled loans.

Congress is ending special tax treatment for stock-for-debt swaps for corporations that declare bankruptcy after Dec. 31.

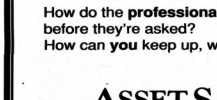
That provision allows companies in Chapter 11 to offer creditors an equity position in return for debt forgiveness – with no tax consequences if the stock is worth less than the face value of the loan.

For example, if a company owes a bank $100,000 and goes bankrupt today, it can offer the bank stock worth maybe $20,000 because of the company's depressed condition. There's no tax, even though the company comes out $80,000 ahead on the transaction. Banks accept such swaps as a last resort.

"It's not a free lunch, but a fresh-start concept for troubled companies," says accountant Robert L. Bernsen, head of Bernsen & Co.

In order to avoid the change in the law, borrowing companies that are in trouble will look to file for bankruptcy so they retain the stock-for-debt option under the old rules, according to Henry Ruempler, a tax expert with the American Bankers Association.

— Jim McTague



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B of A or Countrywide: Who's No. 1 in Calif.?

By EDWARD KULKOSKY

Who's the top mortgage originator in California?

Is it Bank of America, as shown in the accompanying table? Or Countrywide Credit Industries, whose Countrywide Funding unit is in fourth place?

Countrywide also has another unit, America's Wholesale Lender, that ranks No. 23, and together they would put the parent in third place, a hair behind North American Mortgage.

Countrywide, though, maintains that it is easily No. 1.

Variations on Lender of Record

The difference of opinion arises from the definition of an origination. The figures in the table were compiled by TRW Redi Property Data of Riverside, Calif., a unit of TRW Inc. The company's information source is filings of trust deeds, which bear the name of the lender of record, at county courthouses.

Countrywide and others work with networks of brokers that in many cases close loans in their own names but receive concurrent funding from the mortgage banks. The mortgage banks count these as originations, but TRW Redi's numbers put them under the broker's name.

Thrifts, on the other hand, close virtually all their loans in their own names. And a spokesman for No. 2 North American said it follows the same procedure.

Banks, Thrifts Losing Ground

But even using TRW Redi's conservative standard, the figures confirm that the state's banks and thrifts are rapidly losing market share in originations to the mortgage banking companies.

Bank of America had an especially large drop in share, to 3.56% from 5.66%. A spokesman for the bank attributed the dip to the distractions of the Security Pacific merger, some staffing adjustments in wholesale lending, and a special promotion in 1992 that was not repeated this year. He said the company expected a return to normal in the second half.

As portfolio lenders, thrifts have been reluctant to originate the fixed-rate loans that borrowers currently prefer.

Pasadena-based Countrywide, the biggest mortgage bank, showed a drop in share in the state but this was largely because it began originating under an additional name, America's Wholesale Lender, this year. It has also been pushing geographic diversification and has been growing faster in California than elsewhere, according to Gerald L. Baker, managing director for loan production. □

California's Top Mortgage Lenders
As recorded on trust deeds

Rank, Last year		Amount ($Millions)	Market share in first half 1993	1992
1	Bank of America	$3.92	3.56%	5.66%
5	North American Mortgage	3.60	3.26	2.84
3	Home Savings of America	3.06	2.77	3.29
2	Countrywide Funding	2.67	2.42	3.35
4	Great Western	2.59	2.35	2.90
11	First California Mortgage	2.55	2.31	1.68
6	World Savings and Loan	2.40	2.18	2.06
8	Wells Fargo	1.75	1.59	1.84
10	American Savings	1.57	1.43	1.79
12	Directors Mortgage	1.55	1.41	1.51
7	Plaza Funding	1.53	1.39	2.02
17	American Residential	1.26	1.14	0.91
50	Medallion Mortgage	1.24	1.12	0.46
16	First Franklin	1.23	1.11	0.91
31	Norwest Mortgage	1.15	1.05	0.61
26	Prudential Home	1.10	1.00	0.74
18	California Federal	1.01	0.91	0.89
29	Countrywide Funding	1.00	0.91	0.64
20	First Interstate	0.92	0.84	0.79
38	Colonial Bank	0.88	0.81	0.53

Source: TRW Redi Property Data

10-Year Mortgage Securities Much in Demand

By JAMES H. SAPT

Portfolio lenders and investors in mortgage securities both have an appetite for 10-year fixed-rate mortgages.

In fact, demand for this type of paper is such that Fannie Mae and Freddie Mac pay 15-to 20 basis points more for 10-year mortgages than equivalent 15-year paper, according to secondary-market executives.

"If I'm selling 6.25% wholesale pass-throughs, I'll get 100.64 or so for 10-years and 100.46 for 15-years," said Paul Miller, senior vice president at CrossLand Mortgage Corp., Salt Lake City.

Favored by Consumers

Julie Bone, a product manager at Freddie Mac, thinks that investor appetite for shorter-term paper is driving the appetite for 10-year fully amortizing mortgages.

Some bankers also believe that 10-year, fixed-rate mortgages have different prepayment profiles that may make them more attractive than longer term securities.

The repayment schedule has the effect of making holders of 10-year mortgages less interest-rate sensitive and less likely to refinance, according to Joseph Krul, chief financial officer of Standard Federal Savings Bank, Troy, Mich.

More than 15% of Standard Federal's mortgage originations are 10-year, according to Mr. Krul, and all of that is kept on the company's books.

No Strong Secondary Market

NationsBanc Mortgage Corp., Dallas, offers a jumbo 10-year, fixed-rate product despite the fact that there is no well-established secondary market for the paper. "Our parent, NationsBank Corp., takes the paper on its own books. Because of its shorter duration, it fits well in the balance sheet," said Daniel Hellams, senior vice president of NationsBanc Mortgage.

Fannie Mae seems to like 10-year mortgages for its balance sheet as well. So far this year, the secondary-market company is on a pace to buy for its own books over 10 times more 10-year paper in 1993 than in 1992, according to Dan Nicoll, director of product acquisition at Fannie Mae. Fannie also buys odd lots of 10-year mortgages that are then securitized and sold to investors.

Freddie Mac does not purchase 10-year mortgages for its own books, but has seen an increase in the amount securitized in the past several months, according to Ms. Bone.

Steep Increase

Though this type of product still represents only a minuscule portion of Freddie Mac's total volume, the recent percentage increase has been steep, according to Ms. Bone.

No matter how willing investors are to buy these mortgages, the market depends ultimately on the consumer's willingness and ability to undertake 10-year mortgages. □

Sadly for you, politicians in Washington agree on something.

Lawyers, legislators and lobbyists in Washington—people who've made careers out of being contrary—all are declaring the same thing these days: that government's relationship with the secondary mortgage market is going to change drastically.

They all know about HUD plans to toughen enforcement, new pressures on Fannie and Freddie, and the revival of Ginnie Mae as a major player in the market. And if you want more evidence, look to Capitol Hill, where Congress is toying with mortgage bankers subject to the same regs as commercial banks.

How should you react? You could wax nostalgic—and get clobbered by the government and your competitors. Or you could read *The Mortgage Marketplace.*

Every Monday, in less time than it takes to finish your morning coffee, *The Mortgage Marketplace* tells you about the new rules and ideas that could keel haul your secondary operations. It names the biggest mortgage company participants in Ginnie, Fannie and Freddie issues. And it scans the horizon to determine what types of loans, and borrowers, that now are considered exotic could soon enter the pipeline of conforming loans.

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Mortgage Marketplace

Thrifts Challenging Plan to Kill Them Off



John F. Maher
Cites role as portfolio lenders



Joe Ferguson
Emphasizes community focus



Paul A. Schosberg
"You'd have to reinvent them"

By CHRISTOPHER NOBLE

Should the savings and loan industry continue to exist? Does it serve a useful function? Can it ever recover from the cataclysm of the 1980?

The answer to all three questions is no, according to a report issued recently by the National Commission on Financial Institutions Reform, Recovery, and Enforcement.

The report, released after nearly two years of work, says one sure way to prevent another S&L disaster would be to simply do away with the industry.

It recommends forcing all thrifts to convert to commercial bank charters and suggests that all federally insured institutions come under federal rules that would supersede any state regulations. The Federal Deposit Insurance Corp. would be the sole agency charged with chartering, insuring, and regulating insured institutions.

This isn't the first time the destruction of the thrift industry has been proposed. Others have said that the secondary market and mortgage banking render savings and loans useless. The S&L disaster of the 1980s is frequently held up as proof that the industry is corrupt and hollow.

Vital Contribution

But defenders of the industry say killing S&L's is not the answer. They argue that community-based mortgage lending still provides services and loan products that no one else will. As such, the thrift industry still has a vital role to play in the country's housing finance system.

"Having a group of financial institutions interested in serving the residential real estate markets is in the national interest," said John F. Maher, president of Great Western Financial Corp., Chatsworth, Calif.

Mr. Maher asserts that thrifts, as portfolio lenders, are important because they make nonconforming loans that the secondary market would never touch. The thrift industry "has an appetite to be in the market no matter what the market conditions."

Joe Ferguson, president of Stephens Federal Savings and Loan in Toccoa, Ga., said the consolidation in the thrift industry had produced a large majority of community-focused savings and loans.

He said these institutions will continue to survive because they serve a niche the secondary market cannot. "Until everybody is banking at Citicorp or Bank of America, there's always going to be a need for community bankers."

Darlene Dolzani, chief executive at Schuylkill Savings and Loan Association in Schuylkill Haven, Pa., said people would continue to seek out small thrifts for the service they provide.

"People come to me for loans when they've been jockeyed around by the big banks," she said. Paul A. Schosberg, president of Savings and Community Bankers of America said the industry is still important for many of the same reasons.

"They have strong capital, good management, and they subscribe to a value system supported by the American people," he said. "If you could 'do something' about the 2,000 thrifts you'd just have to reinvent them." □

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Fleet and Citi Find Money Fund Trading By ATM a Success

By KAREN TALLEY

Fleet Financial Group and Citicorp said investors are giving the thumbs-up to programs that enable them to trade shares of money market funds through automated teller machines.

Both banks initiated programs last year in which customers use ATMs to buy and sell shares and check balances of bank-managed money market funds.

Today ATMs account for 20% of all transactions by investors in Citibank's Landmark money market funds. And Fleet reports that money market holders use ATMs for several thousand transactions a month.

"It's something we thought they would want," said Citicorp spokeswoman Maria Rullo. "We're very happy with the amount of usage."


Peter Herlihy

Customers cannot make their first purchase of shares through ATMs because these transactions require a prospectus. But the programs have enabled the banks to spread the word that mutual funds are part of the mainstream banking business.

Citibank began offering ATM access to customers in the New York metropolitan area last October, and has now rolled the service out in seven states.

Customers have access to four money market funds through 1,800 ATMs in seven states.

Fleet takes a somewhat broader approach to the bank's four Galaxy money market funds. Customers can use Fleet's own ATMs, or any ATM that's part of the Cirrus or NYCE networks, said Peter Herlihy, a vice president with Fleet Investment Services, the Rhode Island bank's investment arm.

Both Fleet and Citibank are closely watching a new initiative by Wells Fargo & Co. that allows the San Francisco bank's customers to trade stock and bond funds at ATMs.

More Complicated than Mere ATM Access to Funds

This is more complicated than merely allowing ATM access to money market funds, which invest in short-term debt, such as government securities. Shares of money market funds are fixed at $1.

In contrast, Mr. Herlihy said, customers may not realize that stock and bond funds fluctuate in value, and trades could trigger taxes.

Citibank already allows customers to check the balances of their stock and bond funds, and Fleet is looking into a similar service for next year.

But Mr. Herlihy does not see Fleet following Wells' example by allowing customers to trade and redeem stock and bond funds through ATMs.

This type of service is at odds with investment strategies for stock and bond funds, which are typically positioned as long-term investments. "Adding this element of liquidity is almost contradictory to the way these products should be approached," Mr. Herlihy said.

Q: Is there an important place for ATMs in the sale of mutual funds?


MARY M. STERN
Executive vice president,
Society National Bank
Cleveland

There will be a growing importance as the bank mutual fund market develops on the retail side.

I like to think of the process as two steps. The sales process through banks will be "high touch."

In other words, there will be a high level of customer interface with trained, educated people for the sale.

As for the service level, while it will be equally high, it will be a more high-tech type of delivery.

Customers are going to demand the convenience of ATM access to mutual funds as they purchase them through the bank channel. ☐


CHRISTOPHER MAXWELL
Executive vice president
Keycorp
Albany, N.Y.

I'm strongly in favor of ATM access for mutual fund transactions and information. The concept promotes an increase in savings that is beneficial to the economy.

ATMs are also a significant convenience for the consumer. But I think it's important that the use of ATMs not interfere with the full disclosure requirements that are manifested through prospectuses.

I don't think initial mutual fund purchases through ATMs are appropriate, because these funds must be accompanied by a prospectus. But subsequent adjustments and purchases, such as moving money from one fund to another, could easily be accommodated this way. ☐


RICHARD S. WHITE
Senior executive vice president
Premier Bank
Baton Rouge, La.

There is a place for ATMs in this area, but we haven't fully thought out all the implications.

Certainly every time you sell securities, there are all types of rules and regulations. Prospectuses and very definite kinds of financial information need to be passed to the purchaser at the initial sale.

In sale and in consulting-type situations, it would be hard to work in an ATM environment and still comply with all the rules and regulations. But once the sale has been made and an account has been set up, there may be a role for ATMs in making additions or deletions.

But I think much of that kind of transaction activity can best be handled with the 1-800 number on the telephone. ☐

First Forest City's Merger with Centura Clears a Hurdle

ROCKY MOUNT, N.C. — First Savings Bank of Forest City received approval from state banking officials to convert to a stock savings bank from a mutual savings bank, and to become a wholly owned subsidiary of Centura Banks Inc.

As reported in March, the two banks agreed to merge, pending approval by a majority of First Savings Bank's eligible members and regulators.

Centura said the Administrator of North Carolina Savings Institutions approved the conversion of First Savings.

$13 Million of Shares

Centura said it would offer about $13 million of its common shares in a subscription offering to eligible members of First Savings and in a simultaneous community offering to residents of Rutherford County, N.C.

Centura said the offerings were scheduled to conclude Sept. 16, and it expects the merger with First Savings to be completed in October ☐

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Eaton Vance Betting on Hub-and-Spoke

By KALEN HOLLIDAY

In the race to be master of the mutual fund universe, Eaton Vance is converting its entire fund family to the hub-and-spoke structure.

The mutual fund company's move will allow banks to put their own names on the funds.

As the first mutual fund company to adopt the hub-and-spoke, which was developed by Signature Financial Group, Eaton Vance is hoping that banks will latch onto these funds in place of establishing proprietary products.

Trimming Expenses

Under the hub-and-spoke structure, mutual fund assets are managed as a single pool, or hub. Shares in funds, or spokes, that invest in the central pool can then be offered to investors at different prices.

The spoke funds share the investment objectives of the hub, but each has its own board of directors.

Fund companies can shave their expenses by managing assets in a single pool rather than setting up separate funds for institutional, trust, and retail investors.

'More Attractive'

By October, the Boston-based mutual fund company, which has more than $12 billion of assets under management, plans to restructure all of its 57 funds, said William J. Kearns Jr., director of Eaton Vance's hub-and-spoke effort. Already nearly 40 have been converted.

"We've found a niche in the bank marketplace," Mr. Kearns said. "We can bring private labeling to banks, do it at a low cost, provide revenue, and make it more attractive from a distribution point of view," he said.

Although the break-even point varies from bank to bank, "it is significantly lower having a hub-and-spoke fund than a proprietary fund," Mr. Kearns said.

Also, spoke funds can have smaller asset-sizes to be profitable because banks save in management and legal fees, he said.

Keeping Control

Since spokes take on the appearance of private label funds, banks can substitute them for proprietary funds while retaining ultimate control of the assets.

"It's a way for banks to enter a market they might not be able to gear up for on their own," said David Nadig, senior consultant at Cerulli Associates in Boston.

Instead of creating their own funds, banks can latch onto one of the 36 tax-free funds Eaton Vance offers. Banks get a higher yield and are able to launch the fund sooner in today's market environment, Mr. Kearns said.

Typically, it takes six to nine months to register a new fund, whereas Securities and Exchange Commission turnaround time for new spokes is between 90 and 120 days.

A Downside

Private labeling has drawbacks. "The major thing banks are giving up is the investment management fee," Mr. Nadig said. "In the long run, that's where the money is."

"Most banks have the critical mass needed," which can be developed by converting trust assets into the funds, Mr. Kearns said. However, he added, they may run into trouble maintaining a high level of sales the second year.

Under the structure, mutual fund assets are managed as a single pool. Shares of funds that invest in the central pool then can be offered to investors at different prices.

Although no customers have signed on yet, they are close to closing two or three deals with banks, Mr. Kearns said. "Banks are our hottest market," he said. "They are jumping into the market and we would like to be there to help them."

Generally the best-suited banks for hub-and-spoke are banks of $5 billion or smaller, said Mr. Nadig. However big banks, with about $20 billion, can use spoke funds to fill in gaps, he said. "It's the rent-versus-build argument."

While the small and medium-sized banks need the most help, the funds are attracting attention from large players such as Citibank, Mr. Kearns said.

Banks need about $15 million to break even and an additional $10 million to $15 million a year afterward to succeed with private labeling, Mr. Kearns said.

Banks are allowed to put their own names on the funds.

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033267ZK4	9.900	09/01/95	$280,000	Prerefunded	09/01/93	102.00
033267ZL2	9.700	09/01/96	$315,000	Prerefunded	09/01/93	102.00
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Secured Credit Cards Losing Fly-by-Night Image

By LISA PICKENSCHER

The market has attracted some of the industry's biggest players, as well as smaller ones that stress their reputability.

Secured credit cards, once regarded as the murky fringe of the card business, are taking on an air of legitimacy that has regulators heaving sighs of relief.

The cards, which appeal to people who need to establish or reestablish a good credit history, used to be marketed mainly through newspaper classifieds or in the wee hours on television.

It was a low-risk, low-profit business for smaller card issuers.

Some were simply interested in building assets quickly; others were guilty of misallocating the deposits that served as collateral for the credit lines.

But in recent years, the secured market has attracted some of the industry's biggest players, and smaller ones that stress their reputability. All are on a constant search for untapped niches in a saturated market, which has led them into secured-card issuing.

The forces of good seem to be winning. The business has won a stamp of approval from the Federal Reserve Board's Consumer Advisory Council, which looked into the business and saw no reason to step up regulatory oversight.

"Secured cards have a history of being marketed in questionable ways, but I haven't seen those old late-night television ads for at least two years," said Michael Ferry, a member of the advisory council. Mr. Ferry is an attorney for a legal aid program in eastern Missouri.

Regulators are keeping a watchful eye, however, to make sure the industry stays on the straight and narrow.

Just how many secured cards are in use is a matter of speculation.

RAM Research, a credit card tracking service in Frederick, Md., said that using official bank data it has verified 100 secured credit card programs, with 700,000 active accounts in all.

But the actual number is probably much higher – perhaps five million or 10 million – said Robert McKinley, RAM's president.

MasterCard International estimates that the potential market is 26 million consumers – 14 million widows, divorcees, and immigrants; and four million to six million who are bad credit risks.

Bells Are Ringing

The consumer affairs division of the Federal Reserve Bank of

Some issuers misallocated collateral.

Philadelphia reports it is fielding more calls than ever from consumers who want to know which banks are offering secured cards.

"Most of the calls are from people who can't get credit," says an official at the bank.

The growth in the secured card business, and concern that it targeted vulnerable population segments like recent immigrants and the poor, led Federal Reserve governor Lawrence Lindsey last year to ask for a report from the Fed's consumer advisory panel.

In June, the council said it saw no need to make formal recommendations. It found that the potential for consumer abuse had abated and that the industry was doing an adequate job of self-regulation.

The entry of big names like Citicorp, Fleet Bank of Massachusetts, and Signet Bank of Richmond, Va., have combined with guidelines of the MasterCard and Visa associations to set the favorable tone.

Singled out for concern in the advisory council's report were third-party marketers who solicit customers for banks, and catalogues that deceptively advertise "gold cards" that can only be used with those catalogues.

'900' Numbers Banned

Some marketers and catalogues were using expensive "900" number systems to solicit card applications. Some also charged high up-front processing and application fees.

The credit card associations have addressed this problem by forbidding the use of pay-per-call "900" numbers. Marketers, among other restrictions, are also required to register with the

See next page

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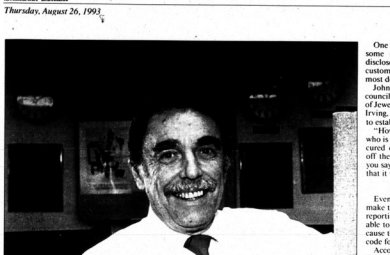

Marty Katz

ROBERT M. BOUZA, president of credit card operations at Key Federal Savings in Maryland, will head a MasterCard forum that will consider whether a card's being secured should be reported to credit bureaus.

Continued from page 16

card associations and submit their consumer literature for review.

But the third-party marketers have not gone away. Their latest wrinkle is the sale of life insurance in exchange for a secured line of credit.

For example, National Credit Card Services Association of Waltham, Mass., a marketing agent for banks, has relationships with Ocean Independent Bank of Ocean, N.J., and Key Federal Savings Bank.

Key Federal, in Owings Mills, Md., is a pioneering issuer of secured cards and has built a sizable consumer credit business around them.

The association offers a Visa card with a credit line ranging from $500 to $1,000, which is secured with a cash life insurance policy.

'A Longer-Term Investment'

Richard Wirth, an attorney for the association, said, "We don't associate ourselves with credit repair" programs, which promise to "beat the system" and get credit for people who have filed for bankruptcy.

"We tell our customers that this is a longer-term investment, that it takes years to build up cash value," Mr. Wirth said.

Consumers are given the option of purchasing new life insurance with, say, $50 premiums, or they could use an existing policy with sufficient cash value as the collateral for a line of credit. In the latter case, the bank is responsible for collecting the collateral if the customer defaults. In the former, National Credit Card Services Association guarantees the issuer does not lose money if the customer defaults.

For a secured card through the association, consumers must pay a $39 processing fee and $5 in monthly membership dues, in addition to the $35 annual credit card fee to the bank.

A federal panel says the industry is doing an adequate job of self-regulation.

"This seems like a very expensive way for a consumer to avoid a down payment," said Mr. McKinley, "especially when some programs require as little as $250 for a line of credit. Furthermore, in terms of pricing secured cards are now almost in line with unsecured cards."

Mr. Wirth said most of the association's customers would not qualify for a regular unsecured card.

The extra layer of fees typically charged by third-party marketers have contributed to the perception that secured cards are a rip-off.

Credit Reporting Issue

While the Federal Reserve Board accepted its advisory council's findings, members of the council say they will continue to monitor the secured phenomenon. Similarly, the Office of Thrift Supervision plans to form a group to look at the secured card business, said an agency spokesman.

One unresolved issue troubles some observers: Some banks disclose to credit bureaus that a customer has a secured card, but most do not.

John Skinner, a Fed advisory council member and president of Jewelers Financial Services of Irving, Tex., said it is important to establish a disclosure policy.

"How do you rate a consumer who is delinquent and whose secured deposit is tapped to pay off the balance?" he said. "Do you say the debt was paid off or that it was delinquent?"

New Code System

Even if some banks wanted to make this distinction, the credit reporting agencies would not be able to accommodate them, because their systems don't have a code for secured cards.

According to the Associated Credit Bureaus in Washington, banks that have been reporting secured cards as such have to mark off a general category called "secured line of credit," which does not make it clear that the card is secured.

This will change when a revised coding system is introduced early next year, to include secured cards for the first time. Credit bureaus will then encourage banks to make the necessary distinction.

Denny Dumler, chairman of the Fed's advisory panel and chief executive officer of Rocky Mountain Bankcard System in Denver, said, "We concluded that if a bank has factual information it should report it."

On the other hand, regulators are still concerned about what effect reporting a secured card will have on a consumer's ability to establish credit, Mr. Dumler said.

Banks are concerned, too. If a customer's credit rating is hurt by reporting a card as secured, then the product loses one of its attractive features.

"The whole idea is not to report the cards as secured," said Jeannette Williams, MasterCard International's director of marketing.

Concern About Guarantees

Robert M. Bouza, president of the credit card operations at Key Federal Savings Bank, believes that the real issue is deeper than whether banks should report secured cards.

"I have a problem with the issuers that are guaranteeing a credit card," he said.

"Key Federal accepts only 65% of its secured-card applicants, and for half of the people we reject we can't verify basic information like employment and residence," Mr. Bouza said. "So where do they go after they are turned down by us?

"People who want to beat the bank with some kind of fraud can do that in a guaranteed environment."

Signet Bank has ads that say, "If you think you can't get a credit card, think again. Now, because their systems don't have a code for secured cards.

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A Secured-Card Sampler

	Application fee	Annual fee	Interest rate	Credit percent
American Pacific Bank, Aumsville, Ore.	—	$30	18.9%	100%
Associates National Bank, Wilmington, Del.	—	45	18.9	90
Bank One, Lafayette, Ind.	—	35	19.8	60-100
Citibank South Dakota, Sioux Falls	—	20	19.8	100
Community Bank of Parker, Colorado	$29.95	20	14.9	100
First Consumers National Bank, Portland, Ore.	—	39	18.9	150
First Deposit National Bank, Tilton, N.H.	30	35	19.8	100
First National Bank, Brookings, S.D.	—	35	18.9	100
Fleet Bank of Massachusetts, Boston	—	25	14.4	100
Ocean Independent Bank, Ocean Township, N.J.*	35	75	12.99	100
Orchard Bank, Ontario, Ore.**	—	45	13.9	100
Signet Bank, Richmond, Va.	—	20	19.8	100
United Bank of Philadelphia	—	15	17.99	100
Union Planters National Bank, Memphis	—	35	18.9	100+$100

*Also offers card at 15.00% with $35 annual fee.
**Also offers card at 13.9% with $20 annual fee.

The latest wrinkle: credit lines secured with life insurance policies.

The issue of credit bureau reporting.

In the meantime, MasterCard will soon release a study that it describes as a comprehensive manual for banks in the secured business. It will outline different ways banks could market their products, and who the potential customers are.

According to MasterCard, people who have never established credit represent one of the greatest areas of opportunity.

MasterCard also sees a growing interest in a product for high-income people who could qualify for an unsecured card but chooses a secured product to increase his credit availability or otherwise get a better deal.

Among banks that have taken the plunge by offering secured card programs, the competition is heating up. Generally, the cards' interest rates are higher than average, and credit lines range from 50% to 125% of the associated deposit.

Recently, Signet Bank and First Consumers National Bank of Portland, Ore., began offering credit lines up to 150% of the security. Fleet Bank of Massachusetts is offering a secured card with a very competitive 13.4% interest rate; and United Bank of Philadelphia, a recently organized minority bank, offers credit lines of $100 in excess of the amount on deposit.

Higher Profit Margins

As more banks enter the secured arena, analysts expect price competition will resemble that on standard cards. Interest rates could continue to come down and annual fees disappear.

That may not be too costly to issuers, as profit margins are actually higher on secured cards. The Consumer Advisory Council reported that the cost of funds is lower, and that 90% of secured card balances generate finance charges, versus about 70% in the unsecured market. □

Comment

By Donald R. van Deventer

When Banks Bet Against Rates, Shareholders Rarely Win

Does the extra net interest income generated from lengthening maturities when the yield curve is sloping upward create shareholder value?

Unfortunately, the answer is almost always "no." In some banks, the extra net interest income isn't enough to offset the extra risk, and shareholder value is actually destroyed.

How can this be? The logic is a simple application of the "no free lunch" rule of the financial markets.

Flaw in the Logic

Let's assume that all investment portfolio securities are Treasury securities. Bank A decides to "stretch for yield" by selling $100 of three-month Treasury bills from its portfolio and buys $100 in 10-year Treasury bonds.

On a mark-to-market basis, the value of the bank's assets has not changed. It sold something worth $100 and bought something worth $100. Nothing has changed from a shareholder value point of view (if we ignore the risk of bankruptcy).

If, instead, Bank A had held onto the three-month bills, shareholder X could have created the "new Bank A" by holding the stock of "old Bank A" and replacing $100 of three-month Treasury bills in her fixed income portfolio with 10-year Treasury bonds.

Since X can duplicate "new Bank A" by herself, there is no reason to pay more for the stock of "new Bank A" than she would for the stock of "old Bank A."

But, some bankers will argue, new Bank A's net income will be higher, its price-earnings ratio will be unchanged, and therefore new Bank A's stock price must be higher than old Bank A's stock price.

The flaw in this argument is the statement that the price-earnings ratio stays the same – unless all shareholders are stupid, the price-earnings ratio has to drop.

A Riskless Arbitrage

The risk of the organization has gone up, so the price-earnings ratio must decline. If this were not the case, there would be a riskless arbitrage that shareholder X and even retail investors could pursue.

How? It's easy. Let's assume Bank B takes the same strategy as old Bank A: it is identical in all respects and holds $100 in three-month bills. New Bank A holds the $100 in 10-year Treasury bonds.

Let's assume that the yield on three-month bills is 4% and the yield on 10-year bonds is 8%. How does X make money if the (pretax) price-earnings ratio on both banks is 10? If that is true, then the market value of new Bank A is $40 higher than Bank B (10 times the extra $4 per year in income – we ignore taxes).

X does the following:

1. She buys all of Bank B stock for $Y.
2. She shorts $100 in three-month bills and receives $100.
3. She takes the $100 and buys 10-year Treasury bonds.
4. She sells Bank A shares short and receives $Y plus $40.

On a net basis, X has a perfect riskless hedge and keeps the $40. Therefore, either the price-earnings ratio of new Bank A must be lower than the price-earnings ratio of Bank B or Ms. X and others like her can easily become billionaires.

Cases of Value Creation

When does lengthening the bank's assets relative to liabilities create shareholder value? It creates shareholder value in only three circumstances. First, it creates value if the longer-term maturity asset can be purchased at less than its fair-market value. Shareholder value goes up by the amount of this discount to fair-market value.

Needless to say, there aren't any legal discounts in the Treasury market.

The second circumstance when lengthening assets makes sense is when a longer-maturity asset portfolio reduces the interest rate risk borne by the bank. The shareholder value goes up by the amount that the expected cost of bankruptcy goes down.

The third circumstance where lengthening the bond portfolio makes sense is if the bank is better at predicting interest rates

See **WHEN** *next page*

THE ONLY WAY *banks create shareholder value by taking more interest rate risk is when they're buying assets at a price lower than their true value.*

Mr. van Deventer is president of Kamakura Corp., an asset-liability banking and risk management firm based in Los Angeles and Chiganki, Japan.

Comment

By Irwin Teich

Alliances with Asset-Based Lenders Can Benefit Banks and Customers

A mid reports of record bank profits, many analysts are claiming that the "credit crunch" has ended.

Banks, with improved profitability and stronger balance sheets, are increasing their traditional lending.

They also are looking at asset-based lending as a way to complement their existing finance offerings and expand their base of middle market customers, who make up the majority of asset-based borrowers.

However, creating or rebuilding an asset-based lending function is not simply a matter of restructuring an organization or refocusing management's attention on a previously overlooked area.

Costly Commitment

In fact, a successful asset-based lending operation requires a significant investment in four areas:

- Experienced people for originating, underwriting, and monitoring the loans.
- Internal systems and technology for the complex task of monitoring and analyzing borrowers' financial and collateral performance.
- The time of senior management that might be more productively used in other areas of the bank.
- Establishing a separate organization within the bank with a different culture, or lending philosophy.

An Alternative

Understandably, these investments also require a commitment by the institution's management to dedicate critical financial resources to this area.

Clearly, not every bank has the resources, professional talent, time, and skill to create an effective and profitable asset-based lending group.

There is an alternative, however, for banks who want to take advantage of asset based lending opportunities – develop a participating relationship with an established asset-based lender.

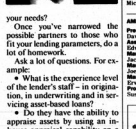
Such an alliance can help a bank retain or strengthen a customer relationship by arranging for credit where traditional bank lending guidelines preclude extending it.

Is it a case, both the bank and the customer benefit.

Homework to Do

What type of banks will benefit from theses alliances? For example, is their geographic presence local, regional or national? Is their lending orientation based on the same principles as yours? Do they have a particular industry specialization or do they fit the profile that meets your needs?

NOT EVERY *bank has the resources to create an effective and profitable asset-based lending group of its own.*



Once you've narrowed the possible partners to those who fit your lending parameters, do a lot of homework.

Ask a lot of questions. For example:

- What is the experience level of the lender's staff – in origination, in underwriting and in servicing asset-based loans?
- Do they have the ability to appraise assets by using an in-house appraisal capability on a national basis?
- Is their write-off history at an acceptable level? Have they weathered the most recent economic downturn?
- Do they have a research department devoted to developing and maintaining an understanding of their customers' industries?
- What type and frequency of information will you as a partici-

See **ASSET-BASED** *next page*

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Comment

By Irwin Teich

Asset-Based Lenders as Bank Allies

Continued from *page 18*

pant receive in order to track the loan's performance?

- Do they have state-of-the art technology, such as local area networks and loan servicing systems, to effectively and efficiently monitor their portfolio and transmit and report information rapidly? After all, in this business, timing is often crucial.
- Do they have a rating system with high integrity that rates credit and collateral on each loan's performance?

Once you've narrowed the prospects through these questions, do some fieldwork.

Spend a day with the lender's loan servicing staff to see how they will handle your customer or prospect. Ask for a sample

BANKS CAN *retain relationships with customers who do not qualify for traditional lending.*

loan underwriting package with all supporting documents.

In effect, you want to determine how well they do their homework.

Also, meet and talk with the loan workout people – they're the ones you'll have to rely on to get out of a loan in the unlikely event the borrower fails.

And finally, ask for references, both of current customers and of other banks with banks with whom they have participation relationships.

The more homework you do, the better the quality of your decision and choice of asset-based lending partner.

Everybody Gains

Establishing a strategic alliance with an asset-based lending specialist presents a "win-win" situation for a commercial bank and its customers.

The bank gains the ability to enhance its customer service portfolio without a significant expenditure of time, effort and financial resources.

Its customers benefit through the ability to achieve all their banking and finance needs from a single source. ❑

When Banks Bet Against Rates

Continued from *page 18*

than the marginal shareholders, like X. Some bankers believe their bank is smarter than shareholders.

As Dave Barry would say, I am not making this up.

The burden of proof on this issue rests with the bank. Where is the bank that has the courage to do the following: take a $500 million interest rate bet and then publish a press release announcing that the bet has been taken because of the bank's superior forecasting ability?

The resulting change in the bank's stock price will tell the bank whether or not the market thinks its belief is correct.

How does a CEO tell whether his strong-willed asset-liability manager or Treasury manager can predict rates as well as he says he can? As a practical matter, during the CEO's tenure in office, he won't have enough information to ever answer that question.

IN SOME BANKS, *the extra net interest income isn't enough to offset the extra risk.*

In my career at two of the 10 largest banks in the United States and one of the largest American securities firms, I've met 32 traders who thought they could predict interest rates.

The first year, 16 were wrong and lost their jobs. In the second year, eight of the 16 remaining were fired for the same reason.

During the third year, four of the eight bet wrong and left. In the fourth year, two more disappeared, and only one was left after five years. But that trader had been right five years in a row. Was he smart or was he lucky? No one can say for sure.

If the trader himself were positive that he was smarter than the market, he should have been trading for his own account.

The Risk Factor

Every senior banker has a lot of self-confidence in his understanding of interest rates and money markets. Nonetheless, the bank's ability to create shareholder value by taking more interest rate risk is when they're buying assets at a price lower than their true value.

If the bank believes it can predict interest rates, it should create a fixed-income investment management department. That way, only those who believe in the bank's forecasting ability will gain or lose, and shareholders won't be harmed in the process.

STAY ALERT

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Gargagnano's Lien Sale II. Sperber DCA LIC # 748403 and/or S. Sperber DCA LIC # 748419 and/or S. Sperber DCA LIC # 748418 and/or S. Sperber DCA LIC # 748417 and/or S. Sperber DCA LIC # 748416 STILLWELL AVE. BKLYN 1993 LINCOLN Town Car 1LNLM81W6PY652624 Rec: Briggs,John. 9:00AM 2373 MCDONALD AVE BKLYN 1994 HONDA ACCORD Delta 88 4HGBH35C8RW352134 Rec: Canty, Mabrdrel. 9:00AM 1206 86TH ST BKLYN 1989 CHRYSLER LeBaron 4K-3Y4AH3KG2222856 Rec: Cuggiano, Joe. 10:00AM 250 24TH ST BKLYN 1984 FORD 350 1FTEE3HY1EHA01124 Rec: EBCO Home Improvement Inc./Ergin Ogut. 10:30AM 327 BEDFORD AVE BKLYN 1988 MAZDA 323 JM1BH4333268503-1366 Re:Hogan Marion; 1993 GMC PU# 1GTGC24M5PF517473 Re: Hogan Marion Auctioneer. 11:00AM 105 UNDERHILL AVE BKLYN 1989 FORD D Series 1FABP22XXKW140893 Re: Pomerantz, Miguel. 11:15AM 3402 NOSTRAND PL BKLYN 1987 OLDSMOBILE Calais Sperm #1G3NT3C1XHM170302 Re: Howard, Michael. 11:30AM 1066 ATLANTIC AVE BKLYN 1982 CHEVROLET 250 #2BH8B2PSCK136196 Re: Marshall, Ronald. 11:45AM 1066 ATLANTIC AVE BKLYN 1978 CADILLAC Sevile #6S-8B8Q9S9B417473 Re: Marshall, Ronald. Jan. Stanley. 12:30PM 921 EAST NEW YORK AVE BKLYN 1991 TOYOTA Pickup Impala #2G1AL69T4M9255644 Re: Marcus,Claude. 1:00PM 1018 RAILROAD AVE BKLYN 1986 MAZDA B-MMGC2-21XG1842338 Re: Lewis, Anselmo/ Alagarsio, Shelton. 1:15PM 1066 ATLANTIC AVE BKLYN 1983 MERCURY Cougar #1M8BP8645D5611849 Re: Dimarcello,Angelo. 1:30PM 2801 TILDEN AVE BKLYN 1990 FORD 350 Cutaway van #2B4FK32CJKR147112 Re: Brown, Andrew/Hollywood Productions. 2:00PM 1066 ATLANTIC AVE BKLYN 1988 TOYOTA Camry #JT2SV22E3J0034306 Re: Dimonte, Manuel. 2:30PM 1032 UTICA AVE BKLYN 1987 NISSAN Pathfinder #JN8HD17Z4HW018765 Re: Rubinstein, Aryc. Ogunsola,Akin. 2:45PM 1066 ATLANTIC AVE BKLYN 1987 BAYLINER 2F POUOT PIERCE ARROW #S7 Re: Bayliner Customer/Cathy. 1987 BAYLINER 16' Outbd Flngls #BLUN616C8D707 Re: Bayliner Customer/Cathy. 3:00PM 1066 ATLANTIC AVE BKLYN 1991 CHEVROLET Caprice #1G1BL52P1MR111616 Re: Rodriguez, Sergio. 3:15PM 119-02 ROCKAWAY BLVD QNS 1981 CHEVROLET Caprice #1G1AN69H1BX133771 Re: Singh, Sunjit; 4:15PM 119-02 ROCKAWAY BLVD QNS 1988 FORD Tempo #1FABP0442JH143390 Re: Fingerhut, Patrick. 5:00PM 1066 ATLANTIC AVE BKLYN 1990 PLYMOUTH Sundance #1P4XH45R1LF194228 Re: Hendley, Heather; 1987 OLDSMOBILE Royale Regbm #1G3HY69C8HH335790 Re: Regbm Auction Co. 1985 BUICK Electra #1G4-HJ54C2FH403962 Re: Regbm Auction Co. 1989 EVERGREEN AVE BKLYN 1982 FORD 250 #1FDDF14J7CHA03199 Re: Lopez, Santiago. 10:45AM 577 KNICKERBOCKER AVE BKLYN 1983 PONTIAC Firebird #1G2AS37R2DH231865 Re:Brown,Louis. 11:15 AM 70 JAMAICA AVE BKLYN 1976 CHEVROLET Malibu #1D48J6G4Z6-B148997 Re:Lagry,Sharon; 11:30AM 2779 FULTON AVE BKLYN 1990 HONDA Accord #1HGBA9C8CYH074788 Re: Kalish,Scott; 12:00PM 871 LIBERTY AVE BKLYN 1985 HONDA Accord #1HGCB7636FA013295 Re: Wayne Mc-Auley. 12:45PM 2557 LINDEN BLVD BKLYN 1982 TOYOTA Tercel #JT2DC163038 Re: Bare,Sobeth. 11:45AM 1066 ATLANTIC AVE BKLYN 1991 FORD PONTIAC 6000 #2G2AF19E1D2155586 Re: Gallo,Constantine. SELLS 9/16/93 9:00AM 4906 3RD AVE BKLYN 1983 CHEVROLET Caprice #1G1CT14H3D-158331 Re: Rosario, Carlos; 10:00 AM 38-16 22ND ST QNS 1981 VOLKSWAGEN Rabbit #WV WAU0815BC401144 Re: Murray,Chris; 10:30 AM 70-06 GARFIELD AVE QNS 1963 CHEVROLET Corvette #30837S108230 Re: Dennis, Catherine; 11:00AM 56-20 GRAND AVE QNS 1989 TOYOTA SR5 #4T4RN01S8-K-7010400 Re: Poling, Marybeth; 11:15AM 56-26 56TH DR QNS 1983 BUICK Skylark #1G4GA47F8DY402374 Re: Kipps,Rolando/Presidio, Tony; 11:45AM 1066 ATLANTIC AVE QNS 1983 AUDI GT #WAUB0805ZDA179271 Rec: Adams, Christopher; 12:30PM #6-36 164TH ST QNS 1987 DODGE Caravan #2B4FK4539HR-R-41600321 Rec: Halsted, Mike; 1:00PM 183-02 JAMAICA AVE QNS 1988 JAGUAR XJS #SAJNA5840-JC141746 Re: Axe Overseas Corp.; 1:30PM 105-01 JAMAICA AVE QNS 1985 FORD 350 #1FDJE31J3FHA68630 Re: Neil Wharton Inc. 2:00PM 150-08 131ST ST QNS 1986 MERCURY Merkur #WF1BP-B0WGM604549 Re: Garcia, Norbek.

C.Laudio & Assocs. Inc. DCA#0096634 auct'rs sell Sept. 10, 1993 at 9:30 AM at 170-28 Jamaica Ave., Qns. 1985 Dodge Dl. #1B3BL16D7FK418137 Auct. J.R. Enters. 1988 Honda Mtr. #HJD250-3M103767 Acct. N.G. Ingrassia. 1990 Mazda 4-dr #JM1BG2251L0-500493 Pl. C.J. Leach. 3 PM at 75-17 Cooper Ave., Glndl. 1988 Buick 4 dr. #1G4CW54C3J-1400436 Acct.D.M. Smith. 4 PM at 421 E. 84th St., Nyc. 1992 Plymouth 4 dr. #1P3XA46K3NF280061 Acct. S.D. Xavier. 1986 Buick 4 dr. #1G4NJ54A4GM-443218 Acct. Y. Eaddy. 1983 Toyota 4 dr. #JT-2MC53L3D0-003-1 Acct. Y. Eaddy. 1988 Chrysler 2 dr. #1C3BA54D7FG166116 Acct. C. Church. 4:30 PM at 1044 E. 233 St., Bx. 1987 Honda Mtr. #JH2MC40A6H-M005419 Acct. M. Hedley. Published Aug. 26th & Sept. 2nd, 1993.

Gargagnano's Lien Sale S. Sperber DCA LIC # 748418 Sells 9/13/93 10:00AM at WINDSOR HWY. New Windsor 1988 TOYOTA Camry #JT2SV16E4J0035514 Rec: Rivers, Anthony; 1:30PM 530 YONKERS AVE. YONKERS 1991 GMC Caballero Conv.van #2B4FK32CJKR147112 Re: Brown, Andrew/Hollywood Productions. 2:00PM 1066 ATLANTIC AVE BKLYN 1988 TOYOTA Camry #JT2SV22E3J0034306 Re: Dimonte, Manuel; 2:30PM 1032 UTICA AVE BKLYN 1987 NISSAN Pathfinder #JN8HD17Z4HW018765 Re: Rubinstein, Aryc. Ogunsola,Akin. 2:45PM 1066 ATLANTIC AVE BKLYN 1987 BAYLINER 2F POUOT PIERCE ARROW #S7 Re: Bayliner Customer/Cathy. 1987 BAYLINER 16' Outbd Flngls #BLUN616C8D707 Re: Bayliner Customer/Cathy. 3:00PM 1066 ATLANTIC AVE BKLYN 1991 CHEVROLET Caprice #1G1BL52P1MR111616 Re: Rodriguez, Sergio. 3:15PM 119-02 ROCKAWAY BLVD QNS 1981 CHEVROLET Caprice #1G1AN69H1BX133771 Re: Singh, Sunjit; 4:15PM 119-02 ROCKAWAY BLVD QNS 1988 FORD Tempo #1FABP0442JH143390 Re: Fingerhut, Patrick. 5:00PM 1066 ATLANTIC AVE BKLYN 1990 PLYMOUTH Sundance #1P4XH45R1LF194228 Re: Hendley, Heather; 1987 OLDSMOBILE Royale Regbm #1G3HY69C8HH335790 Re: Regbm Auction Co. 1985 BUICK Electra #1G4-HJ54C2FH403962 Re: Regbm Auction Co. 1989 EVERGREEN AVE BKLYN 1982 FORD 250 #1FDDF14J7CHA03199 Re: Lopez, Santiago. 10:45AM 577 KNICKERBOCKER AVE BKLYN 1983 PONTIAC Firebird #1G2AS37R2DH231865 Re:Brown,Louis. 11:15 AM 70 JAMAICA AVE BKLYN 1976 CHEVROLET Malibu #1D48J6G4Z6-B148997 Re:Lagry,Sharon; 11:30AM 2779 FULTON AVE BKLYN 1990 HONDA Accord #1HGBA9C8CYH074788 Re: Kalish,Scott; 12:00PM 871 LIBERTY AVE BKLYN 1985 HONDA Accord #1HGCB7636FA013295 Re: Wayne Mc-Auley. 12:45PM 2557 LINDEN BLVD BKLYN 1982 TOYOTA Tercel #JT2DC163038 Re: Bare,Sobeth. 11:45AM 1066 ATLANTIC AVE BKLYN 1991 FORD PONTIAC 6000 #2G2AF19E1D2155586 Re: Gallo,Constantine. SELLS 9/16/93 9:00AM 4906 3RD AVE BKLYN 1983 CHEVROLET Caprice #1G1CT14H3D-158331 Re: Rosario, Carlos; 10:00 AM 38-16 22ND ST QNS 1981 VOLKSWAGEN Rabbit #WV WAU0815BC401144 Re: Murray,Chris; 10:30 AM 70-06 GARFIELD AVE QNS 1963 CHEVROLET Corvette #30837S108230 Re: Dennis, Catherine; 11:00AM 56-20 GRAND AVE QNS 1989 TOYOTA SR5 #4T4RN01S8-K-7010400 Re: Poling, Marybeth; 11:15AM 56-26 56TH DR QNS 1983 BUICK Skylark #1G4GA47F8DY402374 Re: Kipps,Rolando/Presidio, Tony; 11:45AM 1066 ATLANTIC AVE QNS 1983 AUDI GT #WAUB0805ZDA179271 Rec:

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AUCTION NOTICES

Gargagnano's Lien Sale B. Sperber DCA LIC # 748418 and/or S. Sperber DCA LIC # 769437 Sells 9/9/93 9:00AM 30-60 EAST 31ST ST QNS 1994 ALFA ROMEO 2000 #AR3020353 Rec: Lawrence Auto Rental Corp. 1965 CHEVROLET Impala #1645937283537 Re: Montalvo, Miriam; 10:00AM 147 EAST 53RD ST NYC 1992 LINCOLN Towncar #1LNLM81-W1NY600600 Re: Lincoln Towncar Owner; 11:00AM 101-02 ROCKAWAY BCH BLVD QNS 1985 LINCOLN Towncar #1MEBP97F-0FY664496 Re: Perrenta, Jacqueline; 11:45AM 1066 ATLANTIC AVE BKLYN 1993 QNS 1991 ACURA Integra #JH4DB166-5MS050176 Re: Jenkins, Dave; 12:30PM 127-16 NORTHERN BLVD QNS 1990 HONDA Civic #1HGEJ7336LA050919 Re: Young-Ho Cho/Wha G Cho; 1:00PM 915-19 NORTHERN BLVD QNS 1988 BMW 325i #WBAAB9404-JAD-92944 Re: Tucker, Michael. 1979 BUICK Electra #6Y6S9X9H45162 Re: 1992ND 5TH QNS 1991 TOYOTA Cressida #JT2MX86-T8D0050935 Re: Cassano, Fabio; 2:15PM 1066 ATLANTIC AVE BKLYN 1991 CHEVROLET Cavalier #1G1JF5249M7-109-1 Re: Bianchi, Joseph; 2:45PM 1066 ATLANTIC AVE BKLYN 1988 CHEVROLET Cavalier #1G1JC1119J7-109-1 Re: Bianchi, Joseph; 3:30PM 1066 ATLANTIC AVE BKLYN 1988 CHEVROLET Cavalier #1G1JC1119J7-109-1 Re: Bianchi, Joseph; 4:15PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 5:00PM 1066 ATLANTIC AVE BKLYN 1988 CHEVROLET Cavalier #1G1JC1119J7-109-1 Re: Bianchi, Joseph; 5:45PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 6:30PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 7:15PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 8:00PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 8:45PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 9:30PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 10:15PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 11:00PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 11:45PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 12:30PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 1:15PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 2:00PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 2:45PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 3:30PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 4:15PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H7-109-1 Re: Bianchi, Joseph; 5:00PM 1066 ATLANTIC AVE BKLYN 1987 CHEVROLET Cavalier #1G1JC1119H

Gonzalez, B of A Chief Urge Extension of CRA to Nonbanks

Continued from *page* 1

in this country, they are benefiting at the banks' expense."

"As major providers of credit, I believe these institutions have an obligation to help meet the increasingly critical credit needs of distressed communities," he said.

Both the congressman and the banker urged the industry to be more positive about the reinvestment act.

Criticism for Both Sides

Mr. Gonzalez faulted both regulators and bankers for failing to live up to the congressional intent of the law.

Regulators have not enforced the law consistently or aggressively, while bankers have discounted it as a regulatory irritant, rather than a tool for social change, he said.

"Not many banks currently see CRA as a process of useful self-examination," he said. "Most see it as a pestilential requirement to have so many community meetings and document such and such outreach effort – a kind of file-stuffing requirement."

Instead, Mr. Gonzalez said, the act should be "a little watchdog on the corner that reminds us all that the cornerstone of sound banking is the humble, hard toil of working with your neighbors, to see how best to serve the community."

'Real Benefits'

"If CRA means anything, it means making sure that banks do all they can to serve their communities. It means making sure that loan decisions are fairly evaluated. It means making sure that banks understand there are opportunities in their own back yards," he said.

"I am not talking about credit allocation," he said. "I am not talking about using CRA to force banks to make bad loans – for a bad loan does nobody any good. I am, know, er, suggesting that CRA properly used will identify real opportunities with real benefits for everyone concerned."

Regulators Seen as Lax

Mr. Gonzalez also charged that regulators are not doing their jobs properly.

"Despite its simplicity, enforcement of the CRA has been lacking," he said. "The proliferation of more expansive fringe bankers like pawn shops and check cashers, show that insured financial institutions are ignoring a large part of the demand for financial services."

"As a result of passive enforcement, community groups have taken the lead in enforcement, using the CRA process to bring bankers to the table to discuss community lending," he said.

Opportunity or Burden?

Mr. Rosenberg said the reinvestment act should be viewed as a business opportunity, not a compliance headache.

Successful banks have learned that the act can be successful only when lenders stop thinking of it as a regulatory burden and take a more affirmative approach, he said.

"Many banks now see CRA as an opportunity, but others continue to see it as onerous and burdensome," he said. "To every cloud, however, they just don't get it."

"I've watched the Community Reinvestment Act grow from a well-intentioned but vague piece of legislation into a major cornerstone of banking regulation," Mr. Rosenberg said. "Although we can debate different aspects of the CRA, no one can deny that it has helped raise the quality of life in communities all across the United States.

"With the scope and the intent of community reinvestment being reevaluated, it is important for banks to demonstrate that we can jump ahead of the compliance curve by developing CRA programs of creativity and substance – programs that translate into real benefits for the community," he added.

Fundamental to that approach, at BankAmerica, is viewing community reinvestment as a way to add business and market share.

"Bankers that get into the market with a profit motive will invest the time and resources to make the right deals and ensure safety and soundness," he said. "Those without a profit motive are unlikely to make the types of investments needed for the long-term success of a CRA program."

Mr. Rosenberg also noted the increasing trend of potential customers scrutinizing lenders' CRA ratings before doing business with them. BankAmerica recently gained significant new business from a major health care firm after the firm hired a consultant to investigate the bank's community development record.

Government as 'Enabler'

Mr. Rosenberg also called on the government to become an "enabler" of community lending, as opposed to just the enforcer of the legislation, through tax credits, inclusive government programs, and "safe harbors" for banks with outstanding CRA ratings.

"The President's community development bill is a very small step in the right direction," he said. "There is more the government can do in the way of incentives and regulatory reforms that will encourage mainstream financial institutions and existing agencies to significantly expand their community reinvestment activities." □



Richard M. Rosenberg
Sees "vast resources" untapped

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Bank and Thrift Stocks

Highlights for Wednesday, August 25

Top 10 Gainers %

CPB Inc.	5.9
FNB Corporation	5.9
City Holding Company	5.8
F&M Bancorp	5.0
MBNA Corporation	4.8
F & M National Corporation	4.7
Hancock Holding Company	4.6
City National Corporation	3.7
NBT Bancorp	3.7
Zions Bancorporation	3.6

Top 10 Losers %

Riggs National Corporation	-11.4
Community First Bankshares	-5.4
Trans Financial Bancorp, Inc.	-4.2
Security Capital Bancorp	-3.5
Hancock Holding Company	-3.2
Bank South Corporation	-3.1
Grenada Sunburst System Corp.	-3.1
Pacific Western Bancshares	-3.0
Provident Bankshares Corp.	-3.0
Star Banc Corp.	-2.5

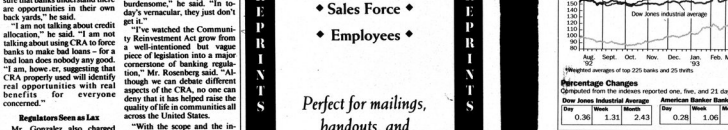
Most Shares Traded

Citicorp	1309400
BankAmerica Corporation	1283900
Chemical Banking Corp.	1099900
MBNA Corporation	853600
Chase Manhattan Corporation	799100

Volume as % of Average

Victoria Bankshares, Inc.	1666.5
F&M Bancorp	972.1
Intercontinental Bank	851.0
Brenton Banks, Inc.	678.4
Omega Financial Corporation	560.4

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			Bank Index			Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.36	1.31	2.43	0.28	1.06	1.30	0.38	1.45	2.75

Top 225 Banks

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Stk Yld	Chg.
38¾	27¾	FirstAlabamaAL	11.6	158.3	2.9	¼
26¼	11	FirstAmericTn	8.1	200.1	2.5%	¼
34¼	20¾	FirstAmerCorp	10.7	1,139.5	2.3	¼
50¼	39¾	FirstBancorp Of	11.5	164.6	4.9	¼
33¾	24	FirstBancorpPR	26.2	181.2	3.1%	¼
40¾	25¾	FirstChicagoIL	130.7	126.5	4.5%	¼
41¼	28	FirstCommerBR	11.1	1,187.4	2.9%	¼
18¾	14¾	FirstCommerGA	17.3	137.2	4.1%	¼
14¼	10	FirstCommerMS	10.0	189.2	1.7%	¼
17	12¾	FirstCommerNC	43.6	1,000.0	2.4%	¼
34¼	21¾	FirstCommerNE	10.9	182.1	3.2%	¼
25¾	17¾	FirstCommerTN	12.5	181.8	2.6%	¼
25¾	9¾	FirstEastern PA	NM	184.4	2.4%	¼
157¾	116	FirstEmpireNY	12.7	1,353.3	1.0%	¼
51¾	34	FirstFidelity C	11.1	595.1	4.8	¼
54¼	38	FirstFidelityOH	13.7	259.8	3.6%	¼
56½	36¾	FirstFinCorpIN	11.8	151.3	5.6%	1½
39¼	23¾	FirstFinancialCA	13.4	1,000.0	2.4%	¼
65¼	38¾	FirstInterstateCA	8.6	153.1	6.1	¼
27¾	19¾	FirstInterstateWA	12.7	1,842.2	4.5%	¼
27¾	16	FirstMidwestIL	18.0	176.4	2.7%	¼
22¾	16¾	FirstNiagaraCorp	13.4	162.1	2.1	¼
21¾	11¾	FirstSecurityCp	11.4	193.6	2.9%	¼
30¾	21¾	FirstSouthBncrp	11.5	158.6	3.4%	¼
31¼	20¾	FirstSouthwestVA	11.4	186.3	4.9%	¼
28¾	17	FirstUnitedBC	8.8	139.8	2.9%	¼
38	17	FirstUnitedME	14.7	225.5	3.4%	¼
29¾	19¾	FirstUnitedOhgrNM	14.2	180.7	2.7	¼
19¾	9¾	FirstVirginiaBk	15.8	178.6	3.6%	¼
37	26¾	FirstaCorpFL	11.5	199.9	3.3%	¼
39	34	FirstbancorpNC	11.8	162.6	3.6%	¼
43¾	30¾	FirstofAmericaMI	11.2	167.5	3.9%	¼
27¾	20¾	FleetFinancialCp	11.3	147.2	3.5%	¼
44¾	32¼	FortuNorthCpIN	13.2	168.3	4.0%	¼
31¼	24	FortuNorthCpOH	11.5	148.0	2.8%	¼
28¾	20¾	FranklinCorpTN	11.2	161.4	2.8%	¼
26¾	20	FranklinNatlBncp	11.3	147.2	2.5%	¼
31¾	24¾	FulMainBncpMD	11.9	166.2	2.9%	¼
31¾	24¾	FulMainBncpVA	11.9	166.2	2.9%	¼
17¾	13¾	GNC Corp	14.7	129.2	1.5	¼
37¼	25¾	GeneseeCorpNY	9.9	135.8	2.5%	¼
34¾	24¾	GeorgiaBkgCo	9.5	153.3	3.5	¼
40	34¾	HancockHldgCo	14.6	185.9	3.8%	¼
29¼	19¾	HancockHldgMS	12.3	167.8	3.9%	¼
17	12¾	HeritageFedCp	13.4	188.1	1.7	¼
8¾	4¾	HiberniaCorpLA	NM	158.9		¼
31¼	11½	HubcoINJ	13.5	230.5	2.6%	¼
27¾	19¾	IBerBancoPR	13.7	177.2	2.8%	¼
15	6¾	ImperialBancorp CA	18.2	83.4	1.3%	¼
29¾	21¾	IndependentBkMI	28.7	218.8	2.6%	¼
49¾	33¾	IntegraFncCpPA	10.1	186.7	4.6%	¼
23¾	19	InterFirstBkcpTX	11.3	148.6	3.8%	¼
23¾	19	InterNatlBncpIA	10.9	135.5	2.9%	¼
24¾	17¾	InterWestBncpOR	11.1	134.5	3.4%	¼
74¾	54¾	JacksonvilleBncp	12.6	1,000.0	2.4%	¼
29¾	17¾	JeffersonBkshrsTN	12.6	186.1	2.1	¼
34¾	24¾	KeyCorpNY	12.3	1,000.0	2.4%	¼
34¾	24¾	KeystoneFin PA	12.3	164.4	2.9%	½
29¾	20¾	LaSalleNatl IL	14.7	202.3	2.8%	¼
35¼	22¾	LibertyBancorp OK	9.2	151.8	2.9%	¼
29¾	20¾	LibertyBkNewOrl	13.7	177.2	2.8%	¼
34¾	18¾	MBNACorp DE	18.4	492.5	3.4%	1¼
14¾	10¼	MBC FinancialMD	12.3	134.5	1.4%	¼
18¾	13¾	MagnaGroup MO	12.0	123.4	1.7%	¼
29	17¾	MarShallBcshrsWI	13.5	252.8	2.8	¼
25¾	20¾	MarineMidlBnks MI	14.0	180.0	2.8%	¼
30¾	22¾	MarshallIsBncp IL	10.2	145.7	3.5	¼
58¾	36¾	MercantileBncsMO	11.8	1,144.8	4.0%	¼
39¾	28¾	MercantileBncpIL	11.8	144.8	4.0%	¼
62	44¼	MercantileBncpMI	18.4	175.1	5.6	¼

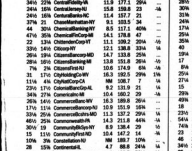
52 Wk Hi	Lo	Name	PE	Mkt Cap.	Stk Yld	Chg.
25¾	18¾	UnitedCarolinaNC	11.7	154.4	2.5%	¼
89	77	UnitedCounties NJ	13.7	121.3	3.6	¼
40¾	30¼	UnitedMissouriMD	13.7	121.9	3.8%	¼
41¼	28¾	UnitedNJBancorp	11.6	141.3	3.4%	¼
45¾	35	ValleyBancorp NV	13.1	172.8	4.3%	¼
24¾	14¾	VictoriaBkshrs TX	8.9	146.2	2.5%	¼
27¾	20¼	VictoriaBkshrs TX	8.9	138.3	2.5%	¼
40¾	29	WachoviaCorpGA	13.5	2163.6	3.4%	¼
120	61¾	WellsFargoCA	22.5	191.9	3.16%	¼
31¾	20¾	WestCoastBncp	16.2	165.3	3.6	¼
28¾	19¾	WestFraserBancp ID	13.3	175.2	2.8%	¼
28¾	19¾	WestFraserBancp MT	13.3	175.2	2.8%	¼
16¾	10¾	WesternBancShr CA	12.3	189.2	3.4	¼
28¾	20¾	WestmarkBancpFL	9.4	142.6	3.4%	¼
27¾	20¾	WilmingtonTrustDE	11.4	1,000.0	2.4%	¼
27¾	20¾	WorthenBankingAR	10.3	161.3	2.4%	¼
49	27	ZionsBancorpUT	10.7	304.9	4.3%	1½

Top 25 Thrifts

52 Wk Hi	Lo	Name	PE	Mkt Cap.	Stk Yld	Chg.
18¾	12¼	ALBANYFinancialNY	11.2	80.0	1.8%	...
21¼	13¾	AmericanSvCA	NM	103.4	1.9%	...
23¼	15¾	CalFedBancFSB CA	NM	35.5	1.2%	...
34¾	22¾	CharterOneFin OH	7.8	148.2	3.2%	½
24¾	15¾	CitizensFSBkFL	10.4	132.2	2.2%	¼
24¾	15¾	CommonwealthMA	11.4	137.2	2.2%	¼
21¾	11¾	CommonwealthNJ	11.4	137.2	2.2%	¼
14¾	9¾	EagleFncCpOH	12.2	139.0	2.8%	¼
10¼	4½	GreatSouthNY	NM	85.4	?	...
24¾	15¾	GTFinancialMA	7.3	186.8	2.3	¼
15¾	7¾	FedFncCorpMI	9.0	158.2	1.4%	¼
19¾	12¾	FirstFedAmerica	10.2	160.2	2.1	¼
50	35¼	GoldenWestFnCA	9.4	142.6	4.1%	¼
19¾	12¾	GreatNorthernFnCA	24.2	104.2	1.7%	¼
28¾	18¾	JSB FinancialNY	10.1	91.7	2.4%	¼
22¾	12¾	MetroFinCpMI	9.9	100.5	2.4%	¼
34¾	18½	NBB BancpMA	11.3	123.6	3.4	¼
14¾	10¾	NBankvilleNJ	9.2	78.1	2.9%	¼
10¼	6¼	NorwichFinOH	10.4	181.8	4.4%	¼
26¾	15¾	OceanFinCpNJ	10.2	181.1	2.4%	¼
26¾	17¾	SanFranSvBkCA	15.7	196.0	3.6	¼
28¾	17¾	SecondFedMA	9.1	139.7	2.9%	¼
24¾	15¾	SecondFedMA	9.1	139.7	2.9%	¼
26¾	15¾	WashMutualSB WA	11.6	174.4	2.6%	¼
26¾	15¾	WashingtonFedCO	11.6	174.4	2.6%	¼

Bank Stock Table Explained: The table lists in alphabetical order daily composite stock prices at 4:30 p.m. (unless otherwise noted) for the 225 largest publicly traded banks as measured by the market value of common equity as of March 31, 1993, and for the 25 largest publicly traded thrifts as measured by the market value of common equity as of December 31, 1992. The 52-week high and low stock price for banks was $34.75 and $24.00 for thrifts; $244.20 and **$2.50 IN Ed:** the moving 52-week high and low closing stock prices for the stock. The PE ratio is the latest 12 months' net stock price divided by the trailing four-quarter earnings per share, adjusted for latest announced earnings. The ratio is omitted for companies with less than four quarters of data. **Mkt. Cap.** is the latest 12 months' net stock price multiplied by the number of shares outstanding, expressed as a percentage. **Stk Yld** is based on announced earnings and dividends. **Last:** The price at which the stock last traded. If no trades for the day, the bid is listed. **All Bank and Thrift Indexes:** A weighted average of the top 225 banks in market value and the top 25 thrifts in market value, respectively. **Chg:** Change in closing price from previous day. **Footnotes:** pf-preferred; wt-warrant; cv-convertible; nv-new issue; nm-not meaningful; nd-not available; ? - unknown. **Data sources:** **SNL SECURITIES,** Charlottesville, Va. 804/977-1600, produced the tables; Thomson Financial News Network, Vienna, VA, provides SNL with the daily prices.

Libor Swap Yield Curve



Wednesday, August 25, 1993



Data source: Chemical Bank, New York

Description of table: For lenders and borrowers in the interest rate swap market, the London interbank offered rate swap yield curve is the benchmark rate by which participants, when arranging the exchange of fixed- and floating-rate cash flow streams of different maturities. For example, a fixed-rate lender holding a one-year fixed-rate loan and wishing to swap into floating would pay the one-year rate at the end of a year in exchange for a floating-rate payment stream, usually three-month Libor, paid and reset quarterly.

Key Rates• (August 25, 1993)

	8/25	8/24	8/18	8/26/92
Federal Funds domestic range:	2¹⁵/₁₆–3	2¹⁵/₁₆–3	3–3¼	3¼–3¾
Prime Rate · Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate · FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit‡				
3 Month Posted	2.73	2.73	2.73	2.95
6 Month Posted	2.92	2.92	2.92	3.10
1 Year Posted	3.05	3.10	3.10	3.25
Eurodollar deposits‡				
3 Month	3⅛	3⅛	3⅛	3⅜
6 Month	3⅛	3⅛	3⅛	3½
1 Year	3⅛	3⅛	3⅛	3¾
Dealer Commercial Paper‡				
1 Month	3.08	3.08	3.10	3.39
3 Month	3.16	3.17	3.14	3.39
6 Month	3.27	3.30	3.25	3.45

(•)— Late afternoon quotes, New York market. (‡)— Highest offering rates (annual % yield) at selected NYC money center banks. (F)— Late London bid. (P)— Asking or the equivalent.

Fifth Third Attracting Crowd of Short-Sellers

Continued from page 1

July 15. Late Wednesday, the shares were trading at $52.875.

Short-playing is risky because losses can quickly mount if a stock rises rather than falls. In that case, short players must buy the stock as quickly as possible to cover their positions. The coverage ratio reveals that risk.

The total short interest position in Fifth Third has grown 9% since mid-June, when it totaled 771,000 shares.

"I'm not too surprised," said Joseph A Steven of Stifel Nicolaus & Co., St. Louis. "Some people think it is time in the market cycle to get bearish on the banks, and Fifth Third is at the very high end of the valuation scale."

Fifth Third shares trade at 16.5 times estimated earnings this year. It is the only major bank stock whose valuation matches the price-to-earnings ratio for the Standard & Poor's 500 stock index.

Mr. Steven said he did not think the short interest was a statement about riskiness at Fifth Third itself.

"They have a tremendous long-term earnings record, and it would be hard to make a case for betting against them," he said.

Short interest generally has been setting records in the over-the-counter market. It rose 5.2% in August to 587.4 million shares, the seventh straight month in which a new high has been set.

'August Doldrums' Blamed

P. Michael Brumm, chief financial officer at Fifth Third, said Wednesday the short interest was small in contrast to the Ohio bank's 60 million shares outstanding. He blamed the jump in the coverage ratio to lower trading volume during the "August doldrums."

Arbitragers may be trying to capitalize on a recent deal by the bank.

He also noted that Fifth Third's pending acquisition of Tristate Bancorp., a Cincinnati thrift, probably has invited speculation by arbitragers, since the all-stock deal has a fixed exchange ratio.

In such a situation, arbitragers play the market in both stocks, usually by selling shares of the acquiring institution and buying those of the seller.

Thomas D. McCandless, an analyst at Paine Webber Inc., agreed that Fifth Third's acquisition is a possible reason for short interest activity.

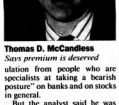
"The arbitragers may see it as a way of locking in a risk-free rate of return," he said.

Unusual Timing

But he noted that this kind of activity in stocks usually occurs much closer to the time a deal closes.

Mr. Brumm said the acquisition, announced on July 2, is not likely to close until December. Fifth Third will pay about $68 million in stock for the thrift.

Mr. McCandless also said the short activity may reflect "spec-



Thomas D. McCandless
Says premium is deserved

ulation from people who are specialists at taking a 'bearish posture" on banks and on stocks in general.

But the analyst said he was not concerned about the outlook for Fifth Third.

"The company remains a premier growth company of the banking industry and deserving of its premium valuation," he said.

WEDNESDAY'S MARKET

MBNA Corp., the credit card issuer, led the way on Wednesday as bank stocks extended their recovery from recent weakness.

MBNA was up $1.50 to $34.25, a new yearly high, in late trading. BankAmerica Corp. was up 50 cents to $46.625, First Union Corp. rose 62.5 cents to $45.625, and National City Corp. gained 75 cents to $25.875.

Boatmen's Bancshares moved up 62.5 cents to $60.75. Mellon Bank Corp. advanced 75 cents to $57.625.

On the losing side, Banc One Corp. was down 25 cents to $40.125, and Chemical Banking Corp. was off 25 cents to $40.125. □

Tenn. Thrift Sets Stock Split

KINGSPORT, Tenn. — Heritage Federal Bancshares said its board has approved a 3-for-2 stock split.

The split is to be accomplished through a 50% stock dividend to be distributed Sept. 30 to stockholders of record on Sept. 8. Cash will be paid instead of fractional shares. Heritage Federal has 1.6 million common shares outstanding. □

5-Year Note Gets Average Demand Following Big Response to 2-Years

The second leg of the Treasury Department's fund-raising effort this week met only average demand.

The tepid response to the new issue of five-year notes on Wednesday contrasted with the enthusiastic one given to the previous day's two-year note sale.

"It was a little bit of a reality check," said Douglas Schindewolf, money market economist for Smith Barney, Harris Upham & Co. "The market had been on fire."

The Markets

The $11 billion in five-year notes were awarded at a yield of 4.87%, about what traders had expected just before the Treasury began the auction Wednesday afternoon.

Nonetheless, the auction rate was the lowest ever for the five-year note.

At the previous auction, on July 28, the auction yield was 5.25%.

Bids exceeded accepted offers by a ratio of 2.6 to 1, virtually the average result over the last several auctions of this security. Tuesday's two-year sale received a "bid-cover" ratio of 3.5 to 1.

The auction rate was the lowest ever for the five-year note; the "bid-cover" ratio was average.

Government Securities Prices Gain

Prices of government securities gained after a short retreat just after the auction.

The price of the 30-year bond was up ¼, lowering the yield to 6.17% from 6.19% on Tuesday. Over the last month, the yield on the long bond is down about a quarter point.

Ten-year notes were up ⅜, and the yield fell to 5.50% from 5.54%. Two-year notes gained ⅛, lowering the yield to 3.87% from 3.91%. The bond-equivalent yield on the three-month Treasury bill was unchanged at 3.03%.

Report Spurs Short-Lived Surge

John Canavan, market analyst at Stone & McCarthy Research Associates, said rumored purchases of two-year, three-year, and five-year Treasuries by the Federal Reserve provided early support for the market.

The day's economic data had little lasting impact.

The Commerce Department reported that new orders for durable goods fell 3.8% in July, the biggest decrease since December 1991. The market initially rose on this indication of weak economic growth.

But bonds fell back once news spread that the decline was due to a drop in aircraft orders. Without the drop in transportation orders, durable goods rose 1.3%, economists said.

Adding to the negative tone in the bond market, the government reported that sales of existing homes in July rose 5.4%.

Blue-Chip Stocks Remain Strong

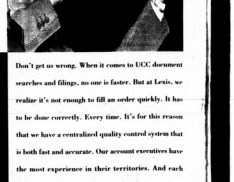
Offsetting these reports, however, were comments by Federal Reserve Board Governor Lawrence Lindsey, one of the fiercest inflation fighters on the Fed, that he was happy with the latest inflation numbers.

Blue-chip stocks again were strong, led by airline issues. The Dow Jones industrial average gained 13.13 points to a record 3,652.09. The Standard & Poor's 500 index rose 0.36 to 460.13. But the Nasdaq composite index lost 1.49 to 733.65.

The dollar gained against the German mark on speculation that the Bundesbank will cut interest rates at its meeting this morning. The dollar finished at 1.6842 marks, versus 1.6790 on Tuesday.

— Bart Fraust

IT'S GOOD TO BE FAST, BUT IT'S MORE IMPORTANT TO BE ACCURATE.



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AMERICAN BANKER
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Loan Standards Eased in Quest For High Yields

By WILLIAM GOODWIN

Bankers, hungry for high-yielding loans, are loosening their lending standards for leveraged buyouts and recapitalizations.

For one thing, amortizations are getting "back-ended," meaning the bulk of the repayments are coming in the later years of the loan.

Banks are also becoming more liberal about debt and interest-coverage ratios and are requiring less equity in deals that they help finance.

"All of your leverage indices are getting a little more aggressive," said Thomas Bunn, head of loan syndications at NationsBank Corp. in Charlotte, N.C.

News Analysis

Deal firms have taken notice.

"We saw how Specialty Foods got financed, and wondered how it cleared the bank market," said John Hine, partner at the Dallas buyout firm Hicks, Muse & Co.

Mr. Muse was referring to a collection of specialty food brands bought last year by Texas billionaire Robert Bass and other investors for over $1 billion.

Loans, Junk, Debentures

The buyout is being financed mainly with bank loans and junk bonds, including $319 million of debentures and preferred stock, which are a form of so-called interest-deferred securities.

Widely used — and abused — in the 1980s, interest-deferred securities enable borrowers to postpone interest payments for a number of years.

Detractors view the securities as ticking time bombs on a company's balance sheet.

Even some members of the bank group backing the Specialty Foods deal describe it as an aggressively capitalized, 1980s-style buyout. Chemical Bank is lead bank on the $540 million loan.

Banks Get Paid First

The bank debt is scheduled to be paid off before the discount bonds start paying interest and principal, which is one reason why the banks went along with the deal.

But even as recently as six months ago, that might not have been the case.

Indeed, the gradual reappearance of interest-deferred securities in buyout financing is a further sign that the deal market could be on the verge of over-

See LOOSEN back page

INSIDE NEWS

STATISTICAL REVIEW



THE AMERICAN BANKER's annual statistical review is published today. *Page 14*

REGIONAL BANKING

AMSOUTH chairman John W. Woods seems to have ensured an interesting succession contest by promoting two executives to vice chairman. *Page 4*

COMMUNITY BANKING

GOLDEN GATE BANK, a San Francisco-based portfolio lender, has agreed to be acquired by one of its longtime clients. *Page 6*

CREDIT UNIONS

THE INDUSTRY's largest bankers' bank will stop transferring up to $22 billion in securities through the Federal Reserve Bank of Kansas City, in anticipation of new daylight overdraft regulations. *Page 8*

MORTGAGES

FIRST TENNESSEE may have struck a shrewd bargain in acquiring the mortgage subsidiary of MNC Financial. *Page 10*

INVESTMENT PRODUCTS

MARKETING ONE in Portland, Ore., is thriving as a third-party marketer of mutual funds and annuities to banks. *Page 12*

CREDIT/DEBIT ATMs

AT&T UNIVERSAL Card Services plans to refine its marketing systems using artificial intelligence. *Page 14*

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Fed's Lindsey Says CRA Reform Could Boomerang

By CLAUDIA CUMMINS

SAN ANTONIO — Federal Reserve Governor Lawrence B. Lindsey warned on Wednesday that unless carefully crafted, reform of the Community Reinvestment Act could create more problems for the banking industry than it solves.

While changes in the rules are needed, he said, bank regulators must avoid pushing the law so far that it becomes a tool for credit allocation.

"Will more specific guidance by Congress or the regulators in fact generate the desired result – equal access to credit for all creditworthy Americans?" Mr. Lindsey asked. "The best I can say is, maybe."

Local Solutions Favored

"But certainly, whatever we decide will have a price," he added. "National solutions to local problems generally cost more in time, resources, and money than local solutions to local problems."

Mr. Lindsey made his comments at a community investment conference sponsored by the Federal Reserve Bank of Dallas. The Fed governor is a lead player in the CRA reform effort that was initiated by President Clinton last month.

Historical Comparison

Regulators have until the end of the year to refocus the law on actual loans made in low-income areas.



Lawrence B. Lindsey
Against asset allocation

In his luncheon address – held just before regulators convened their second public hearing on CRA reform – Mr. Lindsey compared the impact of a poorly re-crafted CRA to the experience of Philadelphia's Bank of North America, which was chartered in 1782.

After complaining that the bank was not lending enough to them, farmers convinced the legislature to repeal the bank's charter and replace it with a more restrictive one, Mr. Lindsey said. This act caused the bank to falter, leading to an economic slump throughout Pennsylvania that hurt the farmers the regulation was designed to help.

"I think there are some important lessons to be drawn from this early experience," Mr. Lindsey said. "First, political su-

See LINDSEY next page

Wider Reach Feared for Market Value Accounting

BY JIM MCTAGUE

WASHINGTON — Accounting experts are advising all banks to comply with a new FRS rule requiring mark-to-market accounting by securities dealers.

Bankers will have to designate which assets they hold for sale by Sept. 9. They would then have to compute unrealized gains and losses on those assets for 1993.

Though the tax impact is expected to be minimal for most banks, some groups complain of a compliance nightmare.

Many bankers thought the provision would affect only banks like Bankers Trust and J.P. Morgan, which are heavily engaged in the securities business. But the IRS is applying the regulation to loans and other bank assets as well.

Worse than Expected

"No one thought they'd be this vigorous," said Henry Ruempler, the American Bankers Association's resident tax expert.

Knowledgeable sources said the IRS and Treasury will issue a more authoritative statement as early as next week to clarify the rule.

It is expected to note that

See TRADE next page



A High-Tech Dealmaker

THROUGH AGGRESSIVE acquisitions, George D. Dalton has transformed Fiserv Inc. from a regional data processing firm into one of banking's top suppliers of computer services. His latest deal could pay off big for investors.

NEWS *briefs*

Citicorp Issues Card-Backed Securities

NEW YORK — An issue of Citicorp asset-backed certificates totaling $798 million was priced in two parts.

Goldman, Sachs & Co. was lead manager of a $750 million senior class of certificates. Citicorp Securities Markets Inc. was lead manager of a $48 million subordinate class of certificates.

The sellers of the MasterCard and Visa credit card receivables were Citibank South Dakota and Citibank Nevada. The loan servicer is Citibank South Dakota.

The loans were issued in a soft bullet structure through a special-purpose vehicle, Standard Credit Card Master Trust I 1993-2. The $750 million in senior certificates was priced to yield 5.97%, 50 basis points over the Treasury's 10-year note.

The $48 million subordinate class was priced to yield 6.20%, 74 basis points more than the Treasury's 10-year note.

Pioneer of N.C. Gets Nod for Capital Plan

ROCKY MOUNT, N.C. — Pioneer Savings Bank, a unit of Pioneer Bancorp, said it received a directive from the Office of Thrift Supervision conditionally approving its capital plan.

In a press release, Pioneer said the prompt-corrective-action directive supersedes the previously executed supervisory conversion agreements with the OTS and requires that the bank achieve capital compliance by being acquired on or before Sept. 10.

The company said that as provided by the bank's capital plan, it is pressing forward with its previously announced merger with Raleigh-based First Citizens Bancshares Inc.

Pioneer said stockholders are scheduled to vote on the merger Sept. 9.

S&P Rates Glendale Preferred as CCC

NEW YORK — Standard & Poor's Corp. said it has assigned a CCC rating to Glendale Federal Bank's $175 million noncumulative convertible preferred stock Series E.

S&P said it has also raised its ratings on the bank's uninsured CDs.

The ratings "reflect the anticipated successful completion of a corporate restructuring plan that will raise $425 million in equity for the savings bank and return the bank to regulatory capital compliance," S&P said.

They ratings also reflect the bank's "relatively high level of nonperforming assets, which have severally hindered operating results for the past three years."

Credit of 3 Big French Banks Downgraded

LONDON — IBCA Ltd., the European credit rating agency, said it has downgraded the ratings of three major French banks: Banque Nationale de Paris, Credit Lyonnais, and Banque Paribas.

Banque Nationale de Paris' long-term rating was lowered to AA from AA-plus, while its short-term rating remained unchanged at A1-plus.

The long-term credit ratings of both Credit Lyonnais and Banque Paribas were lowered to A-plus from AA-minus, and their short-term ratings to A1 from A1-plus.

Bisys Group to Acquire Meyer Rate Survey

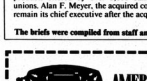
LITTLE FALLS, N.J. — Bisys Group Inc. said it signed an agreement to acquire Meyer Interest Rate Survey of Calabasas, Calif.

Terms were not disclosed.

Bisys said the acquisition is not expected to have a material impact on its fiscal-1994 results.

Bisys said Meyer gathers information on deposit and loan products offered by over 3,000 banks, thrifts, and credit unions. Alan F. Meyer, the acquired company's founder, is to remain its chief executive after the acquisition.

The briefs were compiled from staff and wire reports.



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Trade Groups, Experts Sound Warnings On the Reach of Mark-to-Market Rule

Continued from *page 1*

banks that just make loans and hold them will not be affected. Banks that frequently sell mortgages into the secondary markets will have to comply. Banking trade groups were swamped with inquiries after informing their members that the IRS provision might extend to more typical banks as well.

The American Bankers Association, which alerted its members by fax last Thursday, said it received 600 phone calls that day and hundreds more on Friday.

IBAA Fighting Back

Kenneth Guenther, executive vice president of the Independent Bankers Association of America said the IRS rule is a disastrous proposal, and he began waging an all- out campaign to have the rule delayed for further discussion.

In a priority letter fired off Wednesday to Treasury Under Secretary Frank Newman, Mr. Guenther said the controversial section of the law applies to "dealers in securities" and doesn't refer to banks.

"It provides no notice and little if any support for an extension of technical and banks some compliance requirements to the nation's community banks."

Farm Loans Cited

In a letter to his members, Mr. Guenther said the rule would negatively impact bank loans to small businesses and farms. He also complained that the IRS rule is inconsistent with a mark-to-market statement recently issued by the Financial Accounting Standards Board.

"If community banks are forced to report under two different systems, it will further strain their modest resources and add to their regulatory burdens," he complained to Mr. Newman.

"People can't play totally dumb on this," said Marc Levy, a partner in Arthur Andersen's federal tax practice here. Mr. Levy said last year's vetoed tax bill contained an identical provision and its legislative history contained illustrations showing that banks would subject to it.

Early Warning

And Mr. Ruempler said a Treasury official warned that it would apply to banks in a speech to lawyers earlier this year.

"Still, it's safe to say not many of the potentially affected taxpayers realized this was out there or that it could apply to them," Mr. Levy said.

Mr. Levy said the IRS might eventually clarify the law and the way it applies to banks.

"It's not that involved. Just make sure you can say on any given day in your general ledger which assets are held for sale and which are not."

The easiest way for most banks, he said, is to state that every security is held for investment or not for sale, unless otherwise stated. □

Lindsey Says CRA Reform Could Backfire

Continued from *page 1*

pervision of bank lending practices is nothing new, and may be an inevitable part of a democratic society."

'Harmful to Society'

He added, "The second lesson of history is that moving in a purely political direction of banking, or heavy-handed credit allocation, is not only bad for banking, it is harmful to society as a whole."

These lessons must be kept in mind in the CRA debate, he said.

"CRA is part of a long-standing balance between the need for some political oversight of the lending process and the problems that result if such oversight becomes excessive," the Fed governor said.

"We must bear in mind that because political oversight is at best a blunt instrument, striking an appropriate balance between constructive oversight and overburdening regulation will inevitably be a difficult task."

In his speech Mr. Lindsey also warned bankers that if they don't shape up their minority lending records, regulators and lawmakers are likely to step in with more heavy-handed rules.

Wages of Discrimination

"As long as behavior exists which seems outrageous to reasonable individuals – and that includes any amount of discrimination – the threat of legislative and/or regulatory action, with all of its attendant burdens, remains likely," Mr. Lindsey said.

"The prospective regulatory burden which might result from not solving this problem is potentially enormous, so it can only be left of bankers to eliminate both the practice and the perception of discrimination," he added.

Finally, Mr. Lindsey warned bankers that as the focus on minority lending intensifies, reliance on statistical analysis of lending data will grow stronger.

"Statistics have played a major role in our consideration of the mortgage discrimination problem to date," he said. "Their role as an enforcement tool is just now beginning, and is likely to increase dramatically in the years ahead."

The Justice Department, in particular, has relied heavily on statistical models in analyzing bank's minority lending. But Mr. Lindsey, once a Harvard economics professor, warned that the this approach has its limitations. □

Mr. Lindsey indicated banks need to improve minority lending.

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BayBanks Shifting to Unisys for Imaging

By JEANNE IIDA

BayBanks Inc. has signed a multimillion-dollar contract with Unisys Corp. to install an imaging system for its check processing operations.

BayBanks will convert its check processing operations from International Business Machines Corp. equipment to Unisys in order to move more quickly to image capture technology for processing deposited checks.

By eliminating most manual handling of checks, image capture technology is expected to reduce costs by 35% to 40% at banks that process large volumes of checks.

Republic Converting

BayBanks is the second major bank to move to the Unisys imaging system after using IBM check processing technology. Republic National Bank said last month that it would turn over its check processing operations to Systematics Financial Services Inc., which is converting its New Jersey processing center from IBM equipment to the Unisys system.

The bank wants to further automate check processing.

IBM's check image processing project is months behind the Unisys program. While IBM is now in the final phases of testing its image capture system for deposited checks at several banks, several Unisys customers, including Huntington Bancshares, Comerica Inc., and Signet Banking Corp., have had image systems in production since the middle of last year.

"Certainly we considered IBM and NCR," said Robert Hunt, managing director of BayBank Systems Inc., the processing arm of the Boston-based bank. "The key factor in our choosing Unisys was to have someone who'd worked out the bugs" in the technology.

"We felt more confident the conversion would go smoothly with Unisys," Mr. Hunt added.

High-Profile Test Case

"Everyone will be anxiously looking at this conversion [from IBM to Unisys] as a laboratory to see how easily it can be accomplished," said Stanley E. Militko, a banking consultant at Littlewood, Shain & Co. in Exton, Pa.

BayBanks, which processes an average volume of 1.5 million checks a day plans to install the Unisys InfoImage item processing system. The system eliminates most manual handling by automatically reading the amount on a check.

BayBanks also is the first bank to plan to incorporate the handling of automated teller machine deposits into an image capture system. The bank will work with Unisys to develop software that captures the amount keyed in by a customer at an ATM, and compares it with the amount captured on the envelope deposited at the ATM.

More Technology News
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Extensive Retail Franchise

That capability will allow BayBanks to streamline its ATM deposit-posting function, which already is centralized in a single location. Many other banks perform this function in the branches.

BayBanks, with assets of $9.8 billion, has an extensive retail network of over 200 branches and 1,200 ATMs. BayBanks operates its own ATM network, called X-Press 24.

The bank employs dozens of proof operators in a central location who handle ATM deposits, matching check amounts with the amount keyed into the ATM and then sending the checks to reader/sorters.

When the ATM software is developed, Unisys will be able to market the system to other banks, officials said.

BayBanks has already had some success with image capture technology. Last year, the bank installed software to produce statements with images of checks rather than the checks themselves. BayBanks, which does not charge a fee either for image statements or for returning checks, now issues some image statements to about 100,000 customers monthly.

While Mr. Hunt declined to specify cost savings, he said the percentage of statements containing errors had been reduced from 1.2% to 0.2%. □

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AUG 27 1993

Amsouth Chief Doesn't Want Heir to Be Apparent

By KENNETH CLINE

In promoting two executives to vice chairman, Amsouth chairman John W. Woods is preparing a careful course to retirement. But he also seems to have ensured an interesting succession contest for the Alabama bank company.

People in the News

Mr. Woods and his board appointed C. Stanley Bailey and C. Dowd Ritter – the former from the corporate office and the latter from the line-of-business side – to vice chairman posts last month. The promotions signal that the bank has strong bench strength, Mr. Woods contended in a recent interview.

"I've had my turn at bat," said Mr. Woods, who is 62 and has been chief executive since 1972. "I'm going to move on to other things at age 65 and turn it over to the younger ones."

Seats on the Board

The question is: Which of the younger ones?

Mr. Bailey and Mr. Ritter, both of whom also became directors of Amsouth, would not comment on the succession question.

Mr. Bailey, 44, was senior executive vice president and chief financial officer of the Alabama company. Mr. Ritter, 45, was senior executive vice president in charge of retail banking at Amsouth, which has $11.1 billion of assets.

In his new role, Mr. Bailey will oversee corporate finance, Amsouth's mortgage subsidiary, and private banking. Mr. Ritter will continue to oversee the subsidiary banks in Alabama, Florida, Tennessee, and Georgia, and also run commercial lending, consumer and business banking, and human resources.

Still Undecided

"Clearly, the two of them are in a position that nobody else is in," Mr. Woods said. At the same time, he insisted that "no choices have been made" regarding his successor.



C. Stanley Bailey
Point man for expansion drive



C. Dowd Ritter
Retail banking dynamo



John W. Woods
In no rush to choose

Lewis Kennedy

At least one board member denied any tensions in the dual-chairmanship role or a need to designate a chief executive-elect.

"Until it's necessary, it's stupid to make a decision like that, and it's not necessary yet," said Herbert A. Sklenar, a board member who runs a construction materials company in Birmingham. "They're members of a strong team and view themselves as part of a team."

But bankers at competing banks in Birmingham, who asked for anonymity, were inclined to give the nod to Mr. Ritter because of his line experience.

An Amsouth employee for 24 years, Mr. Ritter has at various times headed branch administration, Amsouth's north-central Alabama region, and, ultimately, all retail banking operations.

"For a company with their commitment to grow, you need that kind of leadership," said one Birmingham banker.

The case for Mr. Bailey, who came up on the operations and finance side of the company, rests in his role as point man on Amsouth's highly visible expansion effort.

Buying Spree

Since June 1992, Amsouth has embarked on a campaign of acquisitions in Florida, Georgia, and Tennessee that will have added over $3 billion in assets when all pending deals are completed. The push is arguably the most important strategic move in the holding company's 21-year history.

Mr. Woods was good-humoredly evasive when asked why he didn't simply assign things by designating a single heir apparent.

"I think I've got a few good years left, and if I pick somebody too soon, they might run me off," he said with a laugh.

More seriously, he said that he needed to quickly appoint a company insider to Amsouth's 27-person board because of the unexpected retirement decision of William A. Powell Jr., the corporation's vice chairman and president. Mr. Powell said he will retire one year early on Aug. 1 because of health problems.

No Time for Grooming

Mr. Woods indicated that did not give him time to groom a successor.

"Had Bill [Powell] stayed his full time, we might have waited a little longer," said Mr. Woods, who will retire as chairman in 1996.

But he suggested that he could tip his hand on a successor well before then, perhaps by stepping down from his chief executive post before his official retirement. "The choice for the next CEO will be made well before I walk out the front door," Mr. Woods said. □

Shawmut Buying Mass. Thrift for $180 Million

By YVETTE D. KANTROW

Acquiring Peoples Bancorp of Worcester will make Shawmut the market share leader in New England's second-largest city.

Shawmut National Corp. on Thursday said it will buy Peoples Bancorp of Worcester, Mass., for about $180 million in stock.

The acquisition will give Shawmut the largest retail market share in Worcester, the second-largest city in New England. Peoples, a thrift holding company with $913 million in assets, operates 23 branches in central Massachusetts.

The planned price represents 1.76 times Peoples' book value. Analysts described the price as high but justifiable. Because the deal is an in-market acquisition, it should enable Shawmut to realize substantial costs savings, they said.

'A Clean Thrift'

"It's a good in-market acquisition of a clean thrift," said Michael Mayo, an analyst at UBS Securities, who noted that Shawmut has slightly more branches than Peoples in Worcester.

Following the announcement Thursday afternoon, Shawmut's stock fell $1, to $23 per share, while People's soared $9, to $47.50.

Under the agreement, each share of Peoples will be exchanged for shares of Shawmut valued at $52 a piece.

Peoples, which went public in 1986, remained profitable throughout the New England downturn. For the first six months of this year, the thrift company reported net income of $5.65 million, or $1.67 a share.

Second Deal of Year

Shawmut chairman and chief executive Joel B. Alvord said in a press release that the deal, which is expected to close in the first quarter of 1994, should become accretive to earnings per share during the year.

The Peoples acquisition is the second announced by Shawmut, New England's third-largest banking company at $25 billion of assets, this year.

In March, Shawmut agreed to acquire New Dartmouth Bank in New Hampshire for $143 million.

Sources close to the company, which is based in Boston and Hartford, Conn., said it also submitted rejected bids for two Connecticut thrifts this year, New England Savings Bank and Society for Savings. Rhode Island-based Citizens Financial Corp. acquired New England Savings, a failed thrift. Hartford-based Society was purchased by Bank of Boston Corp. □



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EXECUTIVE *changes*

Shawmut Hires Warren Smith To Run Connecticut Urban Unit

SHAWMUT BANK, Hartford, Conn., has hired **Warren Smith** as a senior vice president to manage its newly formed urban business banking group in Connecticut.

Mr. Smith, 44, joins Shawmut from Boston Bank of Commerce, New England's largest minority-owned bank, where he had been president and chief operating officer since 1990.

He will oversee bankers in five cities who provide banking services to small businesses in poor and moderate-income neighborhoods. He will report to **Jan Miller**, senior vice president in charge of small-business banking at Shawmut.

Mr. Smith joined Boston Bank of Commerce in 1984 as senior vice president and senior loan officer. He began his banking career as a corporate analyst for Connecticut Bank and Trust in 1973. — **Franklin Smith**



Warren Smith

NEW ENGLAND

FLEET BANK of Massachusetts, Boston, a unit of **Fleet Financial Group**, has promoted **Joni A. Stone** to vice president of private banking, with special responsibility for calling on corporate executives and entrepreneurs in Greater Boston.

John A. Wolff has been promoted to vice president in Fleet Bank's commercial real estate division. He is responsible for the management and origination of commercial real estate, including construction loans.

MIDWEST

FIRST of America Bank Corp. promoted **Samuel G. Stone** to senior vice president and treasurer. He had been a vice president and director of corporate planning at the Kalamazoo, Mich.-based bank company.

Mr. Stone joined First of America's flagship subsidiary in 1972, serving as an analyst, portfolio manager, and, eventually, head of the bank's trust department. He assumed his responsibilities as director of corporate planning in 1983.

NBD BANK, Fort Wayne, Ind., has appointed **Don Schenkel** senior vice president of sales and marketing.

The executive, who has over 27 years of experience in retail lending, sales, and management, spent 19 years with Lincoln National Bank as senior vice president. He was responsible for retail lending, branch administration, marketing, facilities and property at Lincoln.

MARSHALL & Ilsley Corp., Milwaukee, named two presidents of its subsidiaries.

Mary L. Birnbaum took the post at Marshall & Ilsley Trust Co. and **David W. Schulz** at M&I Investment Management Corp.

WEST

WEST ONE Bancorp, Boise, Idaho, has appointed **Scott C. Benner** senior vice president and chief investment officer in the trust division of West One Bank Idaho.

He was formerly with First Interstate Bank in Los Angeles as vice president and director of taxable fixed-income in the trust area.

MIDDLE ATLANTIC

NATIONAL Westminster Bank NJ, Jersey City, has named **Stacy Loyle** a vice president. He is manager of the bank's Northfield branch office, overseeing business calling, office staff, and operations.

SOUTHEAST

WACHOVIA CORP., Winston-Salem, N.C., has elected **Janet C. Boyst** as senior vice president of **Wachovia Operational Services Corp.**, Charlotte.

She had been regional operations manager for remittance processing services.

Also appointed as senior vice presidents at Wachovia were: **Jane M. Beasley, F. Richard Harmon Jr.,** and **David A. Stevens.**

Ms. Beasley is chief dealer for Wachovia's foreign exchange group in Georgia, North Carolina, and South Carolina.

Mr. Harmon is manager of the corporate trust group and has responsibility for stock transfer and bond trustee services in those states.

Mr. Stevens supervises retail banking for **Wachovia Bank of North Carolina's** Forsyth County operations.

WEST

BANK OF CALIFORNIA, San Francisco, hired **Peter R. Butcher** as executive vice president and chief credit officer.

Mr. Butcher had been with Ameritrust Corp. and Society Corp. in Cleveland. He had been executive vice president and chief credit policy officer at Ameritrust before it merged into Society.



Peter R. Butcher

He also has worked for Midland Bank PLC, London, holding management positions in England, Canada, and the United States. Before that he worked in San Francisco at Crocker National Bank when it was owned by Midland Bank.



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Spokane's Sterling Aims To Reopen Branch 'Shells'

By TERRENCE O'HARA

The megamergers in the Pacific Northwest have left a fair number of branches boarded up. But a Spokane, Wash., thrift has devised a way to capitalize on the situation.

Sterling Savings Association calls its current branching strategy "neutron de novos."

"The neutron bomb leaves the buildings intact but the people are all gone," said William Zuppe, the thrift's chief executive. "Neutron de novos are just the shell of the branch, and all the people and money have vanished."

On July 30, Sterling bought six branches that have no core deposits and no staff. It's a kind of hybrid branch acquisition strategy: Not exactly de novo, and not exactly buying an existing branch – because the selling bank has already abandoned the location.


William Zuppe

Yet the strategy will allow Sterling to cheaply enter the Seattle retail market by buying an established banking location. It will take more time, however, to rebuild the business in conformance with Sterling's retail strategy.

The six branches, which will bring Sterling's network to 19, are all at sites closed down by Keycorp since the Albany, N.Y.-based company acquired Puget Sound National Bank in January.

"We feel it is a good strategy for us because there's a lot of unsettledness out there in the consumer community about the changes going on because of these mergers," Mr. Zuppe said.

"We rely on intense consumer service, what we call 'hometown helpful.' [The branches] will be a drag on earnings for a while, but it allowed us into the greater-Seattle marketplace and we felt it was a good time to invest in the future."

Heidi Stanley, head of branch operations for Sterling, said the thrift looked at 19 Keycorp properties originally, and cherry-picked the best six. "We've always been an institution that takes advantage of opportunities like this," she said.

In its 10 years, Sterling has been successful with a variety of expansion strategies. It started in 1983 with $2 million in capital, and now has $1.1 billion of assets. It has grown its franchise through de novo branching and government assisted transactions, both before and after implementation of the Financial Institutions Reform, Recovery, and Enforcement Act. It has even overcome capital deficiencies in all three regulatory categories brought about by the 1989 law.

Confident of Wooing Keycorp Customers

Ms. Stanley said the new offices are being "painted green," referring both to Sterling's colors and the remodeling and branch setup process. Although she wouldn't make a prediction, she said she is confident the branches can reattract a strong core deposit and loan base left behind by Keycorp.

Charlotte Chamberlain, a thrift analyst at Los Angeles-based Wedbush Morgan Securities, said Sterling's strategy has been right on target.

Ms. Stanley said there are still dozens of branch properties on the market left over from the Keycorp-Puget Sound and BankAmerica-Security Pacific mergers, and Sterling is actively being pursued as a purchaser.

Golden Gate Bank to Be Bought By Client Who'll Pump In Capital

By ROBERT B. COX

Golden Gate Bank, a San Francisco-based private bank, has signed an agreement to be acquired by one of its longtime banking clients.

In agreeing early this week to purchase the $72 million-asset bank, Leo K. W. Lum, a San Francisco investor and former banker, agreed to infuse Golden Gate with badly needed capital.

Private Banking

The bank will be acquired by Pacific Rim Bancorp, a bank holding company established by Mr. Lum to complete the transaction.

Suffering from Downturn

Golden Gate is the healthiest of a troika of banks specializing in private banking in San Francisco that has suffered from the severe economic downturn affecting the Golden State. The other two are Pacific Bank and Bank of San Francisco.

"The state's economic problems have kind of hit us like a virus out here," said James R. Woolwine, Golden Gate's president and chief executive.

Golden Gate, though it posted a loss a loss of $2.3 million in 1992, earned $178,000 in the first half of 1992. The bank's return on average assets was about 0.5% for the first half of the year.

By contrast, Bank of San Francisco posted a $4 million loss for the second quarter. The $312 million-asset bank ousted its second chief executive in two years, and its chief investor has pumped $32 million of capital into the ailing institution.

Pacific Bank, with $505 million of assets, lost $4.3 million in the second quarter. The bank brought in a turnaround specialist as chief executive, and has engaged an investment banking firm to raise $25 million of capital.

Boost Required

Golden Gate – acting under an administrative order from the Federal Deposit Insurance Corp. and state banking authorities – needed to raise capital.

Though terms of the deal were not disclosed, Mr. Lum agreed to put double the amount of capital required by regulators, Mr. Woolwine said. Mr. Lum will replace Sharon M. Croom as chairman of the bank. Along with her husband, George, Ms. Croom was the bank's majority stockholder.

Mr. Lum, a client of Golden Gate since 1985, was chief executive of Global Union Bank, New York, and Summa International Finance Co., Hong Kong. He also held senior positions in the domestic and international offices of Mellon Bank Corp. and First National Bank of Boston.

California's woes have hurt the bank, which is under an FDIC order.

Mr. Lum plans to continue Golden Gate's private banking strategy, said Mr. Woolwine. "With the additional capital, he plans to grow the bank and make sure the problems are behind us," Mr. Woolwine said.

Thrifts: Free Up Affordable-Housing Funds

By BILL ATKINSON

For months, the Savings and Community Bankers of America has been prodding Eugene A. Ludwig, the comptroller of the currency, to put in place a 1991 law that would reduce the capital thrifts would have to hold against multi-family residential housing loans.

The Savings and Community Bankers organization, which represents 2,000 savings institutions, says if Mr. Ludwig would sign off on the rule it would free up more funds and spur savings institutions to make more affordable-housing loans. The lobbying effort hasn't yet paid off. The following letter is an excerpt of the correspondence sent to Mr. Ludwig from Paul A. Stevens, president of the organization.

Washington Mailbag

I am writing to urge you to lead the federal banking agencies in taking a timely and important step that could help ease the credit crunch and make more funds available for affordable housing.

This step simply involves carrying out the directive of section 618 of the Resolution Trust Corporation Financing, Restructuring, and Improvement Act of 1991, which provides a capital-related incentive to depository institutions to increase lending for multifamily housing.

By failing to promulgate the required rule, the agencies have missed a valuable opportunity to help achieve the dual objective of increasing general credit availability and addressing affordable-housing needs.

Because statutory and regulatory capital pressures push insured depository institutions away from making multifamily housing loans, the credit crunch in that sector of the economy is exacerbated. I am sure you would agree that a substantial portion of the nation's affordable housing must be addressed in the multifamily sector.

The final rule is long overdue. I hope this proposal will have your most serious and sympathetic consideration.

Paul A. Stevens
President
Savings and Community Bankers of America
Washington

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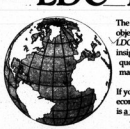

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Equitable Federal Confident Stock Offering Can Bail It Out

By BILL ATKINSON

Ailing Equitable Federal Savings Bank, Wheaton, Md., is seeking to raise $6 million in a public offering.

The $196 million-asset mutual is converting to a federal stock savings bank under close government supervision because it does not meet two out of three capital requirements set by the Office of Thrift Supervision.

The thrift will use proceeds from the sale to bring itself into capital compliance.

"Our investment bankers . . . say it's [the offering] going quite well," said Equitable president Gordon N. Luckett. "I do not think we will contend it."

Shares Offered at $10

Equitable began offering 600,000 shares at $10 each on Aug. 10. It expects to net from $4.5 million to $5.2 million from the sale. The offering expires Aug. 31. Stock is being sold to management, employees, depositors, and the community. The offering is being underwritten by Capital Resources Inc.

As of June 30, Equitable was $1.13 million short in meeting the core capital test, and $4.30 million short on the risk-based capital requirement. Equitable needs $4.5 million to reach capital compliance.

The thrift is operating under government agreements because of its capital deficiencies.

'Watching the Store'

"Government regulators are watching the store," Mr. Luckett said. "They have been good to us so far."

He hopes Equitable will follow other area thrifts that have successfully raised funds. Washington Federal Savings Bank, Herndon, Va., recapitalized itself in June by raising $15.3 million, and Ameribanc Savings Bank, Annandale, Va., raised $35 million last December.



"I would be surprised if it [Equitable's sale] wasn't immensely successful," said Ameribanc president David Campbell.

Investor Confidence Rising

Mr. Campbell said public offerings he is aware of in the area are oversubscribed because investors have more confidence in the economy and the industry.

Lewis Sosnowik, a broker with Koonce Securities Inc., Rockville, Md., said there are better deals than Equitable.

He recommends Home Federal Savings Bank, a healthy Washington-based thrift that is selling for $9.50 a share.

"Basically, what they [Equitable] are saying is let's see if the public will bail us out," Mr. Sosnowik said.

The Wheaton, Md., mutual thrift plans to use proceeds from the $6 million sale to bring itself into capital compliance.

Hurt by Construction Loans

Equitable's problems stem from commercial construction lending. Nonperformers climbed to $19 million in 1991, or 7% of assets. The thrift lost $718,000 for its fiscal year ended Sept. 30, 1992, and $3.1 million in fiscal 1991.

Because of the problems, Equitable's auditors last year raised doubts about the institution's ability to survive.

Equitable's management has made strides in correcting problems. The thrift earned $315,000 for its six months ended March 31. Nonperforming assets have been trimmed to $11.7 million, or 5.17% of total assets. And construction and development lending has been discontinued.

Mr. Luckett said Equitable will focus on one-family to four-family home loans. "I think we are going to be fine," he said. "We still have to work out the balance of our problem assets. Like anybody else, we have to go forward from here."

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Bankers' Bank to Drop Fed as Its Securities Custodian

By JAMES B. ARNDORFER

In anticipation of new daylight overdraft regulations, the credit union industry's largest bankers' bank will stop transferring up to $22 billion in securities through the Federal Reserve Bank of Kansas City.

In October, Overland Park, Kan.-based U.S. Central Credit Union will move its securities, which have a par value of between $20 billion and $22 billion, to an undisclosed custodian charged with shifting them to and from U.S. Central.

U.S. Central is the Kansas City Fed's second-largest securities transfer customer, moving between $700 million and $1.3 billion in securities a day through the Fed.

Revenue Loss Called 'Minor'

Barry Robinson, a Kansas City Fed spokesman, said the facility would suffer some "minor" revenue loss, and the effect on the Federal Reserve System would be "zilch."

Last year the Kansas City Fed made $48.3 million in fees from securities transfer services. Mr. Robinson did not say how much came from U.S. Central.

"It's a minor portion of a smaller revenue [for the Fed] service," said Mr. Robinson.

Under U.S. Central's new relationship, the custodian's reserves would absorb any overdrafts stemming from unexpectedly large securities purchases by U.S. Central's affiliates.

Would Be Subject to Penalties

If U.S. Central were to keep the securities in the Fed, in which it holds no reserves, it would have no cushion against overdrafts and would have to pay penalty fees.

"We wouldn't have undertaken this initiative absent the daylight-overdraft issue," said U.S. Central president James R. Bell, who stressed that he has been happy with the Fed's service. In a move toward consolidation, U.S. Central also is placing between $15 billion and $17 billion of securities currently under another private-sector custodian with the new one.



James R. Bell
Seeks to avoid overdraft fees

Working through 42 corporate credit unions, U.S. Central acts as a custodian for about $2B billion in securities held by other credit unions. U.S. Central and the other corporate credit unions also hold about $9 billion in securities on their own.

3 Years in the Making

Roughly 24,000 securities, chiefly government and agency securities, are in U.S. Central's safekeeping.

U.S. Central made the decision three weeks ago. It had been discussing what to do since 1990, when the Fed announced it would be changing its daylight overdraft policy.

U.S. Central and the Kansas City Fed will will maintain their wire funds transfer relationship, Mr. Robinson said.

Beginning April 14, 1994, the Fed will impose a penalty on daylight overdrafts by banker's banks that do not hold reserves. Under a proposal currently out for comment, banker's banks would pay a higher penalty fee than regular banks and not be eligible for a cap.

Avoiding Overnight Overdrafts

The Fed's announced goal is to eliminate the threat of overdrafts that would cause it to extend credit overnight.

Although the Fed has not yet determined a penalty rate, it has decided such fees will be levied.

"We have been growing our business lately, and we would not be able to do so" under the Fed's overdraft policy, Mr. Bell said.

U.S. Central has not incurred overnight overdrafts, he added. Mr. Bell also said determining how many daylight overdrafts U.S. Central has made in the past would be impossible.

U.S. Central is acut.ly sensitive to daylight overdrafts. Security purchases made by corporate credit unions for delivery to U.S. Central hit its transaction account at the Fed. Because U.S. Central can't predict when those debits will appear, it has no way of ensuring enough money will be available to cover the purchases -- short of overfunding its transaction account. Because U.S. Central does not hold reserves it would incur an overdraft.

U.S. Central would be particularly vulnerable to overdrafts early in the morning, when it is still awaiting the return of funds invested in overnight money markets.

Under U.S. Central's new relationship, the custodian's reserves would absorb any overdrafts without any extra charge to U.S. Central. ❑

Realtor-Turned-Regulator Jumps Into Supervision with Both Feet

By DEAN NEALSON

WASHINGTON — When Shirlee P. Bowne was appointed vice chairman of the National Credit Union Administration's three-member board in October 1991, she said she didn't know much about credit unions.

But Ms. Bowne, 57, who was president of her own real estate brokerage company in Tallahassee, Fla., was a quick study.

"She's one of our most active board members," said Mike Riley, director of the Office of Examination and Insurance, a division of the NCUA. "She does her homework. Speaking from the field side, she's done a lot of studying."

Realty Background a Plus

H.C. Klein, chairman of the National Association of Federal Credit Unions, said Ms. Bowne's background was a plus.

"I've noticed that we've not had a lot of complaints on real estate since Shirlee came on board," he said.

Mrs. Bowne got the credit union regulatory post in part because she was a bigwig in the Florida Republican Party, having served as its treasurer. Her term runs until April 1997.

She said the key questions facing the industry in the future include the field-of-membership question and the impact of the recently enacted Truth-in-Savings law.

High Implementation Costs

Ms. Bowne (pronounced bo-NAY) said the implementation costs of Truth-in-Savings regulation for credit unions are likely to be quite high.



Shirlee P. Bowne
Has done a lot of fieldwork

"The regulation will take a lot of their time and attention," she said.

Ms. Bowne doesn't see this law as the onset of a period of excessive regulation, however, and she cited a study that showed "burdensome!" regulation of credit unions wasn't a problem.

Mrs. Bowne says Truth-in-Savings will be costly to implement.

"We sent out a survey to 1,300 credit unions to find out what regulations hamper their business and don't help the consumer. We received 63 replies, few of which were about NCUA regulations," she said.

Ms. Bowne attributed that low number to the NCUA's frequent review of regulations and its attempts to eliminate unnecessary ones.

There is a great deal of pressure to keep costs down, Ms. Bowne said, citing the NCUA's goal to keep credit unions "safe and sound."

Against Single Regulator

She doesn't pay much attention to talk of establishing a single "supervisory" agency for both banks and credit unions.

"Credit unions would not benefit," she said. "Maybe some of the other groups would."

She also cited the high level of confidence in the credit union industry as a reason there won't be any major changes in its regulation.

"The incident in Rhode Island was the only big blip," she said, referring to the collapse of that state's private credit union insurance fund in 1990.

Mr. Nealson was a summer intern in the Washington bureau.

Trade Group Adds to Staff

The National Association of Federal Credit Unions has added two staff members.

Patricia E. Finkbohner has been named director of membership and will help director Janet Miles recruit credit unions.

Elizabeth V. Williams has been hired as exhibition and advertising manager. ❑

Former Exec of Private Insurer Is Charged with Theft by R.I.

By PETER SCHOENKE
Special to the American Banker

Former Rhode Island Share and Deposit Indemnity Corp. president Peter A. Nevola faces up to 66 years in jail and $33,000 in fines on allegations that he stole money from his former employer through campaign contributions.

The state of Rhode Island, which is prosecuting the case, alleges that on 12 different occasions Mr. Nevola was over-reimbursed for campaign contributions or paid for contributions he never made from 1987 through 1990. Mr. Nevola allegedly gained $7,650 from the "scam."

"These allegations are another example of the sort of insider's benefit and greed that prevailed at RISDIC," said Rhode Island Attorney General Jim Reilly. "Nevola not only personally benefited from this scam, but he did so at the expense of RISDIC, and ultimately the depositors who funded RISDIC."

Mr. Nevola, who was reached at his home in Cranston, declined to comment, and referred calls to his attorney.

Latest Prosecution

The allegations against Mr. Nevola are the latest in the attorney general's attempt to find and prosecute those accountable for the Jan. 1, 1991 failure of the private insurance company that insured deposits of credit unions and cooperative banks. The insurer's collapse led to the liquidation of four of the state's largest credit unions, which were unable to merge or qualify for federal insurance.

A special state commission to study the collapse recommended civil action against 50 people, seven companies, and a law firm. The state has already won a judgment against Joseph Mollicone Jr., the former president of the now-defunct Heritage Loan and Investment Co., who was convicted in April of 26 counts of embezzlement and totaled 13 million. Six more individuals involved in the collapse are scheduled for trial this fall.

The investigation has reached Mr. Nevola before. Mr. Nevola and Joseph Bellucci, former chairman of the insurer and president of the former Providence Teachers Credit Union, were acquitted last year on charges of bank fraud and conspiracy.

The latest charges include six felonies of obtaining money under false pretenses, including one that accuses Mr. Nevola of receiving money for campaign contributions made in the name of his wife and 14-year-old daughter. Mr. Nevola will be arraigned on September 1.

Mr. Schoenke writes for the Medill News Service.

Rogers Wins Commissioner's Post in Texas

By JAMES B. ARNDORFER

Robert W. Rogers, deputy commissioner of Texas credit unions since March 1988, has been named commissioner over three other finalists.

The eight members of the Texas Credit Union Commission unanimously voted for Mr. Rogers.

Mr. Rogers, who starts immediately, will be the chief regulator for Texas' 302 state-chartered, federally insured credit unions, which hold assets of $6.6 billion.

Switch to Federal Insurance

He succeeds John Hale, who resigned on July 1 amid controversy over his handling of the conversion of state-chartered credit unions from private to federal deposit insurance. The conversion process began in January 1991 and was finished in May 1993. All Texas credit unions are federally insured.

James Ratzman, director of examination and supervision for the Texas Credit Union Department, said Mr. Rogers was the natural choice.

"I'm not surprised at all," Mr. Ratzman said. "He's a very capable person with quite a bit of experience in credit union management and regulation."

James Williams, senior vice president of the consulting firm

Mr. Rogers played a key role converting Texas groups to federal insurance.

Ferguson & Co. and a Texas commission member during the '70s, said Mr. Rogers' close involvement in the conversion process played a role in his getting the nod.

"He has the experience of having been through the thick and thin of a situation [the conversion of state-chartered credit unions to federal insurance] that will be a vital concern," Mr. Williams said. "I would think the commission would want someone with historical perspective to take the reins."

In 1977 Mr. Rogers began working as a state examiner for the department. By the time he left in 1980 he was a supervisory examiner. From 1980 to 1988 he worked as an executive for three credit unions, including a stint during 1984-88 as president of UARK Federal Credit Union, which serves the University of Arkansas in Fayetteville. In March 1988 he returned to the Texas department as deputy commissioner.

All four finalists, selected from a list of 13 candidates, were interviewed by the commission on Monday.

The three other finalists were Barbara Clore, president of Associated Industries Credit Union of Deer Park and former chairman of the Texas Credit Union League; Alan Ford, president of THD Seven Credit Union in San Angelo; and Sharon Moore of Dallas, former examiner with the Texas Credit Union Department.

Prudential Woos Small Groups

By JAMES B. ARNDORFER

Prudential Securities Inc. has created a product aimed at small to midsize credit unions.

The mortgage-backed securities -- called "CUBs" for Credit Union Bonds -- have stated maturities of 10 years and are tailored for credit unions.

While large credit unions have participated in the collaterized mortgage obligation market for a long time, smaller ones haven't, noted Ann Kazel, a spokeswoman for Prudential.

Backed by Fannie, Freddie

"They would like this security for its safety, its liquidity and its yield," she said, mentioning the three main concerns credit unions have when making investments.

The bonds have the security of being backed by the Federal Home Loan Mortgage Corp. and the Federal Pational Mortgage Association.

The yields are greater than those on U.S. Treasury securities or triple-A-rated corporate bonds of comparable duration, Ms. Kazel said.

They cannot extend beyond the stated average life. Also, they cannot extend past the stated final maturity of 10 years.

"Credit unions prefer shorter investments," Ms. Kazel said.

Stringent Guidelines

CUBs were designed with Federal Financial Institutions Examination Council rules in mind.

The National Credit Union Administration adopted these more stringent guidelines -- used by banks and thrifts -- to replace its own rules in July.

The first offering, on Aug. 2, represented $3.2 million of a $750 million CMO issue -- and it was sold out, according to Ms. Kazel.

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1st Tennessee May Have Found Bargain in MNC Unit

By EDWARD KULKOSKY

Details of First Tennessee Bank's $115.6 million acquisition of Maryland National Mortgage Corp. may have seemed like good news to potential sellers of mortgage assets

NEWS ANALYSIS

when they were announced on Monday. The price seemed to put a fairly hefty value on the originations business.

But First Tennessee may actually have struck a shrewd bargain.

Judging from the details of the balance sheet the bank is acquiring, the price looks to be much more in line with other recently announced deals, such as PNC Bank Corp.'s purchase of Sears Mortgage Group and the GE Capital acquisition of Shearson Mortgage.

A Rare Glimpse

The unit of Baltimore-based MNC Financial Inc. appears to be a good fit with First Tennessee's strategic objectives.

The bank, a unit of First Tennessee National Corp., distributed a presentation on the deal to security analysts after its announcement on Monday.

The unusually detailed document provided a rare view into how the valuation of a mortgage business is determined.

Doyle W. Bradsher, executive vice president of First Tennessee and head of its mortgage business, confirmed in the presentation that the bank had valued MNC's $3.9 billion servicing portfolio at about $40 million.

This would leave about $75 million for the originations business. But the analysts also were told that the MNC unit's balance sheet had some assets that offset the purchase price, including investment securities (see accompanying table).

Valuing Originations

The company's figures put the value of the originations business at $25 million to $30 million and assigned a value of $45 million to $50 million to these other assets, referred to as "adjusted net worth."

Mr. Bradsher conceded in an interview that the additional assets could not necessarily be separated from the originations business.

But the value of the originations business was clearly something less than $75 million.

Anatomy of a Deal

Assets and liabilities of Maryland National Mortgage being acquired by First Tennessee; dollars in millions

ASSETS	
Cash/cash equivalents	$1
Investment securities	35
Assets held for sale	411
Loans	24
Intangibles	6
Other assets	27
TOTAL	504
LIABILITIES AND EQUITY	
Borrowed funds	$421
Other liabilities	23
Equity	60
TOTAL	504

Source: First Tennessee

In fact, the valuation may well have been even lower but for First Tennessee's determination to lock up the deal.

Growing the Core Business

"This is part of a strategy we developed over last few years of acquiring banks and trying to grow our core business," said Mr. Bradsher.

"We are trying to emphasize fee income in business lines we think we can compete in effectively. Some we are already significant in, such as bonds and check clearing."

He also said mortgage banking had been targeted as a business to be in. "We've been in it for 30 years and we understand it," he said. "But you can only grow so much internally."

Employees to Remain

First Tennessee plans to keep MNC's present management in place and to retain all 762 of the unit's employees.

One source familiar with valuations in the mortgage business took this as an indication that First Tennessee believed the originations business would be a profit center rather than merely a way of accumulating servicing rights.

He also said the $40 million price attributed to the servicing portfolio might be high. Given its average interest rate of 8.4%, he said, vulnerability to prepayments remain high and the lifespan of the income stream could be short.

Mr. Bradsher said there would be one significant change in business strategy. He said First Tennessee would retain almost all the servicing rights on loans it originates.

The unit had previously sold the bulk of its rights – about 71% last year – to bolster its short-term profits.

Getting What It Wanted

Pro forma figures provided by First Tennessee showed the unit lost $6.6 million pretax on operations last year and had financing costs and amortization of intangibles amounting to $14.2 million, giving it a pretax loss of $20.8 million.

The sale of servicing produced a gain of $33.1 million, resulting in pretax income of $12.3 million and net income of $7.3 million.

The deal, First Tennessee said, would help it to use excess equity in its core banking business more effectively and further diversify its sources of fee income.

So it clearly is getting what it wanted for a price it believes to be favorable. □

American Residential Opens Inner-City Branch in San Diego

By CHRISTOPHER NOBLE

American Residential Mortgage Corp. has opened the first of several inner-city branches that it is planning as part of a bid to increase its lending to minorities across the country, the company announced.

La Jolla, Calif.-based American Residential said the opening of the branch last Friday in San Diego was the first move in its "fair lending initiative," which is designed to underscore its commitment to minority borrowers. Six other branches are planned.

"American Residential is pleased to take a leading role" in helping minorities to own homes," said John Robbins, American Residential's chief executive, at the branch's opening ceremony.

The office has been set up as a community-based operation and will recruit its staff of about 10 from the neighborhood it serves.

Mr. Robbins said the idea was to create an environment in which minorities can feel comfortable.

"We're down there to be part of that community – to participate and be a good citizen, not just to make loans," he said.

Mortgage bankers have increasingly been adopting the philosophy that they can do well by doing good.

Mr. Robbins cited projections by the Mortgage Bankers Association of America that 40% of all loan originations in the next decade will come from minority applicants.

He said that until now, little attempt had been made to market mortgages to minorities or to create lending office environments "tailored to minority audiences."

The company expects minorities to be a big source of loan growth.

The office has been operating with a skeleton staff for about a month. It is expected to reach full operating strength before the end of the year, a spokeswoman said.

In addition to lending, the branch will hold seminars on the responsibilities of home ownership. It will cooperate with community organizations to promote homebuying. It will also offer a variety of low- and moderate-income loan products.

Mr. Robbins said American Residential has a responsibility to help inexperienced borrowers navigate the complicated process of buying a home.

"The office will offer the education and our loan officers will give the extra time and special attention that research shows many minority applicants require."

To Offer All Loan Products

"American Residential wants to be at the forefront of this effort," Mr. Robbins said.

"We're confident that we have the education and loan programs, the people and the settings that will welcome minority applicants to the concept of home ownership."

The branch will offer all 40 of American Residential's loan products but will feature the Community Partners program created by the Federal National Mortgage Association.

Community Partners offers loans with a low down payment to inner-city borrowers whose income does not exceed the area's median.

American Residential said it plans to open similar branches soon in Oakland, Calif.; Philadelphia, and Denver. Other offices will follow, the company said. □

Sadly for you, politicians in D.C. agree on one thing.

People who've made careers out of being contrary are declaring that the government's relationship with the secondary mortgage market is going to change dramatically. They all know about HUD plans to toughen enforcement, new pressures on Fannie and Freddie, and the revival of Ginnie Mae as a major player. And if you want more evidence, look to Capitol Hill, where Congress is toying with mortgage bankers subject to the same regs as commercial banks.

How to react? You could wax nostalgic—and get clobbered by the government and your competitors. Or you could read *The Mortgage Marketplace*.

Every Monday, in less time than it takes to finish your morning coffee, *The Mortgage Marketplace* tells you about the new rules and ideas that could keel haul your secondary operations. It names the biggest mortgage company participants in Ginnie, Fannie and Freddie issues. And it scans the horizon to determine what types of loans, and borrowers, that now are considered exotic could soon enter the pipeline of conforming loans.

There's no debate—new regs are coming. What's still at issue is whether you'll be ready for them.

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Firms Help Lenders Assess Environmental Risk

By JAMES H. SAPT

As mortgage lenders become increasingly concerned about toxic-site liability, two small firms are attempting to provide early warning systems for environmental risk.

Environmental Data Resources, Birmingham, Mich., and Toxics Targeting, Ithaca, N.Y., both provide environmental risk management services to mortgage bankers and secondary investors.

Toxics Targeting maintains a data base of 13 types of government-reported toxic sites in the southern tier of New York, said Walter Hang, the company's president.

The company compiles local, state, and Federal data and provides clients with detailed maps and reports on sites up to a mile from a specified address.

Assessing Risk

Mortgage providers may elect to use Toxics Targeting at two important junctures, said Mr. Hang.

First, at the time the mortgage is underwritten, lenders may compel prospective homeowners to purchase a report as part of due diligence.

Second, and more important, some banks obtain environmental risk management reports if they are forced to take title because of default. If a report showed that the property was near a potentially hazardous site, a more thorough on-site investigation would be launched.

Banks or other title holders can be held liable for the cost of toxic cleanup.

Such cautious behavior may be necessary because banks that hold title to seized properties for extended periods run the risk of being held to have engaged in management. If such a property includes a toxic waste site, the bank or holder of the title may become liable for the cost of cleanup, according to Mr. Hang.

Maps and Data

The company's services also are used by investment banks to check commercial and residential properties underlying pools of mortgage securities.

Environmental Data Resources provides a similar service on a nationwide basis.

The company offers to lenders and secondary-market professionals the EDR-Radius Map, a package of maps and environmental risk data gathered from public sources. The service is available for $200 to $300.

The company, along with minority investor Dun & Bradstreet Corp., plans to roll out a software product in the fall that will be able to be used as a screening tool for large numbers of loans. The service will provide users, typically investment banks screening secondary pools, with a summary of information.

Financial Appraisals

Bold Property Information System of New York City also sells risk containment information to the mortgage industry.

The company specializes in guiding clients through the jungle of the New York cooperative and condominium market.

Bold provides about 750 appraisal reports a month on co-op and condominium financial risk to banks, said Melissa Chefec, director of marketing at Bold. Bold provides reports only on property in the New York City area. □

Fannie Financing Affordable Homes

WASHINGTON — Fannie Mae will invest in a $50 million loan commitment made by Residential Funding Corp. to finance more than 1,550 affordable single-family homes throughout California.

The loan is to a development partnership that includes the California Public Employee Retirement System, known as Calpers, and Hearthstone Advisors. Calpers is one of the largest public pension funds in the nation, with some $70 billion in assets.

Greg Schultz, executive vice president of Minneapolis-based RFC, said: "The home building industry in the United States has been devastated by the withdrawal of banks and savings and loans, and we are pleased with the opportunity to be able to provide credit facilities to the home building industry."

The loan will finance new single-family home developments in California intended primarily for first-time and second-time homebuyers.

The funds can be used to build homes with a sales price that will allow for a mortgage that does not exceed Fannie Mae's 1993 limit of $203,150.

Fannie Mae will purchase from RFC, the lead agent, a 50% interest, up to $25 million. The pilot program, developed with the assistance of the National Association of Home Builders, helps provide lenders a secondary-market outlet, through Fannie Mae's investment, for loans to builders.



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Marketing One Thrives Helping Banks Sell Funds

By KEITH DuBAY

When Paul Patsis took over Marketing One in 1989, he had trouble on his hands.

The Portland, Ore., company, set up to market mutual funds and annuities through thrifts, was hemorrhaging red ink as clients fell victim to the S&L crisis.

At its most troubled, in 1989, Marketing One lost $3 million. "I can't even say that without getting a lump in my throat," Mr. Patsis said.

But that's in the past.

Dramatic Turnaround

Since joining Marketing One as chief executive officer, Mr. Patsis has engineered a remarkable turnaround.

He came to the 10-year-old company from Colonial Penn Insurance Co., where he was president.

Under Mr. Patsis' guidance, Marketing One sold more than $1.9 billion in mutual funds and annuities through 100 client banks last year.

This comes after Mr. Patsis set Marketing One on a course of courting commercial banks, which a few years ago were just starting to get into the investment products business.

He changed the company's thrust, deciding to concentrate primarily on mutual funds.

Mutual funds now account for about 80% of Marketing One's sales through banks.

Hungry for High Returns

Annuities, though offering higher commissions, were less attractive to customers craving the higher returns of stock investments, he said.

Mr. Patsis also set about cleaning house. He found the company crippled by a severely bloated payroll in which dozens of middle managers clogged the organizational structure.

The former regime thought nothing of spending $1 million to fly 200 S&L executives to luxury resorts for lavish conferences, Mr. Patsis said. "We were fat, dumb, and happy."

Mr. Patsis did away with the CEO conference and jettisoned more than 60 positions, many of them middle management.

All told, Marketing One now has 125 employees, and about 300 brokers on its payroll. Another 400 brokers are employed by banks using Marketing One's program.

Mr. Patsis said his goal was to place more people on the customer contact level and fewer on the executive level.

Also, where possible, Mr. Patsis decentralized Marketing One's operations to allow speedier service to clients.

For example, the company's eastern regional servicing operation in Philadelphia has a regional vice president with authority to make most day-to-day decisions.

In the old days, the East Coast representative would call a mid-level executive who might get back with an answer in a few days, Mr. Patsis said.

Checks and Balances

Mr. Patsis also instituted sharp checks and balances to keep down costs at the restructured company. Gone are the days when salesmen could offer clients special deals without a thought about what it would cost, Mr. Patsis said.

Now, the company's number crunchers approve every deal.

As a result, profits in 1992 were the second best in the company's 10-year history, said Mr. Patsis, though he declined to give specific figures.

Marketing One can keep some secrets. The company is privately owned by Jupiter Industries, Chicago, and Head Insurance Investors, New York. The partnership purchased Marketing One and its sister company, Integon Life Insurance, from troubled Southmark Corp., Dallas, in 1990.

Marketing One includes Integon products among the annuities it offers to banks.

$250 Million Threshold

Marketing One primarily targets banks with more than $250 million in assets.

Smaller institutions simply can't support the rigorous training and extensive service that customers receive, company officials say.

In addition to products, clients can receive distribution, clearing, information support, product due diligence, advertising, and training services from Marketing One.

The company's client roster, spanning 37 states, includes Wells Fargo & Co. in California and First Fidelity Bancorp. in New Jersey.

First Fidelity is a plum Marketing One landed in June. The marketing company is now recruiting about 200 sales representatives to handle the Lawrenceville, N.J., bank's expanded investment products program.

Growing Demand Seen

First Fidelity is among the growing swell of financial institutions that sold $12 billion of investment products in 1992.

Mr. Patsis compares the sales figure to financial institutions' $2.4 trillion deposit base and says there is room for growth on the investment products side.

If banks penetrate 1% of that market, there would be $24 billion of business, he said. "You could say we're halfway there."

To help banks boost their business, Marketing One is nudging clients to stay in touch with changing times.

Marketing One sales manager Reid Reichert said employees can take a page from their lives to identify changing needs. For instance, he said, he had planned to retire from the bank he worked at previously with the proceeds from his past five years' salary. Those five years paid him the biggest paychecks of his career.

Like many others, his situation provided an opportunity for a bank to get involved with his financial planning. The challenge is to incorporate retirement planning into bank's investment products programs, Mr. Reichert said.

"There's a whole industry that has been springing up around that," he said.

Mr. Reichert also believes banks should be offering investment products to a larger customer base.

"The bank market has not been able to drop itself down to the 50-to-55-year-old who's still in the accumulation stage, as opposed to the customer who's in the distribution stage," he said.

These and other untapped venues offer almost unlimited opportunities for banks in the investment products business, Mr. Patsis said. "It's just begining."

And that means organizations like Marketing One should continue to thrive, he said. "The future looks bright for third-party marketers. Banks don't have the staff or time to develop an expertise in this area." □





PAUL PATSIS, above, CEO of Marketing One, sees a lot of room for growth in investment products sales at banks. At right, instructor Leslie Andre does some role playing to show how to sell to customers.

Jerome Hart

American Banker's *"Ranking the Banks"*

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American Banker's *"Ranking the Banks"*

Training Is Marketing One's Selling Point

By KEITH DuBAY

Marketing One points with pride to its training programs.

These sessions, for brokers and other bank representatives, help the Portland, Ore., company distinguish itself from the pack of third-party marketers, officers say.

Training traffic is heavy at Marketing One's headquarters, where most of the courses are held.

Last year the company trained 1,200 people, including many involved in a large program rolled out by Wells Fargo & Co., San Francisco.

Demand Has Accelerated

In all, 5,000 brokers and bank employees have been trained by Marketing One during the last 10 years.

Most of the training came in recent years, as banks stepped up their investment- product programs.

To keep pace, Marketing One recruits licensed brokers and helps them hone their skills and adapt to the bank environment.

"We think we have a benchmark training program," said company spokesman Michael Maher. "It's something the larger clients demand."

Marketing One offers a variety of training programs.

Variety of Programs

Sales reps can cover mutual funds or annuities in four-day sessions, or come in for eight-days and receive training in both investment product areas.

Marketing One has seven-day sessions for administrative assistants and five-day programs for sales managers.

Last year, the company booked 3,000 nights worth of hotel rooms to accommodate the crush of bank representatives taking these courses.

Bank brokers make up the lion's share of those undergoing training, and Marketing One tailors its approach to them.

A Softer Sell

The company sensitizes brokers to the softer-sell cultures of banks.

This is especially important since many brokers do not come from banks.

Brokerage firms used to supply most of Marketing One's recruits for bank programs, but now they account for just a quarter of trainees.

Also represented are brokers from other bank investment-products programs and insurance sales representatives.

Cooperation Pays Off

One key area Marketing One focuses on is branch relations, or teaching brokers how to win over the rest of the bank staff to their cause.

Brokers receive three times more referrals in a cooperative branch than in one that's hostile to the broker's presence, a Marketing One study found.

"A branch can literally kill them," said assistant training manager Lisa Schmitt. "It's a whole different ball game" for brokers that come from wirehouses.

If they "come in with a knock-down, high-sell attitude, it won't work," Ms. Schmitt said. "Branch people typically are protective of the customers."

Sales representatives should not push customers who don't feel confident with investment products, instructor Leslie Andre told a recent seven-member class.

Time Limits Set

Brokers should also wrap up sessions with customers in a specific amount of time, she said.

Class members took her advice to heart. "It's a lot more structured," said Dan Frydrych, who serve as a sales rep at a thrift in Arizona.

But Mr. Frydrych firmly believes banks are the place to be. "There are a lot of people in banking who believe this is an evolution. You've seen mutual fund assets exceed bank deposits."

Access to More Clients

Paul Sweeney, a broker at a midsize Florida bank, is making the transition from a brokerage background. He finds it "a bit awkward," but adds, "it's easy access to a lot of clients. The name recognition is real good, and there's a degree of flexibility."

Karin Cummins was a customer service manager for a small savings and loan in Sequim, Wash. "I was burned out," she said.

She decided to switch to selling mutual funds and annuities, because "I missed the customer contact." □

A key area Marketing One focuses on is branch relations, or teaching brokers how to win over the rest of the bank staff to their cause.

Last year the company trained 1,200 people, many from Wells Fargo.



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AT&T to Refine Its Marketing Through Artificial Intelligence

By STEPHEN KLEGGE

JACKSONVILLE, Fla. — AT&T Universal Card Services plans to refine its credit card marketing systems with so-called artificial intelligence.

"Definitely within the next year, we'll be using AI tools," said Leslie Palmer, vice president of emerging technologies at the credit card unit of American Telephone and Telegraph Co.

With artificial intelligence, "you can do it faster, you can do it better, and you know your results are going to be consistent," Ms. Palmer said. "If you can get an improvement, even a couple of points' improvement, that's significant dollars."

Frontiers

AT&T is looking to artificial intelligence systems, which are programmed to mimic human reasoning, as another potential edge in crowded business where it is already a major player.

After three years, AT&T Universal Bank ranks second among MasterCard and Visa issuers, with 16 million credit cards in circulation.



CUTTING EDGE: Leslie Palmer sees artificial intelligence giving AT&T a potential edge in the crowded credit card market.

Hunt Pioneered Techniques

David K. Hunt, who recently took charge of the AT&T card business, was widely expected to use advanced technology to build card balances. He pioneered the use of similar techniques as head of Signet Banking Corp.'s card unit.

Experts say any computerized decision-making program could be considered "artificial intelligence," but add that the tools Ms. Palmer is contemplating would allow a marketing department to make subtler distinctions than the credit-scoring models that already are in widespread use.

Various types of advanced programming and networking – neural networks, fuzzy logic, and pattern-recognition programs – allow the computer to say not only "yes" or "no," but also "maybe," said Jerome Svigals, an electronic banking consultant in Redwood City, Calif.

The people in the "maybe" category make up "a very important part of the population," he said. They represent a "significant opportunity" for anyone with the tools to identify good risks who might have been rejected under more rigid systems.

"If you're looking for a market segment that would include all 25- to 35-year-olds with an income of $100,000, then that would exclude, in a normal program, 20-year-olds who make 150,000," Ms. Palmer said. "You want to be able to say not strictly 'yes' or 'no,' but assign grades so you know you're getting all the people who would accept that service."

Ms. Palmer said AT&T would enhance its internally developed software with artificial intelligence products from a growing number of outside vendors.

"If we purchase a neural network, that software would be run on whatever hardware we have," she said. "Then the business people would go through and evaluate the parameters they want to put in their software package."

Mr. Svigals said the move is in keeping with AT&T's reputation as an innovator willing to commit resources to build its business.

More conservative players "like to see the technique being used on 10 million people over a 10-year period" before trying it, the consultant added.

"They could be left in the dust. When these new techniques come to the market, you can't wait." □

Visa to Fight Fraud With Neural Network

By JEFFREY KUTLER

Visa International is teaming up with a leader in neural network technology to combat fraud.

Visa said it signed a strategic agreement with HNC Inc. to develop a system to monitor merchant transactions and identify those that entail the most risk.

Roger Peirce. Visa's executive vice president for delivery systems, said the partnership will combine Visa's "core systems capabilities [with] the premier technology available for fighting credit card fraud."



Roger Peirce

Mr. Peirce described HNC as "an industry leader in neural network applications and credit card control services [and] a logical partner for Visa."

Neural networking, a form of artificial intelligence, employs a "learning" technique to predict probabilities. The Visa system, due to be available next year, would examine large numbers of past transactions, both legitimate and fraudulent, to be able to flag questionable items.

"By using neural networks to its full extent, Visa will be able to provide superior risk analysis for its members," the San Mateo, Calif.-based card association said.

Fight on Other Fronts

The effort follows other neural network projects at Visa, including the International Points of Compromise, or IPOC, program that helps identify merchants that may be selling or giving account information to counterfeiters.

Another program, Central Deposit Monitoring, matches merchant activity with sales-draft laundering characteristics to identify nonconforming merchant deposits.

Visa uses the results to support law enforcement agencies and legislatures in efforts to fight and deter the increasingly costly problems of counterfeiting and other types of fraud. Worldwide merchant fraud cost $689 million last year, according to *The Nilson Report*.

The Visa-HNC risk detection system would assign a risk score to each transaction authorized in the VisaNet global networks.

Predicting Misuse

HNC, which is based in San Diego, will integrate the risk score into its Falcon system, which many card issuers use to identify and prevent fraud at the cardholder level. It determines the probability of fraud on each card authorization by comparing it with the cardholder's purchase patterns and the latest trends in credit card fraud.

HNC introduced Falcon last September and said it has reduced the fraud losses of major card issuers.

"With this new system, members will be better able to assess risk at the point of transaction and, therefore, make more informed authorization decisions," Mr. Peirce said.

Michael A. Thiemann, executive vice president of HNC, called the agreement "another example of our commitment to solving tough business problems through the application of cutting-edge technologies."

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IBAA Says Members Have Edge in Cards

By MICKEY MERCE

Community bankers are proving to be formidable in price competition against national credit card issuers, according to a report from IBAA Bancard.

The card affiliate of the Independent Bankers Association of America says its members charge lower annual fees and interest rates than regional and national banks.

The 1,600 banks in IBAA Bancard, which have joined to obtain group pricing and other benefits, collectively rank 29th among Visa card issuers and 40th among MasterCard issuers.

Pricing

Average annual fees on IBAA Bancard standard cards is $15.38, compared with the August weighted average for national issuers of $16.84 as compiled by RAM Research Corp., Frederick, Md.

Average rates in the IBAA program are 14.67%, compared with 17.24% for national issuers.

IBAA Bancard statistics show that smaller issuers lag in average balances but their delinquencies as a percentage of outstandings are lower than national issuers'.

"The numbers show that our bankers are able to consistently offer better pricing than their national counterparts," said Sarah Brachman, communications associate for IBAA Bancard.

"Generally, smaller issuers tend to offer a plain vanilla card that doesn't offer a lot of enhancements," which allows for competitive pricing, said Robert B. McKinley, president of RAM.

Low Overhead

Banks that work with the IBAA have the advantages of shared costs and experience, Mr. McKinley added. Their overhead is low and they do not spend much on marketing, relying more on word of mouth.

"There's a lot of ways they can cut corners," Mr. McKinley said. "They can also be conservative in the amount of credit they offer."

Independent bankers "can make their own pricing decisions," Ms. Brachman said. "Our banks can afford to be creative. They often have a personal relationship with their customers. They know if they're creditworthy, so they can give them a better rate."

Best Rate in Town

In July, First Merchants Bank, a $600 million-asset institution in Muncie, Ind., began issuing standard MasterCard and Visa cards with no annual fee and a 14.88% annual rate. Its Visa gold has no annual fee and a 13.56% rate.

"Our rate is the best in town, other than the credit unions," said Jeff Parsons, sales manager for bank cards. "Frankly, we think it's pretty darn competitive with the national banks."

Mr. Parsons said that in two months, through direct mail and local advertising, the bank has opened 2,500 accounts, with $2 million in receivables. Customers like the pricing and the bank's service, he said.

Another bank reports similar success, despite having an annual fee.

The $56 million-asset American National Bank in Kennewick, Wash., offers a Visa classic with an $18 annual fee and a Visa gold at $25. Both have a 13.92% annual percentage rate.

"We lose to the credit unions," said Becky Freemire, a customer service representative. "But we're competitive with local commercial banks." □

AMERICAN BANKER/Bank Rate Monitor's™

Consumer Money Index — *Auto, personal and credit card rates*

Market	CREDIT CARD 6/23	CREDIT CARD 6/16	PERSONAL 6/23	PERSONAL 6/16	AUTO 6/23	AUTO 6/16
New York	18.19	18.19	16.80	16.80	9.70	9.70
Los Angeles	19.03	19.03	17.73	17.73	8.24	8.29
Chicago	17.93	17.93	13.98	13.98	8.70	8.70
San Francisco	19.58	19.58	17.79	17.79	8.21	8.27
Philadelphia	18.16	18.16	13.64	13.64	7.95	8.02
Detroit	16.85	16.85	15.00	15.00	*7.39	7.39
Boston	17.93	17.93	15.76	15.76	8.71	8.71
Houston	17.62	17.62	15.56	15.56	7.64	7.64
Dallas	17.13	17.13	14.13	14.13	7.75	7.75
Washington D.C.	17.98	17.98	15.05	15.05	7.53	7.53
BRM Index	18.04	18.04	15.54	15.54	8.18	8.20

The Bank Rate Monitor Index is the average of rates being charged by the 100 largest banks and thrifts in the nation's 10 largest markets on the dates indicated. Other rates quoted are the lowest and highest offered at any institution surveyed. Personal loan rates are for a 36-month, new-car loan with a 20 percent down payment. Personal loan rates are for a $3,000 unsecured personal loan with a 24-month term. Credit card rates are fixed rates only and do not take into account differing annual fees or grace periods.

SOURCE: © Bank Rate Monitor, North Palm Beach, 33408
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LOWEST PERSONAL LOAN RATES	**6/23-/29**
Mann Line Fed'l Sugs Bk., Philadelphia	11.90%
Riggs National Bank, Wash., D.C.	12.00
Bank One, Texas, Dallas	12.15
HIGHEST PERSONAL LOAN RATES	
Wells Fargo Bank, San Francisco	19.75%
Bank of America, San Francisco	19.75
Wells Fargo Bank, Los Angeles	19.75
LOWEST AUTO LOAN RATES	
First of American Bank, Detroit	6.75%
First of America Security, Detroit	6.75
LaSalle Talman Bank, Chicago	7.00
HIGHEST AUTO LOAN RATES	
Citibank, Chicago	12.50%
Chemical Bank, New York	10.90
Boston Federal Sugs Bk, Boston	10.00
LOWEST CREDIT CARD RATES	
Bay Bank, Boston	14.40%
First of America Bank, Detroit	14.90
First of America Security, Detroit	14.90
HIGHEST CREDIT CARD RATES	
Bank of America Texas, Dallas	19.80%
Boston Five Cents Sugs, Boston	19.80
Bank of Boston, Boston	19.80

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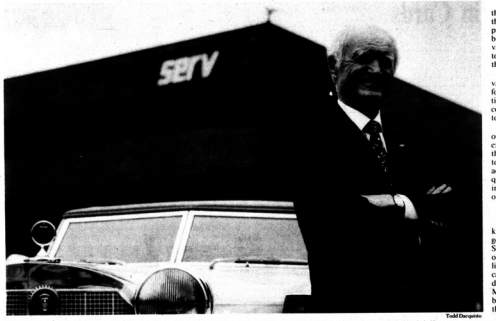

Todd Dacquisto

CANNY ACQUIRER: Fiserv Inc.'s George D. Dalton has assembled one of the top three data processors for banks and thrifts.

Fiserv's Strategy for Rapid Growth

By MATT BARTHEL
Second of a Series

To at least some observers, it's hard to tell if Fiserv Inc. is a technology company or a hard-charging investment bank.

Since its founding in 1984 by George D. Dalton and Leslie M. Muma, the computer services company has purchased or otherwise acquired no less than 45 firms operating in more than 20 states.



This growth-by-acquisition strategy, which continued this month with Fiserv's agreement to purchase two Mellon Bank Corp. outsourcing businesses for $67 million, has transformed the company from a small regional provider of data processing into a diversified $322 million company that furnishes financial institutions with it a vast array of industry-specific technology, software and computer services.

Fiserv's dealmaking has made it one of the top companies in the business of running computer systems for banks and thrifts, along with General Motors' Electronic Data Systems Corp., Marshall & Ilsley's M&I Data Sevices Inc., and Alltel's Systematics Financial Services Inc.

Doubts Allayed

Some bank technology insiders have been doubtful that Brookfield, Wis.-based Fiserv could absorb companies as quickly as it has acquired them.

But according to customers and Wall Street analysts, Fiserv has succeeded.

"The company has done brilliantly in digesting the most recent of its acquisitions," said Stephen T. McLellan, a first vice president in Merrill Lynch & Co.'s San Francisco office. "The biggest challenge it has now is in holding the hands of its acquired clients to make sure they don't leave during the transition."

The basis for Fiserv's success appears straightforward. In sizing up possible acquisitions, Fiserv executives closely examine how the target company's products and services can complement their existing businesses.

> **"If we don't want the management, we don't buy the company."**
> **George D. Dalton**

But Mr. Dalton, Fiserv's chairman and chief executive, said that as important as products and services are, the leadership in place at an acquisition target figures perhaps most prominently in his decision to move towards buying the company.

"If we don't want the management, we don't buy the company. It's as simple as that," Mr. Dalton said.

From all outward appearances, this strategy is paying off. Fiserv has grown from $21 million in revenues in 1984 to $332 million at year end 1992. Net income has risen steadily, more than doubling since 1988 to $22.9 million. In addition, earnings have risen from 50 cents a share in 1988 to $1 at yearend.

Making the Good Better

Analysts say the heavy emphasis Fiserv places on finding companies with quality management has a lot to do with how it has brought so many disparate pieces together successfully.

When Fiserv buys a business, the analysts said, it does so with the intention of trying to improve upon what is good in the business rather than trying to revamp the companies according to some overriding plan from the mother company.

This approach has several advantages. First, and perhaps foremost, it typically avoids putting the customers of acquired companies through conversions to new software or hardware.

Conversions can be notoriously messy, and bankers go to extremes to avoid them. Since the vast majority of Fiserv's customer growth has come from its acquisitions, keeping post-acquisition customers happy and in place has been a crucial part of Fiserv's success.

Avoiding Conversion

"We were very pleased to know that we would not have to go through a conversion," said Scott Smith, president and chief operating officer of the $1.5 billion asset Fulton Bank in Lancaster, Pa. Fulton Bank was a data processing customer of Mellon Bank Corp. until Fiserv bought the Mellon units earlier this month.

"Our customers have already experienced a conversion from some of our own merging, and it's something we wanted to avoid putting them through again," Mr. Smith said.

The second advantage to Fiserv's acquisition strategy is that it brings with a vast array of products, ranging from traditional outsourcing services, core accounting software that banks can run themselves, electronic funds transfer products, and check processing services.

Wall Street analysts say it is this diversification strategy that will be most important to Fiserv for attracting the new business essential to the company's continued growth.

"Investors like to see internal growth on top of the business added through new acquisitions," said Patrick Burton, a transactions services analyst at Piper Jaffrey Inc. based in Minneapolis. "That [Fiserv's] growth to date has been mostly due to acquisitions may be the only knock against the company from an investor's perspective."

Thumbs-Up from Market

Mr. Burton noted that Fiserv's stock has done well fol-

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Continued from page 16

lowing its most significant recent purchases of the data processing units of Mellon Bank Corp. and the Basis Information Technologies Inc. unit of First Financial Management Corp.

Both of these companies ranked among the 10 largest bank data processing companies in the U.S., according to M. Arthur Gillis, an independent consultant based in New Orleans.

Despite all the financial computer activities in which it engages, Fiserv's core business clearly remains data processing services, which it provides mainly to smaller institutions.

In terms of sheer numbers of customers, Fiserv is the second-largest provider after, Electronic Data Systems, of data processing services for both commercial banks and thrifts with asset under $500 million, according to Mentis Corp., based in Eden, Md.

Steady at the Helm

At first blush, a large customer base combined with a wide variety of computer services and hardware platforms would appear to be a management nightmare.

Shopping Spree
Some of Fiserv's acquisitions, in millions

Aug. 1993	
Mellon Bank Corp. units	$67
Feb. 1993	
Basis Information Technologies Inc.	97
Feb. 1991	
Citicorp Information Resources	70

Source: Fiserv Inc. and industry estimates

The reason this is not the case, Fiserv's George Dalton says, is because of the company's belief in retaining the managers of its acquired companies.

After more than 40 acquisitions, including those of the technology units of Citicorp and Mellon Bank Corp., Fiserv has lost only three top officers from its acquired companies. "One retired, one died, and one just didn't work out," Mr. Dalton explained.

By retaining officers who already know their business, Fiserv frees itself from direct management over the acquired companies. The managers of each of these Fiserv units are accountable for their profits and losses, which drives the units to maximum efficiency.

Citicorp Orphan

At the same time, the strategy has its perks for the acquired companies.

As part of larger organizations, many of the companies that Fiserv has bought did not historically have access to the funding for technical upgrades and other purchases that are such an integral part the data processing business.

Citicorp Information Resources, which Fiserv acquired in February 1991, was in such a situation. CIR gathered more than $100 million each year in revenue but was just a tiny part of Citicorp, which boasted more than $200 billion of assets.

"We were clearly not important to [the parent company] at all – we didn't even make it into the annual report," said Frank Martiri, president of the Fiserv division dealing with IBM hardware and the former head of Citi Information Resources.

Enhanced Responsiveness

The upshot of this lack of recognition, Mr. Martiri said, was that the CIR unit – which specializes now as before in computer products and services for International Business Machines' AS/400 midrange computer – could not get funding for technical upgrades that were necessary to allow it to compete.

> **Fiserv has lost only three top officers from among the more than 40 companies it has acquired, its CEO says. "One retired, one died, and one just didn't work out."**

"The worst thing that you can say to a client is 'You have to wait while I go to corporate for an answer,'" said Mr. Martiri. "That's not something we have to do anymore."

As Mr. Martiri indicated, data processing customers do not want to wait for enhancements to their services. And from all indications, they have not had to do so – a fact which analysts feel bodes well for Fiserv's future.

Bank of North Texas, a $375 million thrift institution based in Fort Worth, has been a customer since October.

Fiserv "seems to be working hard to continue to modify the system that we're on, to meet our needs," said Vikki L. Pier, the bank's chief financial officer.

"We have put in some requests for enhancements that are being addressed as a priority," she said. Fiserv is "receptive to suggestions – which is all I can ask for." □



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Opinion

Comment

By Peter S. Smedresman

New York State Arms Itself To Address Future BCCIs

On July 26, New York's Gov. Mario Cuomo signed into law a bill embodying the state Banking Department's program for supervision and liquidation of foreign bank branches and agencies.

These banking law amendments are of special interest to state-licensed offices of foreign banks. But the law is perhaps of even greater concern to those who deal with those offices, as it calls for rethinking some presuppositions about branch responsibilities.

Spar Was Committee Report

The amendments are largely the outgrowth of the 1992 Heimann Committee report which examined the adequacy of the state banking department's supervision of foreign bank offices in the aftermath of the BCCI and Banco Nazionale del Lavoro scandals.

PROTECTION *will be given to customers who seek the benefits of New York regulation by specifying "New York branch" in their documentation.*

The Heimann report largely gave the department a clean bill of health.

"The more notable provisions in the amendments cure some statutory deficiencies the department perceived during its experience in closing BCCI's New York agency, one of its few litigated branch insolvencies in recent decades.

In that case, there were more than sufficient assets to satisfy claimants against the New York-licensed office.

Next time, the department realized, it might not be so lucky.

Prior Practice Formalized

The amendments in part embody what had previously been supervisory practice and understanding — and they very much reflect a supervisory standpoint.

A number of the amendments impose or tighten regulatory requirements.

For instance, agencies are made subject to asset pledge and lending limit requirements previously applicable only to full branches.

Also, branches and agencies must keep records identifying their and other offices' transactions and must notify the department of changes in control.

Section 606(4) of New York's banking law has long provided for a preference in a branch or agency liquidation for those who could demonstrate that their transaction was "had with" the New York office.

Now, however, the superintendent will not even consider a claim unless the underlying documentation specifies that it was with the New York office or if it appears on the branch's or agency's own books.

Those books and records must now indicate which transactions are for its own account and which are for other offices (certainly including "shell" branches) of the institution.

The banking superintendent's jurisdiction over assets is much broader: all property of the foreign bank that may be found within the state, whether designated as a New York office asset or not. On this score, the law was unchanged by the amendments.

Furthermore, the amendments impose a turnover requirement for all such assets and, subject to an important but limited exception to be discussed here, restricts setoff rights in connection with such a turnover to only New York liabilities of the branch or agency.

Other amendments are also inspired by the bankruptcy model, such as the superintendent's new express power to repudiate or assume executory contracts and an automatic stay.

Asymmetrical Approach

The statutory approach amounts to treating the branch or agency as a separate bank on the liability side, but as a combined entity with other branches on the asset side.

The asymmetry of this approach can only be justified from the point of view of an especially aggressive insolvency receiver whose tasks are to gather assets, assess claims, and assure equality of treatment across the claims which pass muster.

Left in the cold will be those who dealt with the bank as a global enterprise, particularly if they held balances in New York accounts to the credit of non-New York offices of the insolvent bank.

These will be subject to turnover.

The banking department made a policy decision that the potential adverse effect of this rule on correspondent banking in New York is outweighed by the perceived need to protect those customers who implicitly sought the benefits of New York regulation by specifying "New York branch" in their documentation.

The setoff restriction is at the heart of the scheme, and probably its most controversial provision.

In England, for instance, setoff is compulsory in insolvency situations, and of course setoff is reserved (albeit with some restrictions) under the U.S. Bankruptcy Code.

The department at least partially heeded the concern of bankers who of late have been entering into so-called "global netting" agreements, either separately or as part of master swap agreements.

The amendments replicate, although perhaps not fully, the favored treatment of so-called "qualified financial contracts" — interest rate and currency swaps, caps, collars and various other derivative or hedging instruments — in liquidation under Federal bank laws, notably the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and the Federal Deposit Insurance Corporation Improvement Act of 1991.

Broadly speaking, the purpose of all of these provisions is to validate the termination and netting provisions of qualified financial contracts and to carve them out of automatic stay, selective repudiation, and preference rules that would otherwise apply.

While netting is not the same as setoff, they are closely related.

Netting agreements have become prevalent risk-reduction tools in the industry and are receiving increasingly concrete encouragement by supervisors, including most notably the Basel Committee on Bank Supervision.

Giving full effect to cross-border netting cuts a large hole in the "ring-fence" set up by the setoff restriction, however.

Repudiation Restricted

The outcome is a set of lengthy qualifications to the repudiation-of-contracts provision and setoff restriction in the case of qualified financial contracts, which were thrashed out between the department and a working group of the International Swap Dealers Association.



In these cases, the net termination amount payable in either direction is the lesser of the amount derived through operation of the applicable global netting agreement or a net amount calculated by reference to New York-only transactions.

A counterparty of a New York branch will benefit from this formula only if it has a greater loss on its transactions with the insolvent bank on a New York office-only basis than globally.

This provision can potentially diminish a counterparty's turnover requirement; it will not increase a claim.

Bank Deposits Issue

Notably, the New York Clearing House attempted (very late in the legislative process) to redefine "qualified financial contracts" to include bank deposits.

This was rejected by the department, but the issue may resurface when regulations are drafted.

The banking department can be relied on to apply its liquidation law in the insolvency of a state-licensed branch or agency.

However, the application of New York law where there is federal involvement (such as the Comptroller as liquidator or the FDIC as receiver) is not well settled.

Since the federal insolvency regime for foreign banks adopted New York's ring fence approach as part of the Foreign

LEFT IN THE COLD *in insolvency could be those who dealt with a bank on a global basis.*

Bank Supervision Enhancement Act in 1991, New York's influence will probably continue to be felt.

Confrontation Inevitable

There will eventually occur a confrontation with bank supervisors overseas who believe (as was argued unsuccessfully in the BCCI case) that there should be a centralized, presumably head office-based insolvency procedure for international banks.

In the meantime, those who manage New York licensed branches and agencies, as well as those at other institutions who monitor and assess the risk level associated with dealing with them, have much to study.

THE STATE *has beefed up its laws on foreign bank branches and agencies. In the BCCI case there were enough assets to satisfy claimants. But next time, officials realized, there might not be enough.*

Mr. Smedresman is a partner in the New York office of the Watson, Farley & Williams law firm.

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L Posen Inc #847081 sells for cash 9:00 AM at 10 Unit A 2744 New Mann St. Yonkers/ 1 C 2 Lincoln #2Y5H14Z49W Re: A. Mc-Cann/ 1 Ford 4 Door Van Marina #2 Bunker #BLZF0SB0787 Re: S. Frasca/ Metropolitan Auctioneers, Inc.

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M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell September 14, 1993 10:00 AM 2200 Tiden Ave Bklyn 1985 Lincoln Town Car 4 Dr Sdn 1LJBP96F1FY660351 Re: U. Tovar; 10:30 AM 885-891 Flushing Ave Bklyn 1985 Toyota Celica 2 Dr H/B JA4523209 Re: G. Freedman/ 12:00 PM 1476 Bergen Ave Bklyn 1986 Chevrolet Camaro 2 Dr Sdn 1G1FP21S7GL200441 Re: Chrisanthopoulos/ 12:30 PM 712 New Lots Ave Bklyn 1983 Renault Alliance 4 Dr Sdn 1AMDW9563DK145829 Re: V. Ramirez/ 1:00 PM 1 Hegh'l Bonlie; 1:30 P.M. 1717 Gravesend Neck Rd. Bklyn 1987 Porsche 944 2 Dr Sdn WP0AA0940HN445437 Re: J. Pfromberg Metropolitan Auctioneers Inc.

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SCHEDULE A
DESCRIPTION OF
MORTGAGE PREMISES

ALL that certain piece or parcel of land situate, lying and being in the Town of Taghkanic, County of Columbia and State of New York being bounded and described as follows:

BEGINNING at a point on the northerly right of way line of Pumpkin Hollow Road where the same is intersected by the westerly line of the premises herein described and being the southwest corner of the herein described premises;

RUNNING THENCE north 06 degrees 20 minutes 06 seconds east for a distance of 1755.02 feet to a point marking the northwest corner of the parcel herein described;

RUNNING THENCE south 71 degrees 51 minutes 51 seconds east for a distance of 1037.32 feet to a point marking the northeast corner of the parcel herein described;

RUNNING THENCE south 22 degree 08 minutes 06 seconds west for a distance of 1691.00 feet to a point marking the southeast corner of the parcel herein described;

RUNNING THENCE along the northerly right of way line of Pumpkin Hollow Road, north 67 degrees 52 minutes 47 seconds west for a distance of 47.00 feet and north 75 degrees 40 minutes 31 seconds west for a distance of 314.91 feet to the point and place of BEGINNING. Containing 31.24 +/- acres and being Parcel 1 on the herein below mention map.

PARCEL II

ALL that certain piece or parcel of land situate, lying and being in the Town of Taghkanic, County of Columbia and State of New York Being bounded and described as follows:

BEGINNING at a point on the southerly right of way line of Pumpkin Hollow Road which point is distant the following two courses and distances from the northeast corner of the premises herein described:

S 67-26-7/8

1) south 85 degrees 21 minutes 21 seconds east 188.04 feet and

2) south 67 degrees 52 minutes 47 seconds east 153.50 to a point marking the northeast corner of the herein described premises, which point is also on a prolongation southwesterly of the easterly line of Parcel 1 as the same is shown on the herein below Road;

THENCE RUNNING south 22 degrees 08 minutes 06 seconds west for a distance of 324.75 feet to a point;

THENCE along a stone wall on the following five courses and distances:

1) south 21 degrees 27 minutes 34 seconds west for a distance of 136.04 feet to a point;

2) south 20 degrees 02 minutes 16 seconds west for a distance of 185.95 feet to a point;

3) south 24 degrees 23 minutes 40 seconds west for a distance of 131.19 feet to a point;

4) south 23 degrees 31 minutes 07 seconds west for a distance of 165.25 feet to a point and

5) north 66 degrees 16 minutes 24 seconds west for a distance of 207.89 feet to a point.

THENCE RUNNING north 66 degrees 16 minutes 24 seconds west for a distance of 353.11 feet to a point;

THENCE RUNNING north 53 degrees 28 minutes 23 seconds west for a distance of 353.10 feet to the point and place to be found;

THENCE RUNNING north 60 degrees 16 minutes 30 seconds east for a distance of 968.72 feet to a point;

THENCE RUNNING north 06 degrees 20 minutes 06 seconds east for a distance of 165.73 feet to apoint on the southerly right of way line of Pumpkin Hollow Road and being the northwesterly corner of the herein described parcel;

THENCE along the southerly right of way line of Pumpkin Hollow Road, south 75 degrees 40 minutes 31 seconds east for a distance of 304.57 feet to a point; and south 67 degrees 52 minutes 47 seconds east for a distance of 43.50 feet to the point or place of

BEGINNING. Containing 18.82 +/- acres and being Parcel 2 on the herein before mentioned map.

The above Parcel 1 and 2 are shown and delineated on a certain map entitle "Lands of Waldorf Astoria Club, Town of Taghkanic, Columbia County, New York" by F. Robert Brew, dated 6/28/74 and filed in the Columbia County Clerk's Office on 11/6/74 as Map #248.

NOTICE OF FORECLOSURE

SUPREME COURT OF THE
STATE OF NEW YORK
COUNTY OF COLUMBIA
Index No. 22/693

Federal Home Loan Mortgage Corporation.

Plaintiff,
SUPPLEMENTAL
-against- SUMMONS AND NOTICE

Stanley Johnson and Dorianne Boyer if living, and if any be dead, any and all persons who are spouses, widows, grantees mortgagees, heirs, devisees, distributees thereof or successors in interest of such of them as may be dead, and their spouses, heirs, devisees, distributees and successors in interest, all of whom and whose names and places of residence are unknown to Plaintiff

Defendants

PROPERTY ADDRESS:
111 Pumpkin Hollow Road,
Taghkanic, NY 12502

TO THE ABOVE NAMED DEFENDANTS:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance on the attorneys for the Plaintiff within twenty (20) days after the service of this summons, exclusive of the day of service, or within thirty (30) days after completion of service where service is made in any manner than personal delivery within the State. The United States of America, if designated as a defendant in this action, may appear within sixty (60) days of service hereof. In case of your failure to appear or answer, judgment will be taken for the relief demanded in the complaint.

NOTICE OF NATURE OF ACTION AND RELIEF SOUGHT

THE OBJECT of the above captioned action is to foreclose a mortgage in the sum $75,000.00 and interest, recorded in the Office of the Clerk of the County of Columbia on April 1, 1987, in Liber 452 of Mortgages, Page 324 covering premises known as 111 Pumpkin Hollow Road, Taghkanic, NY 12502.

The relief sought in the within action is a final judgment directing sale of the real premises described above to satisfy the lien secured by the Mortgage described above.

Plaintiff designates Columbia County as the place of trial. Venue is based upon the County in which the mortgage premises is located.

Dated: June 3, 1993
Shapiro & Kleinman
Attorneys for Plaintiff
Office & P.O. Address
16 West Main Street
Rochester, NY 14614
(716) 454-7750
Our File No. 9623-93

PARTNERSHIP NOTICE

Notice of Application for Authority of TWENTY FIRST CENTURY L.P. 1.a formerly limited partnership (LP) filed, Sec. of State. Auth. filed with Secy. of State of State of New York (SSNY) on 12/29/1992. LP organized under the laws of Delaware on 12/7/1992. Off. office location: New York County. SSNY is designated agent of the LP upon whom process against it may be served. SSNY shall mail a copy of any process against the LP served on Steven A. Gatof Cio The Prentice Hall Corporation Systems, Inc. 15 Columbus Circle, New York, NY 10023-7773, the registered agent of the LP upon whom process may be served. Office address of LP's principal office of its organization is: The Prentice Hall Corporation System, Inc. 15 Columbus Circle, Suite 1-100, Dover, DE 19901. Name and address of each general partner available from SSNY. Copy of Cert. of LP is on file with The Prentice-Hall Corporation System Systems, Inc. 32 Loockerman Square, Suite L-100, Dover, DE 19901. Purpose/character of LP: all aspects restaurant business.

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M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell 9/13/93 at 8AM 1117 Interval Ave. Bx 1991 Chevrolet Camaro 2 Dr Sdn 2G1FP22P2M2-112118 Re: S. Gomez; 9AM 31 W Thomson Ave. Bx 1989 Chevrolet Celebrity 4 Dr Sdn 2G1AW19TXK7141714 Re: P Ferrara; 10:30 A.M. 78-13 31st Ave Queens 1986 Chevrolet Celebrity Blue Chevrolet 2G1AG69H3G1166783 Re: Chrisanthopoulos/ R. Hernandez; 11:00 A.M. 70-15 Queens Blvd Queens 1991 Pontiac 6000 LE 2G2GA27P9M1263585 Re: M S Auto; 11:45 A.M. 111-30 90th Ave Rich Queens 1988 Pontiac Lemans 4 Dr Sdn 1G2LT81E1J1633885 Re: T.M. Auto Sales/ 12:15 P.M. 116-60 Sutphin Blvd Queens 1987 Chevrolet Nova Sedan 4 Dr Sdn 1G1AY07PH2135487 Re: R Poncet/E Gonzalez; 1991 Ford Aerostar Van 1FMDA-45X5MUB01910 Re: Tyson Enterprises/ 12:30 P.M. 1117 Interval Ave Bx 1992 Mercedes 190E 2.6 Sdn WDBHA22E2NF-128211 Re:D.L. Daniel; 75 Olds 98 #33U9TSEI-32076 Re: W. Robinson; 91 Monte Gru Mgg. #2MEC745779M765134 Re: Archery Garage & Key Barn Inc; 83 Olds 4DSD #1G3AX69Y3DM809549 Re: B Ozuna; 1:30PM 1439 Ogden Ave. BX NY 86 Toyot 2DSD #JT2BA65L8F4048222 Re: P. Perez. Published 8/27 & 9/3/93.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell September 15, 1993 9:45 A.M. 35-29 11th St Queens 1984 Chevrolet Celebrity 4 Dr Sdn 2G1AW19RXE7140763 Re: Pizzo/ 10:30 A.M. 78-13 31st Ave Queens 1986 Chevrolet Celebrity Blue Chevrolet 2G1AG69H3G1166783 Re: Chrisanthopoulos/ R. Hernandez; 11:00 A.M. 70-15 Queens Blvd Queens 1991 Pontiac 6000 LE Re: 2G2GA27P9M1263585 Re: M S Auto; 11:45 A.M. 111-30 90th Ave Rich Queens 1988 Pontiac Lemans 4 Dr Sdn 1G2LT81E1J1633885 Re: T.M. Auto Sales/ 12:15 P.M. 116-60 Sutphin Blvd Queens 1987 Chevrolet Nova Sedan 4 Dr Sdn 1G1AY07PH2135487 Re: R Poncet/E Gonzalez; 1991 Ford Aerostar Van 1FMDA-45X5MUB01910 Re: Tyson Enterprises/ 12:30 P.M. 1117 Interval Ave Bx 1992 Mercedes 190E 2.6 Sdn WDBHA22E2NF-128211 Re:D.L. Daniel; 75 Olds 98 #33U9TSEI-32076 Re: W. Robinson; 91 Monte Gru Mgg. #2MEC745779M765134 Re: Archery Garage & Key Barn Inc; 83 Olds 4DSD #1G3AX69Y3DM809549 Re: B Ozuna; 1:30PM 1439 Ogden Ave. BX NY 86 Toyot 2DSD #JT2BA65L8F4048222 Re: P. Perez. Published 8/27 & 9/3/93.

Pronto Lien Service, Lic # 869242 Sells on 9/03/93 at 8AM 1717 Interval Ave. Bx 1991 Ford Aerostar Van 1FMDA45X5MUB-14188 Re: G. Gomez; 9AM 31 W Thomson Ave, BX NY 85 Chevr Camaro 2DSD #1G-FP87H8FN115752 Re: Z. Torres, 76 Chevr Impala #1L1BN55E1FX109870 Re: D.Sowasson, 85 Chevr 2DSD #1G8CT18-3F0135718 Re: J. Baez-Rivera; 10AM 1504 B. Intervale Ave. BX NY 87 Suzuk Sidg #27-SL #SAXXS84B0H1114039 Re: D. Lamb; 11:45 A.M. 111-30 90th Ave Rich Queens 1988 Pontiac Lemans 4 Dr Sdn 1G2LT81E1J1633885 Re: T.M. Auto Sales/ 12:15 P.M. 116-60 Sutphin Blvd Queens 1987 Chevrolet Nova Sedan 4 Dr Sdn 1G1AY07PH2135487 Re: R Poncet/E Gonzalez; 1991 Ford Aerostar Van 1FMDA-45X5MUB01910 Re: Tyson Enterprises/ 12:30 P.M. 1117 Interval Ave Bx 1992 Mercedes 190E 2.6 Sdn WDBHA22E2NF-128211 Re:D.L. Daniel; 75 Olds 98 #33U9TSEI-32076 Re: W. Robinson; 91 Monte Gru Mgg. #2MEC745779M765134 Re: Archery Garage & Key Barn Inc; 83 Olds 4DSD #1G3AX69Y3DM809549 Re: B Ozuna; 1:30PM 1439 Ogden Ave. BX NY 86 Toyot 2DSD #JT2BA65L8F4048222 Re: P. Perez. Published 8/27 & 9/3/93.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell September 15, 1993 10:00 AM 134 18th St Bklyn 1984 Mercury Cougar 2 Dr Sdn 1MEBM91F3EH811624 Re: Adams Mahoney Research Development. 1985 Toyota MR2 2 Dr Sdn JT2AW15C4F0013427 Re: D. Sheng Wan/ 1:30 P.M. 233 E 2nd St NYC 1984 Mercedes Benz 190E 4 Dr Sdn WDBDA36A8EA035942 Re: S. K Leung Metropolitan Auctioneers, Inc.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell September 15, 1993 10:00 AM 134 18th St Bklyn 1984 Mercury Cougar 2 Dr Sdn 1MEBM91F3EH811624 Re: Adams Mahoney Research Development. 1985 Toyota MR2 2 Dr Sdn JT2AW15C4F0013427 Re: D. Sheng Wan/ 1:30 P.M. 233 E 2nd St NYC 1984 Mercedes Benz 190E 4 Dr Sdn WDBDA36A8EA035942 Re: S. K Leung Metropolitan Auctioneers, Inc.

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Brokerages Seen Stronger than Banks

By RICHARD LAYNE

Brokerage houses are in a better position than banks to take advantage of the current market and economic environment, according to Alison A. Deans, an analyst at Smith Barney Shearson Inc.

Ms. Deans has been a brokerage analyst for eight years and a money-center bank analyst for 3½. Her top picks among banks are Bankers Trust New York Corp. and Chemical Banking Corp., but she said she is biased toward brokerages such as Merrill Lynch & Co. and Morgan Stanley & Co.

A low-rate, slow-growth environment favors brokerage businesses because they are asset managers and traders. In addition, she said Merrill and Morgan Stanley have a detailed knowledge of the expenses and profitability of their business lines, which only Bankers Trust among money-center banks can match.

Investors have begun to embrace brokerage stocks. In the past two weeks, brokerage stocks are up 10% to 15%, said Ms. Deans. Bank shares have been sluggish. On the year, brokerage stocks are up 40%, while bank stocks are up 9%.

Q.: Why do you prefer brokerages to banks?

DEANS: It has been a great couple of years for recovery stocks, but over the next couple of years, the way to play financial services is to invest in those companies that will show meaningful growth that is genuine growth, not recovery growth. Bank stocks have been strong because of earnings recovery, while brokerage stocks show great revenue potential.

To be effective competitors in the financial service industry over the next couple of years, companies have to be low-cost producers, profitability oriented, and very competitive. We see more of that in the brokerage industry.

There's some skepticism about banks. Have these companies genuinely changed? To some degree, they haven't proven themselves yet.

Q.: What makes this a better time for brokerage?

DEANS: We think loan growth is going to be relatively sluggish. We also think that deposit rates can stay this low for a long period of time, fueling a tremendous amount of money moving out of short-term investments – bank savings accounts and money-market accounts – into longer-term investments.


Edward Lozzi/Bloomberg

SMITH BARNEY'S ALISON DEANS says low rates and slow economic growth favor asset managers and traders.

Brokerage firms and asset managers are the primary beneficiaries of that. Merrill Lynch, for example, has proven to be one of the most effective asset gatherers worldwide, with over half a trillion dollars in assets.

Q.: Are brokerages more consciously than banks?

DEANS: Merrill created a management information system that allowed them to monitor all the expenses tied to businesses by customer and by product.

All of a sudden, a person running a broker desk was aware of the cost of all those phone lines, all the support staff, all the office space. They could make decisions on that information. Morgan Stanley and Bear Stearns and PaineWebber have similar systems.

Merrill Lynch disappointed shareholders all during the 1980s, when they never brought the benefit of being No. 1 to the bottom line. At the height of the bull market in the brokerage industry in the 1980s, Merrill only achieved a 15% return on equity. Morgan was at 30%.

Now Merrill has a 30% return on equity, and the stock has quadrupled off its low.

Of the banks I follow, only Bankers Trust has that type of system. Bankers Trust focuses on expenses. They were cutting costs when their earnings were healthy several years ago. They are expanding headcount slower than their businesses are growing.

Citicorp sounds as if it is doing something along those lines. The same with Chemical.

If Citicorp does what Merrill Lynch did, then the shares are the investment of a lifetime. If they don't, you've made your money in that stock.

Q.: Has Chemical become a new company?

DEANS: What has impressed me about Chemical has been the top-line growth.

During a time when there should have been disruption from the merger [with Manufacturers Hanover Corp.], they have been experiencing net growth.

Chemical's loan portfolio hasn't suffered the same degree of runoff as we've seen with the other national lenders. They've increased their middle-market market share by close to two percentage points, and their retail market share is up close to a percentage point.

That suggests to me that the merger has been pretty well executed, particularly because this is a tough environment for top-line growth for the industry.

The other important aspect is that they are clearly a top player in the wholesale businesses – capital markets, global trading, loan syndication. They are a quality player. And I've found that these trading profits are far less volatile than some of the other firms'.

In addition, their profitability return on equity is in the mid-teens right now, and even if you fully tax it, it is in the low teens and approaching mid-teens.

I think Chemical could be a $50 stock in 12 months. The stock was trading at $40.125, off 12.5 cents Thursday afternoon.]

Q.: But some investors are still skeptical, right?

DEANS: There's still a tremendous amount of skepticism out there that this is the same old management. Will it be able to cut costs? Will they ever become a strong player in the banking business?

Chemical still gets a money center tipple. The market on the book is 135% versus 175% for a regional. The P/E on this year's earnings is nine times. The average regional's is 11-12 times earnings.

People are not seeing a dramatic decline in expenses. Chemical came through with the cost cutting they promised, but nothing more.

Q.: What do you like about Bankers Trust besides cost control?

DEANS: I think they are an underappreciated company.

If you look at the price-to-book multiple and the P/E multiple, J.P. Morgan & Co. does better. I think Morgan is a great franchise. But its performance is not as wide as the difference in the stock multiples suggests.

I think over the past several years, Bankers Trust has had less volatility in per-share earnings, higher return on equity, and the mix of revenues has been less from investment gains than Morgan. Bankers Trust gets a much higher percentage of earnings from trust fees and has much slower expense growth.

Bankers Trust does not focus much investor attention on those trust businesses, but they are one of the largest master trust banks, one of the largest banks in 401(k) plans, one of the largest domestic players in passive asset management. These are high profit-margin businesses.

My price target: low 90s. [The shares traded $78.875 Thursday afternoon, off 37.5 cents.] ☐

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FOUNDATION NOTICE

NOTICE
The annual report of HELEN FRANKENTHALER FOUNDATION for the calendar year ended December 31, 1992 is available at its principal office located at c/o Hecht & Co., P.C., 111 West 40th Street, 20th Floor, New York, NY 10018, (212) 819-8000 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Officer of the Foundation is Helen Frankenthaler.

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Highlights for Thursday, August 26

TOP 10 GAINERS %

Lake Shore Bancorp., Inc.	6.0
Hancock Holding Company	5.0
Signet Banking Corporation	4.3
Baltimore Bancorp	3.7
GBC Bancorp	3.1
Commerce Bancorp, Inc.	3.0
Bankworth Group, Inc.	2.6
BayBanks, Inc.	2.0
Central Fidelity Banks, Inc.	2.0
First Commerce Corporation	2.0

TOP 10 LOSERS %

CBT Corporation	-5.0
BOK Financial Corporation	-4.9
F & M National Corporation	-4.5
One Valley Bancorp of WV, Inc.	-4.4
Shawmut National Corporation	-4.2
National City Bancorporation	-4.0
National Bancorp of Alaska	-3.8
Zions Bancorporation	-3.5
BankFirst Corporation	-3.4
River Forest Bancorp	-3.4

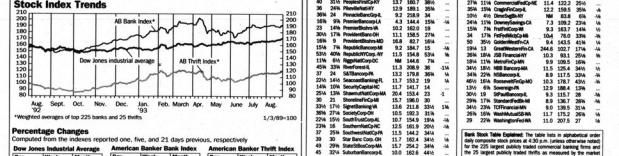
MOST SHARES TRADED

BankAmerica Corporation	1233300
Citicorp	1176600
Chase Manhattan Corporation	697300
Shawmut National Corporation	570900
J.P. Morgan & Co. Incorporated	548100

VOLUME AS % OF AVERAGE

Old National Bancorp	1170.1
Lake Shore Bancorp., Inc.	1095.5
Pinnacle Banc Group, Inc.	893.2
BOK Financial Corporation	812.4
Omega Financial Corporation	748.5

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts 1/3/89=100

Percentage Changes

Computed from the indexes reported over one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month
-0.11	1.00	2.67	0.13	1.63	1.36
			-0.18	1.06	2.71

Top 225 Banks

52 Wk. Hi	Low	Name	PE	Mkt. Bid	Chg.	Chg. %
36¾	24	1stSourceCorp(N	11.6	158.5	25/a	-/a
24¼	18¼	1stBancorp(O	11.5	23.5	-/a	-/a
17½	8½	Allied Bkshrs Ga	16.5	276.0	17/a	-/a
35¾	26¾	AmSouthBancorp(N	11.6	147.5	25/a	-/a
36¼	27¼	AssociatedBanc-Wi	13.1	181.0	36/a	-/a
39¾	29¼	BB&T Fin'l Corp(O	11.6	145.4	33/a	-/a
27½	12	BOK Financial Cor	12.1	238.9	21	-1
33	21¾	BT Financial Corp	11.2	136.4	30/a	-/a
12	6	BaltimoreBancorp(O	14.8	124.9	12	-/a
31¼	24¾	BankFirstCorp(M	11.2	130.5	28/a	-/a
61	42¾	BancOneCorp(N	14.2	227.1	52/a	-/a
53½	40¾	BancorpSouth Inc	11.3	143.3	37/a	-/a
40¾	27½	BancorpSouth MS	11.3	143.3	37/a	-/a
54¾	41	BankAtlantaCl'A(O	12.1	281.0	54/a	-/a
31½	26	BankGranite Corp(O	18.2	285.1	31½	-½
99¾	59¾	BankNewYorkCo(N	9.9	97.5	59¾	-¾
80	59¾	BankersTrust(N	8.6	172.5	78¾	-¾
31¾	24¾	BankersTrust NY(O	8.6	172.5	31¾	-¾
31¾	24¾	BarnettBanks(N	11.6	135.2	30¾	-¾
61¾	40	BarnettBanks Wt	10.6	133.5	53¾	-¾
50¾	34¾	BayBanks Inc(N	12.4	140.2	50¾	-¾
52¾	26¾	BayBanks Inc(O	12.4	140.2	50¾	-¾
64¾	49¾	BeneficialCorp(N	10.1	105.0	53¾	-¾
23¾	13¾	BoatmenBcshr(N	10.1	187.8	32¾	-¾
29¾	22¾	BoatmenBcshr(O	10.1	187.8	32¾	-¾
13¾	7¾	CNB FinCorp(O	8.9	146.8	12¾	-¾
9¾	6¾	CalFed Bancorp(O	8.9	105.0	9¾	-¾
24	13¾	CathayBancorp(O	11.5	136.8	14¾	-¾
24¾	17¾	CenFed Fin'l(O	11.4	151.0	20¾	-¾
34¾	22¾	CentralFed(O	12.0	176.6	29¾	-¾
34¾	22¾	CentralFed(O	12.0	176.6	29¾	-¾
34¾	22¾	CentralFed(O	11.4	108.2	29¾	-¾
37¾	21	ChaseManhtn(N	11.3	108.4	34¾	-¾
37¾	21	ChaseManhtn Wt	11.3	108.4	34¾	-¾
47¾	35¾	ChemicalFnCp(N	14.1	178.8	47	-¾
22	12¾	ChemicalFnCp(O	14.1	108.2	20¾	-¾
30¾	14¾	Citicorp(N	12.1	138.3	33¾	-¾
30¾	14¾	Citicorp Wt(N	14.7	138.3	33¾	-¾
39¾	16¾	CitizensBanking(M	13.6	151.8	39¾	-¾
7¾	2¾	CitizensBanking(O	13.6	151.8	39¾	-¾
31	17¾	CityNationBcp(N	16.3	182.5	29¾	-¾
11¾	4¾	ColumbiaFed(O	8.0	181.1	7¾	-¾
23¾	17¾	ColonialBancGp(N	8.1	130.3	20¾	-¾
23¾	17¾	ColonialBancGp(O	8.1	130.3	20¾	-¾
34¾	24¾	CommercialBcs WI	10.5	191.6	26¾	-¾
37¾	17¾	CommercialBcs WI	10.5	191.6	26¾	-¾
26¾	15¾	CommunityBcs WI	11.2	156.0	26¾	-¾
26¾	15¾	CommunityBcs WI	11.2	156.0	26¾	-¾
15	11½	CommunityFed(O	10.4	147.2	14	-¾
15	11½	CommunityFed(O	10.4	147.2	14	-¾
28	15¾	Continental(A	4.8	89.7	24¾	-¾
24¾	11¾	CoreStatesFn(N	11.2	184.5	18¾	-¾
46¾	25¾	CrestarFin'l Cp(N	14.0	162.3	43¾	-¾
46¾	25¾	CrestarFin'l Cp(O	14.0	162.3	43¾	-¾
27¾	20¾	DauphinDeposit(N	12.1	183.9	24¾	-¾
27¾	20¾	DauphinDeposit(O	12.1	183.9	24¾	-¾
37¾	12¾	F & M Nat'l Cp(N	12.1	158.7	32	-¾
22	17¾	FBS Banking(M	15.3	143.3	21	-¾
18¾	9¾	FNB Corp(N	17.5	123.3	15¾	-¾
20	14	FNB Corp(O	17.5	123.3	15¾	-¾
40¾	28	FifthThirdBcp(O	17.0	296.6	33	-¾
40¾	28	FifthThirdBcp(O	17.0	296.6	33	-¾
59¾	33¾	FirstNorthrld(	13.1	307.2	51	-¾

52 Wk. Hi	Low	Name	PE	Mkt. Bid	Chg.	Chg. %
39¾	33	FirstAlabama(A	11.5	175.5	32¾	-¾
23	16	FirstAmerBc Fl	8.2	203.0	20¾	-¼
34¾	20¾	FirstAmerCorp(N	13.2	89.4	34¾	-¾
34¾	20¾	FirstAmerCorp(O	13.2	89.4	34¾	-¾
33¾	24¾	FirstBkNSystem(N	28.2	185.2	31¾	-¾
33¾	24¾	FirstChicago(A	10.2	185.2	31¾	-¾
62½	39	FirstCitizens-NC	8.5	130.7	49	½
24¾	14¾	FirstCommCorp(N	17.1	137.4	18¾	-¾
40	28¾	FirstCommerce A	10.2	191.9	38½	-¾
40	28¾	FirstCommerce(O	10.2	254.5	38¾	-¾
34¾	27¾	FirstCommercial-M	11.1	165.2	33¾	-¾
31¾	25¾	FirstCommFn(N	12.7	153.2	30¾	-¾
25¾	9¾	FirstEastern-PA	NM	184.4	24¾	-¾
51¾	32¾	FirstFed Fin'l(N	11.5	153.6	51¾	-¾
51¾	34	FirstFidelity(N	11.2	165.9	48¾	-¾
34¾	24	FirstFidelity(O	11.2	165.9	48¾	-¾
58¾	36¾	FirstFinCorp(O	11.7	150.0	56	-¾
58¾	36¾	FirstFinCorp(O	11.7	150.0	56	-¾
37¾	25¾	FirstFinancial(A	8.8	157.1	37¾	-¾
23¾	16¾	FirstFinancial-IN	11.2	154.2	23¾	-¾
17	13¾	FirstTennessee(N	11.2	174.9	16¾	-¾
17	13¾	FirstTennessee(O	11.2	174.9	16¾	-¾
22¾	16¾	FirstTennessee(O	13.5	165.6	21¼	-¾
22¾	16¾	FirstTennessee(O	13.5	165.6	21¼	-¾
47	33¾	FirstTennessee-TN	11.2	174.9	39¼	-¾
30	20	FirstVirginBks(N	10.8	182.2	30	-¾
17	7¾	FirstUnionAd	8.6	139.8	28¼	-¾
28¾	17	FirstUnion(N	8.6	139.8	28¼	-¾
28¾	16¾	FirstUnionBkNw(N	14.1	179.9	26¾	-¾
28¾	16¾	FirstUnionBkNw(O	14.1	179.9	26¾	-¾
37	26¾	FirstCorp(N	11.4	197.6	33¾	-¾
37	26¾	FirstCorp(O	11.4	197.6	33¾	-¾
43¾	30¾	FirstFinancial-M	11.2	187.0	39¾	-¾
43¾	32¾	FortWayneCp(O	13.3	170.3	41	-¾
44¾	32¾	FortWayneCp(O	13.3	170.3	41	-¾
28¾	17¾	FranklinFed(O	11.8	144.2	28¾	-¾
15	6¾	FranklinSavCp(O	11.8	144.2	14¾	-¾
24¾	18¾	FranklinSavCp(O	11.8	144.2	24

Recovering Whitney Increases Its Dividend For Second Time in '93

By GORDON MATTHEWS

Whitney Holding Corp., whose stock has made impressive gains recently, raised its dividend for the second time this year.

Whitney shares were up 75 cents to $37 in late trading on Thursday after the New Orleans-based company said it will increase its quarterly payout to 20 cents per share from 15 cents.

The dividend was restored in January after a two-year omission while the bank dealt with huge losses stemming from a deep and protracted recession in Louisiana.

Stocks

The stock has advanced 26% so far in the third quarter, making it one of the best performing bank issues. And it is ahead 51% this year on top of the 50% appreciation the stock registered in 1992.

"They're enjoying an excellent year, heading toward $4 [a share] in operating earnings," said Peter W. Tuz, analyst at Morgan Keegan & Co., Memphis. "I expect to see faster than average dividend growth at Whitney as they bring the payout ratio back into the 30% [of earnings] range over the next few years," he said.

Increase 'No Surprise'

"A recovery can get momentum very quickly once everything is in place," said Henry J. Coffey Jr., bank analyst at J.C. Bradford & Co., Nashville. Thus, he said, the second dividend increase was "no surprise."

Interest in Whitney was whetted last month when Premier Bancorp of Baton Rouge secured a toehold in New Orleans by acquiring Alerion Corp., an Italian-owned private bank.

Banc One's Approval Assumed

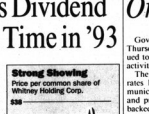
On Wall Street, it was quickly assumed the deal had at least the tacit approval of Banc One Corp., Columbus, Ohio, which owns an option to buy Premier by July 1995.

Analysts reasoned that Banc One, with its goal of being no less than third in any market, might speed up its purchase of Premier and then acquire one of the three large New Orleans banks.

"There is an argument for each one," said Mr. Tuz.

Besides Whitney, with $2.9 billion of assets, the city's major players are First Commerce Corp. and Hibernia Corp.

Strong Showing
Price per common share of Whitney Holding Corp.



Price was $37 at 4 p.m. Thursday
Source: DB Technology Inc., Reuters

Investor interest in Whitney was also stirred last February when the bank's biggest shareholder, BIL (Far East Holdings) Ltd., Hong Kong, unloaded its 12% stake, amounting to 835,871 shares.

Whitney once ranked among the most profitable major banks in the South, tallying a peak return on assets of 1.89% in 1982.

It was also the most conservative and old-fashioned, focusing on wholesale banking and affluent clients while eschewing mass-market efforts and advanced technology.

Huge Losses in 1989

But in 1989, problem real estate and energy loans prompted huge losses.

By mid-1992, the nonperforming loans peaked at 14.91% of total loans and foreclosed real estate. By this June 30, the ratio was down to 6.42%.

Meanwhile, Whitney's business strategy and focus have been broadened by William L. Marks, chairman and chief executive officer, who arrived in late 1990 from Amsouth Bancorp, Birmingham, Ala.

The bank is lifting its payout a nickel, to 20 cents a share.

THURSDAY'S MARKET

J.P. Morgan & Co. was the top gainer among bank stocks, rising $1.25 to $76.125 in late trading. Other banks posted more modest gains as stocks in general were little changed.

Chase Manhattan Corp. was up 62.5 cents to $34.625, Core-States Financial Corp. was ahead 62.5 cents to $34.625, and Mellon Bank Corp., strong in recent days, improved 62.5 cents to $58.625.

The top loser was Shawmut National Corp., off $1 to $23 after announcing it will acquire Peoples Bancorp of Worcester. Marshall & Ilsley Corp. fell 50 cents to $23.25 and Fifth Third Bancorp 50 cents to $52.50. □

Government Bonds Continue Rally On Cash Influx from Refinancings

Government bonds rallied on Thursday, as the market continued to benefit from refinancing activity in other markets.

The sharp drop in interest rates has led to refundings of municipal and corporate bonds and prepayments on mortgage-backed securities.

The Markets

Money from these markets has flooded into Treasuries.

"Cash is being forced into the market," said Charles Lieberman, money market strategist for Chemical Securities Inc.

"The discussion is no longer if the rally can continue," said Astrid Adolfson of MCM MoneyWatch. "It's how low can yields go."

'In Its Own Little World'

At 4 p.m., the price of the 30-year bond was up over a point, sinking the yield to a record 6.09% from 6.16% on Wednesday.

"[The 30-year] is in its own little world," said Alan Levenson, money market economist for UBS Securities. "It's not trading off the fundamentals."

Market analysts said the long bond is also being supported by portfolio managers who need longer-term securities to meet preset duration targets for their holdings. "There is a stretch for yield," Mr. Levenson said.

Jobs Report a Stimulus

In addition, analysts said, the bond gained on a private research report released on Thursday that predicted big employment losses as a result of President Clinton's health care reform proposal.

The job losses would mean reduced inflation, a positive for the bond market.

Analysts said Brazilian government purchases of long-term U.S. Treasuries were another positive factor in the market.

The 30-year Treasury, used as a benchmark for long-term mortgages and other rates, is in the midst of historic show of strength. The yield has plunged about a half percentage point since mid-July.

Besides being awash in cash from refinancing activity, the bond is benefiting from increased evidence of weak economic growth and low inflation.

The Labor Department reported on Thursday that new claims for state unemployment insurance rose 8,000 in the latest week, the latest sign of a sputtering economy.

Prices of other Treasury coupon issues also rose on Thursday, though not as sharply.

Ten-year notes advanced about ½, lowering the yield to 5.43% from 5.49%; five-year notes rose ¼, dropping the yield to 4.79% from 4.92%; and two-year notes gained 1/32, lowering the yield to 3.83% from 3.84%. The bond-equivalent yield on the three-month Treasury bill was unchanged at 3.05%.

Dollar Plunges

The strength in the bond market was somewhat surprising given the plunge in the dollar on Thursday. The currency fell after the Bundesbank left interest rates unchanged. Germany's central bank had been expected to lower rates. The dollar finished in New York at 1.6660 marks, down from 1.6848.

Stocks were flat on profit taking. The Dow Jones industrial average lost 3.91 points to 3,648.18. — **Bart Fraust**

Bankers Loosen Their Lending Standards

Continued from *page 1*

heating.

So far this year, $3.8 billion of deferred-interest securities have been offered in the public junk bond market, compared to just $1.59 billion in the first eight months of last year, according to Securities Data Co. More of these high-yielding securities have also been sold in the private placement market.

NEWS ANALYSIS

Interest-deferred securities take various forms. Payment-in-kind, or PIK, securities initially pay interest in the form of additional securities. Zero-coupon bonds, sold at deep discount to face value, pay no interest until maturity, when the bonds are redeemed at face value.

Some discount bonds start out as zeros and then begin paying cash interest after several years.

Investors purchasing such securities gamble that the borrower either will be better able to pay back the debt in the future, or will sell off assets to cover payments.

Not Panning Out

As recent history shows, such bets often failed to pay off.

Roughly 25% of the 230 issuers that defaulted on bond payments in the past three years were companies that had undergone a leveraged buyout, and many were financed in part with interest-deferred securities, said Jerome Fons, an economist at Moody's Investors Service Inc. a major bond-rating agency.

Indeed, the bankruptcy courts have been littered in recent years with cases involving companies that loaded up on these securities.

In recent months, investors in the junk bond market appear to have brushed aside any concerns about the risks associated with these securities, as they scramble

Repayments are coming in later years.

for higher yields in today's low-interest-rate environment.

A Red Flag

No matter how you slice it, financing a buyout or recapitalization with the help of these securities signals that the deal does not work based on the borrower's historical cash flow, said Joseph Rizzi, senior vice president for structured finance at Dutch-owned ABN Amro Bank in Chicago.

"We really look at these things as the scarlet letter of corporate finance," he added.

Other bankers take a less severe view, but most agree that the use of PIKs or discount bonds raises a red flag.

"It clearly calls your attention to the [capital] structure" of the deal, said Mr. Bunn at NationsBank.

Not Quite Like '80s

Despite the increased use of these securities in recent months, bankers and others are quick to point out that while more aggressive than just six months ago, the deal market today is a far cry from the 1980s.

"I still haven't seen it get to the point where somebody shows up with a dollar and a half and a good story and can borrow a bunch of money in the high-yield market, and banks will accept that," said Mr. Muse.

"The overall credit quality and structure [of deals] is much stronger than it was in the 1980s," said Ted Virtue, managing director in charge of high-yield capital markets and loan syndications at Bankers Trust New York Corp.

Sense of Caution

But bankers are also on guard against their own impulses.

"If we go back to allowing very aggressive leverage on the balance sheet and hockey-stick projections, it's going to be the 1980s all over again," Nations-Bank's Mr. Bunn said.

Added Continental Bank's Dennis Amato: "My sense is that it hasn't reached crisis proportions, but if the trend line continues in terms of aggressiveness, we'll probably repeat some of the problems of the late 1980s." □

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Top 100 Earners in Banking

Banks and bank holding companies ranked by 1992 net income

Rank 1992	Net Income For Full Year		Rank 1991	Change in Rank	Adjusted Net Income		Profitability Ratios: Return on Assets		Return on Equity	
	1992	1991			1992	1991	1992	1991	1992	1991
1	BankAmerica Corp., San Francisco (c)	1,492,000,000	1,124,000,000	1	1,682,000,000	1,124,000,000	0.90	0.99	12.65	17.13
2	J.P. Morgan & Co., Inc., New York (c)	1,381,607,000	1,114,000,000	2	1,381,607,000	1,114,000,000	1.15	1.05	22.46	21.27
3	NationsBank Corp., Charlotte, N.C. (c)	1,145,000,000	201,850,000	18	+15	1,145,000,000	489,567,000	1.00	0.17	15.83	2.70
4	Chemical Banking Corp., New York (c)	1,086,000,000	154,000,000	23	+19	1,086,000,000	471,000,000	0.78	0.11	11.65	0.33
5	Banc One Corp., Columbus, Ohio (c)	781,284,000	529,466,000	4	-1	835,981,000	529,466,000	1.34	1.56	16.26	16.58
6	Bankers Trust New York Corp. (c)	761,000,000	667,000,000	3	-3	761,000,000	667,000,000	1.03	1.09	23.10	23.10
7	Citicorp, New York (c)	722,000,000	(457,000,000)	...	...	722,000,000	(457,000,000)	0.32	(.21)	6.50	(7.90)
8	Chase Manhattan Corp., New York (c)	639,000,000	520,000,000	5	-3	639,000,000	499,000,000	0.64	0.52	11.14	10.49
9	Norwest Corp., Minneapolis (c)	518,400,000	398,500,000	6	-3	518,400,000	398,500,000	1.28	1.10	19.10	18.50
10	First Union Corp., Charlotte, N.C. (c)	515,212,000	318,737,000	9	-1	515,212,000	318,737,000	1.07	0.77	15.26	11.85
11	Wells Fargo & Co., San Francisco (c)	437,000,000	280,000,000	11		401,000,000	280,000,000	1.46	0.96	21.12	15.80
12	Wachovia Corp., Winston-Salem, N.C. (c)	433,225,000	229,540,000	13	+1	433,225,000	229,540,000	1.36	0.72	16.69	9.33
13	PNC Bank Corp., Pittsburgh (c)	426,939,000	389,780,000	7	-6	426,939,000	328,634,000	0.95	0.91	12.43	14.02
14	SunTrust Banks, Inc., Atlanta (c)	413,321,000	370,667,000	8	-6	413,321,000	370,667,000	1.21	1.13	15.78	15.22
15	Bank of New York Co., Inc. (c)	368,769,000	122,032,000	34	+19	340,996,000	122,032,000	0.88	0.29	11.95	3.61
16	National City Corp., Cleveland (c)	346,923,000	230,967,000	12	-4	348,466,000	215,881,000	1.21	0.97	15.31	13.18
17	Greenwood Trust Co., New Castle, Del.	343,838,000	211,587,000	17		343,838,000	211,587,000	5.10	3.17	38.96	28.89
18	First Fidelity Bancorporation, Lawrenceville, N.J. (c)	313,737,000	231,241,000	16	-2	313,737,000	196,241,000	0.77	0.77	15.96	14.36
19	Society Corp., Cleveland (c)	301,210,000	163,011,000	22	+3	322,205,000	171,170,000	1.26	1.09	17.52	15.36
20	HBO Bancorp., Inc., Detroit (c)	300,134,000	292,957,000	10	-10	338,019,000	292,957,000	0.76	1.03	10.44	14.34
21	Wells Fargo & Co., San Francisco (d)	283,000,000	21,000,000	118	+97	283,000,000	21,000,000	0.54	0.04	7.93	0.07
22	First Financial Group, Inc., Providence, R.I. (c)	276,843,000	97,617,000	42	+20	273,569,000	44,757,000	0.62	0.25	11.01	4.02
23	First Bank System, Inc., Minneapolis (c)	276,000,000	190,400,000	20	-3	276,000,000	190,400,000	1.34	1.09	16.40	15.30
24	CoreStates Financial Corp, Philadelphia (c)	262,404,000	228,135,000	14	-10	236,734,000	174,635,000	1.17	1.03	16.26	15.63
25	Republic New York Corp. (c)	258,883,000	227,360,000	15	-10	258,883,000	227,360,000	0.77	0.71	14.18	14.35
26	KeyCorp, Albany, N.Y. (c)	245,594,000	188,073,000	21	-5	242,762,000	164,098,000	1.04	0.86	16.48	14.73
27	Comerica, Inc., Detroit (c)	225,998,000	153,435,000	24	-3	225,998,000	153,435,000	0.88	1.12	17.18	16.50
28	Continental Bank Corp., Chicago (d)	222,000,000	(73,000,000)	...	...	228,000,000	(77,000,000)	1.01	(.30)	15.61	(8.97)
29	Bankers Bancshares, Inc., St. Louis, Mo. (c)	215,493,000	149,310,000	25	-4	235,193,000	150,149,000	0.96	0.92	12.52	11.87
30	Barnett Banks, Inc., Jacksonville, Fla. (c)	207,856,000	123,824,000	33	+2	207,856,000	123,824,000	0.55	0.39	8.26	6.89
31	Bank of Boston Corp. (c)	192,140,000	(34,357,000)	...	...	182,740,000	31,643,000	0.83	(.08)	15.02	(2.91)
32	MBNA Corp., Newark, Del. (d)	172,732,000	149,213,000	26	-6	172,732,000	149,213,000	2.96	2.79	26.12	28.29
33	First of America Bank Corp., Kalamazoo, Mich. (c)	169,480,000	134,879,000	29	-4	147,524,000	134,879,000	0.75	0.96	11.67	13.81
34	Firstar Corp., Milwaukee (d)	165,985,000	134,331,000	30	-4	165,985,000	134,331,000	1.36	1.16	17.43	15.85
35	Fifth Third Bancorp, Cincinnati (c)	164,092,000	138,150,000	28	-7	164,092,000	138,150,000	1.74	1.68	17.30	16.60
36	State Street Boston Corp. (d)	160,443,000	139,770,000	27	-9	160,443,000	106,670,000	1.03	1.03	18.10	18.00
37	Northern Trust Corp., Chicago (c)	149,488,000	127,400,000	31	-6	149,488,000	127,400,000	1.11	1.05	18.71	19.01
38	U.S. Bancorp, Portland, Ore. (c)	148,184,000	196,423,000	19	-19	208,074,000*	196,432,000	0.76	1.06	10.15	14.66
39	Huntington Bancshares, Inc., Columbus, Ohio (c)	139,023,000	117,022,000	36	-3	139,023,000	117,022,000	1.08	1.00	15.46	14.29
40	American Express Centurion Bank, Newark, Del.	127,136,000	124,082,000	32	-8	127,136,000	124,082,000	1.25	1.32	17.79	20.84
41	Bancorp Hawaii, Inc., Honolulu (c)	116,762,000	112,691,000	38	-3	116,762,000	112,691,000	1.10	1.04	16.25	16.50
42	Marshall & Ilsley Corp., Milwaukee, Wis. (c)	116,622,000	99,347,000	41	-1	116,622,000	96,308,000	1.46	1.36	15.29	15.57
43	Meridian Bancorp, Inc., Reading, Pa. (c)	114,735,000	107,054,000	39	-4	114,735,000	66,489,000	0.99	0.96	13.64	14.63
44	SouthTrust Corp., Birmingham, Ala. (c)	114,246,000	90,006,000	45	+1	114,246,000	90,006,000	1.04	0.96	15.66	15.21
45	Integra Financial Corp., Pittsburgh (c)	113,432,000	70,200,000	53	+8	121,242,000	70,200,000	1.16	0.86	19.01	13.29
46	Harris Bankcorp, Inc., Chicago (c)	113,253,000	104,068,000	40	-6	113,253,000	104,068,000	0.86	0.80	12.71	12.70
47	Old Kent Financial Corp., Grand Rapids, Mich. (c)	111,091,000	92,981,000	44	-3	106,341,000	95,693,000	1.27	1.11	16.25	14.57
48	Signet Banking Corp., Richmond (c)	109,200,000	(25,747,000)	...	...	109,200,000	(25,747,000)	0.96	(0.22)	12.70	(3.43)
49	MNC Financial, Inc., Baltimore (c)	103,110,000	(70,201,000)	...	...	16,319,000	(70,201,000)	0.62	(.37)	10.45	(6.53)
50	Union Bank, San Francisco	102,552,000	93,472,000	43	-7	102,552,000	93,472,000	0.62	0.56	9.79	9.37
51	AmSouth Bancorporation, Birmingham, Ala. (c)	102,013,000	80,370,000	48	-3	102,013,000	80,370,000	1.11	0.91	13.58	12.47
52	First Empire State Corp., Buffalo, N.Y.	97,937,000	67,194,000	55	+3	107,776,000	67,194,000	1.03	0.81	17.39	13.82
53	First Virginia Banks, Inc., Falls Church (c)	97,473,000	69,608,000	54	+1	98,359,000	69,608,000	1.50	1.22	17.03	13.44
54	First Alabama Bancshares, Inc., Montgomery (c)	95,048,000	78,256,000	49	-5	95,048,000	78,256,000	1.34	1.23	15.64	14.37
55	First Chicago Corp. (c)	93,500,000	116,300,000	37	-18	(114,500,000)*	158,300,000	0.17	0.22	1.80	3.20
56	LaSalle National Corp., Chicago (c)	92,627,000	85,694,000	46	-10	93,142,000	85,701,000	0.96	1.10	15.81	16.09
57	First Maryland Bancorp., Baltimore	92,473,000	75,056,000	50	-7	92,473,000	75,056,000	0.73	0.62	13.46	13.46
58	National Westminster Bancorp, Inc., New York (c)	91,833,000	(371,514,000)	...	...	91,767,000	(371,161,000)	0.41	(1.66)	5.17	(22.38)
59	Boston Safe Deposit & Trust Co.	91,472,000	40,400,000	74	+15	91,472,000	40,400,000	1.10	0.40	10.61	4.40
60	First Tennessee National Corp., Memphis (c)	89,165,000	63,752,000	59	-1	89,165,000	63,752,000	1.07	0.93	15.44	15.32
61	First Hawaiian, Inc., Honolulu (d)	86,900,000	81,710,000	47	-14	86,900,000	81,710,000	1.33	1.36	16.52	17.36
62	First Security Corp., Salt Lake City, Utah (c)	86,605,000	59,551,000	63	+1	86,605,000	59,551,000	1.20	0.88	14.12	11.59
63	BanPonce Corp., Ponce, P.R. (d)	85,116,000	64,563,768	58	-5	85,116,000	64,563,768	0.89	0.72	12.72	10.57
64	Mercantile Bancorporation Inc., St. Louis, Mo. (c)	85,003,000	66,555,000	56	-8	85,003,000	66,555,000	0.94	0.88	13.72	13.57
65	First Interstate Bancorp, Los Angeles (c)	82,095,000	(268,142,000)	...	...	82,095,000	(199,142,000)	0.57	(.59)	9.63	(13.96)
66	Crestar Financial Corp., Richmond (c)	79,801,000	33,761,000	83	+17	79,801,000	32,286,000	0.67	0.30	10.50	4.19
67	Marine Midland Banks, Inc., Buffalo, N.Y. (d)	79,281,000	(189,940,000)	...	...	79,281,000	(189,940,000)	0.48	(1.06)	7.04	(20.81)
68	Wilmington Trust Corp., Del. (d)	78,762,000	71,875,000	51	-17	78,762,000	71,875,000	1.55	1.51	17.44	22.70
69	Central Fidelity Banks Inc., Richmond (c)	78,516,000	60,435,000	60	-9	78,516,000	60,435,000	1.06	0.99	15.54	14.86
70	Mercantile Bancshares Corp., Baltimore (c)	76,296,000	70,582,000	52	-18	76,296,000	70,582,000	1.45	1.42	13.30	13.56
71	Star Banc Corp., Cincinnati (c)	76,119,000	65,832,000	57	-14	72,159,000	65,832,000	1.06	1.04	13.14	12.44
72	BB&T Financial Corp., Wilson, N.C. (c)	76,076,000	60,172,000	61	-11	76,076,000	60,172,000	1.18	1.06	14.50	14.11
73	Central Bancshares of the South, Inc., Birmingham, Ala. (c)	74,371,000	59,364,000	64	-9	71,713,000	54,579,000	1.16	1.06	16.56	16.13
74	First Commerce Corp., New Orleans, La. (c)	72,475,000	34,029,000	82	+8	72,475,000	34,029,000	1.26	0.73	22.85	14.46
75	Commerce Bancshares, Inc., Kansas City, Mo. (c)	71,695,000	59,776,000	62	-13	71,695,000	59,776,000	1.04	0.93	12.88	12.43
76	First Deposit National Bank, Tilton, N.H.	67,046,000	46,102,000	68	-8	67,046,000	46,102,000	4.40	2.70	50.17	42.04
77	West One Bancorp, Boise, Idaho (c)	63,372,000	41,196,000	72	-5	63,372,000	41,196,000	1.08	0.80	14.93	11.82
78	Michigan National Corp., Farmington Hills (c)	59,806,000	50,096,000	65	-13	59,806,000	50,096,000	0.62	0.47	8.35	6.74
79	BayBanks, Inc., Boston (c)	59,200,000	9,655,000	...	...	59,200,000	9,655,000	0.63	0.10	11.07	2.00
80	Dauphin Deposit Corp., Harrisburg, Pa. (c)	57,223,000	45,733,000	69	-11	57,223,000	45,733,000	1.31	1.30	14.07	14.44
81	Shawmut National Corp., Hartford, Conn. (c)	56,831,000	(170,644,000)	...	...	56,831,000	(170,644,000)	0.34	(0.76)	5.87	(16.36)
82	First USA Bank, Wilmington, Del.	56,146,000	45,072,000	70	-12	56,146,000	45,072,000	2.44	2.34	27.97	22.96
83	UJB Financial Corp., Princeton, N.J. (c)	53,824,000	22,435,000	111	+28	53,824,000	16,834,000	0.40	0.17	6.31	2.60
84	Fourth Financial Corp., Wichita, Kan. (c)	53,187,000	23,130,000	107	+23	53,187,000	23,130,000	1.10	0.55	15.25	7.98
85	First National of Nebraska, Inc., Omaha (c)	52,126,000	46,017,000	75	-10	52,126,000	46,017,000	1.70	1.53	24.70	23.40
86	First Citizens BancShares, Raleigh, N.C. (d)	51,763,000	29,181,000	95	+9	51,763,000	25,181,000	0.98	0.57	16.82	11.03
87	First Bancorporation of Ohio, Akron (c)	50,700,000	38,598,000	76	+1	50,700,000	38,598,000	1.34	1.07	14.23	12.50
88	Canadian Imperial Holdings, Inc., New York (d)	50,254,000	25,475,000	103	+15	50,254,000	25,475,000	1.14	0.64	8.54	4.57
89	Southern National Corp., Lumberton, N.C. (c)	50,148,000	30,779,000	89		50,148,000	30,779,000	1.16	0.70	16.38	10.87
90	Hemagen Credit Card Bank, Roswell, Ga.	47,282,000	54,743,000	65‡	-25	47,282,000	54,743,000	4.01	5.61	6.44‡	8.21‡
91	Liberty National Bancorp., Inc., Louisville, Ky. (c)	45,639,000	39,098,000	78	-13	45,639,000	37,780,000	1.06	1.00	13.63	13.41
92	Deposit Guaranty Corp., Jackson, Miss. (c)	45,514,000	32,220,000	86	-6	43,551,000	32,220,000	0.95	0.67	14.41	11.70
93	Provident Bancorp, Inc., Cincinnati (c)	43,618,000	17,883,000	126	+33	43,618,000	17,883,000	1.20	0.53	17.05	7.84
94	Zions Bancorporation, Salt Lake City, Utah (c)	43,402,000	34,124,000	96	+2	43,402,000	29,124,000	1.22	0.91	19.35	14.90
95	Colonial National Bank USA, Wilmington, Del.	43,358,000	14,508,000	...	...	43,358,000	14,508,000	3.21	1.12	43.39	17.37
96	First American Corp., Nashville, Tenn. (c)	41,972,000	33,597,000	128	+32	44,339,000	13,599,000	0.65	0.27	10.03	4.50
97	Valley National Bancorp, Wayne, N.J. (c)	41,598,000	30,117,000	91	-6	40,334,000	30,117,000	1.38	1.31	19.86	15.87
98	Union Planters Corp., Memphis, Tenn. (c)	41,438,000	27,508,000	100	+2	53,148,000	37,804,000	0.87	0.72	13.65	11.18
99	Frontier Financial, Inc., Omaha, Neb. (c)	41,410,000	33,323,000	84	-15	42,270,000	33,573,000	1.43	1.15	16.75	15.29
100	Premier Bancorp, Inc., Baton Rouge, La. (d)	40,311,000	14,546,000	...	...	51,498,000	14,546,000	1.31	0.48	25.06	11.38

Sources of data: American Banker survey and banks' yearend earnings releases. Top 100 earners based on net income for banks and bank holding companies. Net income is income after taxes, loan loss provisions, minority interest, and before preferred dividends and extraordinary items, unless otherwise noted. Net income is reported by principal bank or holding company. The 1991 net income has not been restated for 1992 mergers or changes in accounting principles. Adjusted net income is net income excluding nonrecurring items such as gains (losses) from sales of buildings, branches, subsidiaries, securities sold to settle loans or debt; proceeds from equity/debt swaps; and venture capital profits (losses). For 1991, changes in accounting principles are not included in adjusted net income unless noted. Profitability ratios are based on adjusted net income wherever possible. Return on assets is not income, as defined above, divided by average assets. Return on equity is the return on average common equity.

Please note: profitability ratios published here may differ from ratios reported in the March 15th Performance Review. The latter is based on net income after extraordinary items. (c)— A multibank holding company. (d)— A one-bank holding company. * Net income for 1992 includes a $114.5 million charge for restructuring and loan loss provisions. ‡ Total equity capital. (†)— Rank lacks would have, if data had been available last year.

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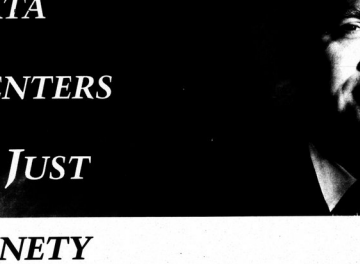

Robert P. Keller
President, CEO
New Dartmouth Bank
of New Hampshire

"Most consolidations of this size take, at bare minimum, four months, sometimes as long as a year. With Systematics' help, we were able to do it in less than three months.

"For us to hold on to customers from three different institutions, it was critical to present the image of a unified bank quickly. This could not have been accomplished without first taking care of the data centers.

"We don't have all the numbers yet, but we conservatively estimate that, since the conversion, total non-interest expenses, compared to non-interest expenses of the predecessor institutions, have been decreased by approximately 50%."

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1992 Performance of Top U.S. Banking Companies

Money Center Banks

Return on Average Assets

Rank 1992	Rank 1991		ROA 1992	ROA 1991
1	2	J.P. Morgan & Co., Inc.	1.15	1.05
2	1	Bankers Trust New York Corp.	1.03	1.09
3	8	Continental Bank Corp.	1.01	-0.31
4	6	Chemical Banking Corp.	0.78	0.11
5	3	Republic New York Corp.	0.77	0.73
6	4	Chase Manhattan Corp.	0.64	0.52
7	7	Citicorp	0.32	-0.21
8	5	First Chicago Corp.	0.17	0.20
		Mean Values for Group	**0.73**	**0.40**
		Median Values for Group	**0.78**	**0.37**

Return on Average Equity

Rank 1992	Rank 1991		ROE 1992	ROE 1991
1	1	Bankers Trust New York Corp.	23.10	23.10
2	2	J.P. Morgan & Co., Inc.	22.45	21.90
3	8	Continental Bank Corp.	15.61	-4.22
4	3	Republic New York Corp.	14.38	14.20
5	4	Chase Manhattan Corp.	11.17	10.50
6	6	Chemical Banking Corp.	12.36	0.33
7	7	Citicorp	6.49	-7.78
8	5	First Chicago Corp.	1.79	3.21
		Mean Values for Group	**13.39**	**7.03**
		Median Values for Group	**13.27**	**6.66**

Nonperforming Assets Ratio

Rank 1992	Rank 1991		Ratio 1992	Ratio 1991
1	1	Republic New York Corp.	0.51	0.56
2	2	J.P. Morgan & Co., Inc.	0.54	0.62
3	4	First Chicago Corp.	0.84	2.68
4	6	Bankers Trust New York Corp.	2.95	3.28
5	5	Continental Bank Corp.	3.71	3.39
6	3	Chemical Banking Corp.	4.36	4.43
7	7	Chase Manhattan Corp.	5.31	5.36
8	8	Citicorp	6.36	6.40
		Mean Values for Group	**3.82**	**3.84**
		Median Values for Group	**3.93**	**3.33**

Superregional Banks

Return on Average Assets

Rank 1992	Rank 1991		ROA 1992	ROA 1991
1	13	Mellon Bank Corp.	1.46	0.96
2	19	Wachovia Corp.	1.36	0.72
3	1	Banc One Corp.	1.34	1.56
4	5	First Bank System, Inc.†	1.34	1.09
5	6	Society Corp.†	1.26	1.09
6	11	National City Corp.	1.21	0.97
7	2	SunTrust Banks, Inc.	1.21	1.13
8	4	Norwest Corp.	1.10	1.10
9	17	First Union Corp.	1.07	0.77
10	12	First Fidelity Bancorp.	1.06	0.77
11	16	KeyCorp	1.04	0.86
12	23	Nationsbank Corp.	1.00	0.17
13	14	Boatmen's Bancshares, Inc.†	0.96	0.92
14	15	PNC Financial Corp.	0.95	0.91
15	10	Bankamerica Corp.	0.90	0.99
16	21	Bank of New York Co., Inc.	0.88	0.29
17	3	Comerica, Inc.†	0.86	1.18
18	25	Bank of Boston Corp.	0.83	-0.08
19	9	Corestates Financial Corp.	0.81	1.03
20	18	NBD Bancorp., Inc.	0.76	0.79
21	7	U.S. Bancorp.†	0.76	1.06
22	22	First of America Bank Corp.†	0.75	0.96
23	26	National Westminster Bancorp.	0.70	-1.66
24	22	Fleet Financial Group	0.62	0.25
25	20	First Interstate Bancorp.	0.58	0.59
26	20	Barnett Banks, Inc.	0.55	0.39
27	24	Wells Fargo & Co.	0.54	0.04
28	27	Shawmut National Corp.	0.34	-0.76
		Mean Values for Group	**0.94**	**0.59**
		Median Values for Group	**0.93**	**0.92**
		DROPPING OUT OF THE PANEL		
–	22	Security Pacific Corp.†	—	-0.95

Return on Average Equity

Rank 1992	Rank 1991		ROE 1992	ROE 1991
1	6	Mellon Bank Corp.	20.96	15.62
2	7	Society Corp.†	17.52	15.36
3	19	Wachovia Corp.	16.69	9.32
4	11	KeyCorp	16.48	14.71
5	9	First Bank System, Inc.†	16.38	15.29
6	1	Norwest Corp.	16.35	18.57
7	3	Banc One Corp.	16.26	16.58
8	13	First Fidelity Bancorp.	15.96	14.33
9	23	Nationsbank Corp.	15.83	2.68
10	5	SunTrust Banks, Inc.	15.71	15.22
11	16	National City Corp.	15.31	13.18
12	21	First Union Corp.	15.26	11.85
13	25	Bank of Boston Corp.	15.07	-2.92
14	2	BankAmerica Corp.	12.65	17.14
15	17	Boatmen's Bancshares, Inc.†	12.52	11.86
16	14	PNC Financial Corp.	12.46	14.02
17	22	Bank of New York Co., Inc.	11.96	3.95
18	4	Comerica, Inc.†	11.71	16.50
19	15	First of America Bank Corp.†	11.68	13.81
20	8	Corestates Financial Corp.	11.24	15.63
21	27	Fleet Financial Group	11.01	4.02
22	18	NBD Bancorp., Inc.	10.44	15.35
23	12	U.S. Bancorp.†	10.14	14.66
24	26	First Interstate Bancorp.	9.63	-13.96
25	28	National Westminster Bancorp.	8.76	-22.38
26	20	Barnett Banks, Inc.	8.26	6.89
27	24	Wells Fargo & Co.	7.93	0.07
28	27	Shawmut National Corp.	5.87	-16.37
		Mean Values for Group	**13.22**	**8.69**
		Median Values for Group	**12.59**	**13.92**
		DROPPING OUT OF THE PANEL		
–	22	Security Pacific Corp.†	—	-20.40

Nonperforming Assets Ratio

Rank 1992	Rank 1991		Ratio 1992	Ratio 1991
1	4	Norwest Corp.	0.51	0.95
2	3	Wachovia Corp.	0.80	0.94
3	2	First of America Bank Corp.†	0.97	0.90
4	1	Comerica, Inc.†	0.99	0.82
5	5	NBD Bancorp., Inc.	1.00	0.99
6	7	Banc One Corp.	1.02	1.27
7	9	National City Corp.	1.49	1.63
8	6	Huntington Bancshares, Inc.	1.49	1.94
9	13	U.S. Bancorp.†	1.40	2.04
10	12	SunTrust Banks, Inc.	1.47	1.95
11	22	First Interstate Bancorp.	1.48	3.25
12	10	First Union Corp.	1.50	1.76
13	11	First Bank System, Inc.†	1.52	1.84
14	15	PNC Financial Corp.	1.60	2.41
15	14	Corestates Financial Corp.	1.63	2.07
16	16	Nationsbank Corp.	1.69	2.54
17	21	Mellon Bank Corp.	1.88	3.18
18	17	First Union Corp., Inc.	1.88	2.61
19	8	Society Corp.†	1.99	1.23
20	24	Barnett Banks, Inc.	2.11	3.54
21	18	Bancwit Banks, Inc.	2.14	2.93
22	20	First Fidelity Bancorp.	2.21	3.07
23	23	Bank of New York Co., Inc.	2.28	3.43
24	20	BankAmerica Corp.	3.35	3.12
25	26	Bank of Boston Corp.	3.39	5.65
26	27	Shawmut National Corp.	4.06	6.56
27	25	Wells Fargo & Co.	5.05	5.49
28	28	National Westminster Bancorp.	5.97	7.03
		Mean Values for Group	**2.04**	**2.66**
		Median Values for Group	**1.62**	**2.34**
		DROPPING OUT OF THE PANEL		
–	21	Security Pacific Corp.†	—	5.73

Large Regional Banks

Return on Average Assets

Rank 1992	Rank 1991		ROA 1992	ROA 1991
1	1	Fifth Third Bancorp.†	1.74	1.68
2	3	Firstar Corp.	1.36	1.16
3	9	Integra Financial Corp.†	1.16	0.91
4	5	Northern Trust Corp.	1.11	1.05
5	6	Bancorp Hawaii, Inc.	1.10	1.04
6	7	Huntington Bancshares	1.08	1.00
7	4	SouthTrust Corp.	1.04	0.96
8	2	State Street Boston Corp.	1.03	1.20
9	10	Meridian Bancorp, Inc.	0.99	0.90
10	18	Signet Banking Corp.	0.98	-0.22
11	8	UJB Financial Corp.	0.96	1.00
12	12	BancPonce Corp.†	0.90	0.73
13	11	Harris Bankcorp, Inc.	0.86	0.80
14	15	Valley National Corp.	0.72	0.34
15	16	Crestar Financial Corp.	0.67	0.30
16	20	Marine Midland Banks, Inc.	0.66	0.06
17	19	MNC Financial, Inc.	0.62	-0.37
18	14	Michigan National Corp.	0.62	0.47
19	13	Union Bank	0.62	0.56
20	17	UJB Financial	0.40	0.17
21	21	Midlantic Corp.	0.04	-2.49
		Mean Values for Group	**0.89**	**0.49**
		Median Values for Group	**0.96**	**0.80**
		DROPPING OUT OF THE PANEL		
–	23	Ameritrust Corp.†	—	-0.82
–	7	Manufacturers National Corp.†	—	1.02

Return on Average Equity

Rank 1992	Rank 1991		ROE 1992	ROE 1991
1	9	Integra Financial Corp.†	19.00	13.29
2	1	Northern Trust Corp.	18.70	19.01
3	2	State Street Boston Corp.	18.10	18.02
4	5	Firstar Corp.	17.43	15.85
5	3	Fifth Third Bancorp.†	17.31	16.56
6	4	Bancorp Hawaii, Inc.	16.25	16.50
7	7	SouthTrust Corp.	15.81	16.09
8	6	SouthTrust Corp.	15.66	15.21
9	10	Huntington Bancshares	15.46	14.29
10	17	Signet Banking Corp.	14.22	-3.43
11	8	Meridian Bancorp, Inc.	13.44	13.74
12	13	Valley National Corp.	13.10	7.05
13	11	BancPonce Corp.†	12.72	10.57
14	16	Harris Bankcorp, Inc.	12.71	12.70
15	18	MNC Financial, Inc.	11.01	-6.53
16	19	Marine Midland Banks, Inc.	9.91	-20.81
17	15	Crestar Financial Corp.	9.73	4.19
18	12	Union Bank	9.38	9.27
19	14	Michigan National Corp.	8.37	6.74
20	16	UJB Financial Corp.	6.31	2.60
21	20	Midlantic Corp.	0.47	-56.64
		Mean Values for Group	**13.10**	**7.97**
		Median Values for Group	**13.44**	**12.70**
		DROPPING OUT OF THE PANEL		
–	23	Ameritrust Corp.†	—	15.62
–	7	Manufacturers National Corp.†	—	15.31

Nonperforming Assets Ratio

Rank 1992	Rank 1991		Ratio 1992	Ratio 1991
1	2	State Street Boston Corp.	0.32	0.37
2	5	Fifth Third Bancorp.†	0.52	1.11
3	3	Northern Trust Corp.	0.61	0.71
4	4	Firstar Corp.	0.67	0.88
5	1	Bancorp Hawaii, Inc.	0.73	0.37
6	9	SouthTrust Corp.	1.01	1.40
7	7	Integra Financial Corp.†	1.04	1.37
8	11	Huntington Bancshares	1.06	1.83
9	10	Harris Bankcorp, Inc.	1.21	1.27
10	6	LaSalle National Corp.	1.28	1.15
11	13	BancPonce Corp.†	1.32	1.55
12	14	Signet Banking Corp.	1.50	2.96
13	12	Meridian Bancorp, Inc.	1.52	1.97
14	15	MNC Financial Corp.	1.74	2.95
15	16	Valley National Corp.	1.78	3.13
16	18	Marine Midland Banks, Inc.	2.86	3.07
17	17	UJB Financial	3.51	4.31
18	21	Union Bank	4.66	4.00
19	19	Michigan National Corp.	5.62	7.73
20	20	MNC Financial, Inc.	6.53	10.16
21	8	Midlantic Corp.	9.95	9.97
		Mean Values for Group	**2.35**	**3.05**
		Median Values for Group	**1.52**	**1.83**
		DROPPING OUT OF THE PANEL		
–	23	Ameritrust Corp.†	—	4.30
–	7	Manufacturers National Corp.†	—	0.89

Data Sources: Data are from SNL Securities, Charlottesville, Va., and *American Banker*'s annual performance update. Panel groupings, ranks, and summary statistics were compiled by *American Banker*. Please note, that the 1991 data have not been restated for mergers or changes in accounting practices. For comparative purposes, the 1991 ranks, means and medians are for the current, 1992 panel. (†) — Bank was in the "Large Regionals" peer last year. (*) — Bank had assets less than $10 billion in 1991. (**) — Acquired by Bankers Trust Co., April 1992. (***) — Acquired by Society Corp., March 1992. (****) — Acquired by Comerica Inc., June 1992. (†) — Citicorp, in its nonperforming loans, includes consumer mortgage loans that are 90 days delinquent but not yet charged off. At Dec. 31, these loans amounted to $3.1 billion, or 23% of the company's nonperforming assets. Many other banks in the listing do not include these loans among nonperformers. However, in the case of Citicorp and by every other bank, the inclusion of these loans would not significantly affect nonperforming asset ratios. Compiled by American Banker. Copyright, 1993.

1992 Capital Ratios of the Top 100 Banking Companies

Top 100 bank holding companies in assets, listed in order of their tier 1, total capital, and leverage capital ratios on Dec. 31, 1992

Tier 1 Capital Ratio

Rank 1992	Rank 1991		1992	1991
1	1	United Missouri Bancshares, Inc.	18.44	19.03
2	2	Mercantile Bancshares Corp.	17.04	15.53
3	3	Norwest Corp.	16.58	14.76
4	4	First Virginia Banks, Inc.	15.52	14.74
5	41	First Commerce Corp.	15.36	9.09
6	5	Compass Bancshares, Inc.	14.95	13.46
7	9	Union Planters Corp.	13.81	12.19
8	8	Southwest Bancshares, Inc.	13.71	12.29
9	19	Fourth Financial Corp.	13.70	11.05
10	30	Mercantile Stores Financial Corp.	13.50	10.13
11	11	Marshall & Ilsley Corp.	13.34	11.95
12	14	State Street Boston Corp.	13.30	11.70
13	15	Comerica, Inc.	13.19	11.58
14	100	Hibernia Corp.	13.15	3.69
15	10	BancPonce Corp.	12.88	12.11
16	18	Old Kent Financial Corp.	12.82	11.11
17	17	BB&T Financial Corp.	12.35	11.13
18	6	MBNA Corp.	12.02	12.71
19	25	Deposit Guaranty Corp.	12.00	9.95
20	21	Signet Banking Corp.	11.85	10.80
21	13	First Alabama Bancshares, Inc.	11.68	11.86
22	12	Citizens Financial Group, Inc.	11.27	11.93
23	16	First Security Corp.	11.22	11.17
24	39	Wilmington Trust Corp.	11.17	10.88
25	7	Fifth Third Bancorp	11.13	12.49
26	37	Synovus Financial Corp.	10.93	9.76
27	23	Norstar Bancorp	10.75	9.29
28	32	Integra Financial Corp.	10.72	10.33
29	24	Star Banc Corp.	10.64	10.11
30	56	First Tennessee National Corp.	10.53	8.25
31	75	MNC Financial, Inc.	10.51	7.01
32	33	Bostmen's Bancshares, Inc.	10.50	10.28
33	42	First Hawaiian, Inc.	10.49	9.03
34	29	Commercial Commodity Banks, Inc.	10.49	7.94
35	27	First Financial Group, Inc.	10.44	9.77
36	64	Southwest Banks, Inc.	10.40	7.95
37	32	Norwest Corp.	10.37	9.60
38	72	First Union Corp.	10.33	7.16
39	33	Banc One Corp.	10.30	9.40
40	48	First Fidelity Bancorporation	10.29	8.35
41	38	Norwest Corp.	10.23	9.27
42	40	First Citizens BancShares	10.22	9.20
43	31	Bancwit Corp.	10.17	9.69
44	49	First American Corp.	10.14	8.60
45	59	First Bancorporation	10.07	8.14
46	26	Central Bancshares of the South, Inc.	9.92	9.76
47	43	Bancwit Corp.	9.90	9.01
48	53	Bancwit Corp.	9.84	8.61
49	34	Bancwit Corp.	9.83	9.39
50	73	Bancwit Corp.	9.71	9.39
51	71	Signet Banking Corp.	9.56	7.32
52	36	Bancwit Corp.	9.44	9.81
53	67	First Interstate Bancorp	9.40	6.28
54	57	First Fidelity Bancorporation Inc.	9.37	8.25
55	35	SunTrust Banks, Inc.	9.22	9.29
56	69	First Union Corp.	9.21	6.55
57	65	First Union Corp.	9.20	6.80
58	45	Society Corp., Cleveland	9.15	8.70
59	47	Mellon Mellon Bank, Inc.	9.12	7.66
60	44	Bancwit Corp.	9.07	8.74
61	46	Liberty National Bancorp, Inc.	9.04	8.77
62	68	Comerica, Inc.	9.00	7.80
63	58	First of America Bank Corp.	8.99	8.15
64	63	UJB Financial Corp.	8.94	8.03
65	61	Bancwit Corp.	8.93	8.79
66	81	Harris Bankcorp, Inc.	8.90	6.74
67	54	Bancwit Banks, Inc.	8.86	9.32
68	50	Huntington Bancshares, Inc.	8.85	8.58
69	76	First American Bankshares, Inc.	8.79	6.94
70	91	Comerica, Inc.	8.75	8.51
71	74	Bancwit Corp.	8.67	7.80
72	60	SouthTrust Corp.	8.63	6.90
73	70	J.P. Morgan & Co., Inc.	8.63	7.70
74	77	Bancwit Banks, Inc.	8.63	7.60
75	62	Bancwit Corp.	8.62	8.78
76	66	Bancwit Corp.	8.54	7.96
77	84	Mellon Bancorp., Inc.	8.36	6.62
78	79	Bancwit Corp.	8.22	5.78
79	52	LaSalle National Corp.	8.20	8.80
80	83	Bancwit Corp.	8.06	6.60
81	82	Northern Trust Corp.	8.10	6.70
82	78	KeyCorp	8.03	7.30
83	85	Bankers Trust New York Corp.	7.76	6.10
84	92	Mellon Bank Corp.	7.62	5.85
85	94	Bancwit Corp.	7.56	5.89
86	55	Nationsbank Corp.	7.54	6.38
87	87	Bancwit Corp.	7.47	6.09
88	97	Chemical Banking Corp.	7.33	5.13
89	88	Commercial Bancshares, Inc.	7.32	6.03
90	52	Canadian Imperial Holdings, Inc.	7.31	8.50
91	63	LaSalle National Corp.	7.26	8.04
92	93	Bancwit Corp.	7.20	5.80
93	95	Bancwit Corp.	7.06	6.60
94	96	Bank of Boston Corp.	6.85	5.14
95	98	Midlantic Corp.	6.83	4.29
96	73	BankAmerica Corp.	6.82	7.25
97	90	Dominion Bankshares Corp.	6.80	6.75
98	89	Chase Manhattan Corp.	6.76	5.53
99	99	Citicorp	6.70	5.50
100	100	Mercantile Bancorp.	6.56	3.99
		Mean Values for Group	**10.03**	**8.80**

Total Capital Ratio

Rank 1992	Rank 1991		1992	1991
1	1	Republic New York Corp.	28.66	25.94
2	2	United Missouri Bancshares, Inc.	20.16	21.25
3	11	First Commerce Corp.	20.11	13.90
4	3	Mercantile Bancshares Corp.	18.42	16.97
5	5	Republic Deposit Corp.	17.03	15.57
6	10	MBNA Corp.	16.92	13.97
7	4	First Virginia Banks, Inc.	16.77	16.00
8	8	Marine Midland Banks, Inc.	16.48	14.68
9	6	Union Planters Corp.	16.33	14.93
10	12	Compass Bancshares, Inc.	15.38	13.79
11	7	Marshall & Ilsley Corp.	15.31	14.77
12	9	Southwest Bancshares, Inc.	15.24	14.33
13	16	Commerce Bancshares, Inc.	14.95	13.52
14	24	Fourth Financial Corp.	14.95	12.56
15	45	Southern National Corp.	14.90	11.29
16	18	BancPonce Corp.	14.85	13.44
17	48	Riggs National Corp.	14.76	11.20
18	100	Hibernia Corp.	14.68	5.15
19	15	State Street Boston Corp.	14.60	13.60
20	41	LaSalle National Corp.	14.52	11.42
21	22	Treatmark Corp.	14.45	12.84
22	20	First Alabama Bancshares, Inc.	14.44	13.20
23	36	First Union Corp.	14.31	11.76
24	50	First Maryland Bancorp.	14.13	11.10
25	19	Old Kent Financial Corp.	14.13	13.36
26	14	Fifth Third Bancorp	14.05	13.74
27	63	First Interstate Bancorp	13.87	10.61
28	42	Signet Banking Corp.	13.86	11.49
29	17	Boatmen's Bancshares, Inc.	13.86	13.46
30	53	First Tennessee National Corp.	13.81	12.68
31	75	MNC Financial, Inc.	13.81	10.26
32	25	First Fidelity Bancorporation	13.70	12.47
33	62	First Hawaiian, Inc.	13.70	10.32
34	65	Crestar Financial Corp.	13.70	10.56
35	28	First Financial Group, Inc.	13.65	10.90
36	40	Integra Financial Corp.	13.63	11.58
37	74	Mercantile Bancorporation Inc.	13.43	10.00
38	31	Commercial Commodity Banks, Inc.	13.34	11.49
39	13	Norwest Corp.	13.28	13.80
40	30	Synovus Financial Corp.	13.27	12.11
41	35	Firstar Corp.	13.20	11.92
42	54	Bancwit Corp.	13.15	10.19
43	23	Puget Sound Bancorp.	13.12	12.10
44	52	Harris Bankcorp, Inc.	13.08	9.36
45	27	J.P. Morgan & Co., Inc.	12.74	10.70
46	26	Corestates Financial Corp.	12.70	12.20
47	43	Bancwit Corp.	12.63	9.46
48	21	Citizens Financial Group, Inc.	12.53	13.18
49	61	Bank of New York Co., Inc.	12.50	9.49
50	46	First Bank System, Inc.	12.50	11.60
51	64	Central Fidelity Banks Inc.	12.45	10.80
52	51	Signet Banking Corp.	12.42	12.13
53	55	Society Corp., Cleveland	12.39	10.90
54	57	First Interstate Bancorp	12.34	11.22
55	56	SunTrust Banks, Inc.	12.33	12.26
56	37	First Union Corp.	12.32	10.46
57	83	SouthTrust Corp.	12.30	9.29
58	82	Huntington Bancshares, Inc.	12.28	10.92
59	44	National City Corp.	12.23	11.30
60	66	SouthTrust Corp.	12.18	10.62
61	47	Bancwit Banks, Inc.	12.11	10.39
62	39	PNC Bank Corp.	12.09	12.13
63	87	UJB Financial Corp.	12.05	9.53
64	59	MBD Bancorp, Inc.	12.01	10.71
65	86	National Westminster Bancorp, Inc.	12.01	10.79
66	70	Bancwit Banks Corp.	11.99	12.13
67	39	Michigan National Corp.	11.93	11.80
68	80	Bancwit Corp.	11.87	9.70
69	49	Comerica, Inc.	11.78	11.19
70	94	Commercial Commodity Banks, Inc.	11.76	9.21
71	76	First American Corp.	11.76	9.84
72	72	Bancwit Corp.	11.69	11.61
73	37	Central Bancshares of the South, Inc.	11.67	9.53
74	68	Bancwit Corp.	11.67	10.17
75	85	Bankers Trust New York Corp.	11.60	10.70
76	96	Chemical Banking Corp.	11.54	9.13
77	78	First Union Corp., Inc.	11.54	9.86
78	60	AmSouth Bancorporation	11.54	11.26
79	84	First of America Bank Corp.	11.53	9.66
80	81	Bancwit Corp.	11.52	10.30
81	88	Bancorp Hawaii, Inc.	11.49	10.55
82	67	Bancwit Corp.	11.48	10.83
83	97	First American Bankshares, Inc.	11.40	8.24
84	89	First American Bankshares, Inc.	11.45	10.03
85	34	West One Bancorp	11.43	11.97
86	69	Bancwit Corp.	11.40	10.01
87	71	Mellon Bank Corp.	11.30	9.85
88	91	Chase Manhattan Corp.	11.17	9.74
89	90	Bancwit Corp.	10.87	9.69
90	91	First Chicago Corp.	10.80	9.40
91	98	Bancwit Corp.	10.76	7.99
92	95	Valley Bancorporation	10.76	10.90
93	99	Bancwit Corp.	10.75	9.42
94	93	Valley National Corp.	10.67	9.64
95	54	Bancwit Corp.	10.63	10.91
96	79	BancOne Tri-State Corp.	10.25	9.98
97	76	Liberty National Bancorp., Inc.	10.07	9.60
98	89	Dominion Bankshares Corp.	9.70	9.48
99	99	Citicorp	9.60	7.46
100	100	Mercantile Imperial Holdings, Inc.	9.56	7.15
		Mean Values for Group	**13.13**	**11.53**

Leverage Capital Ratio

Rank 1992	Rank 1991		1992	1991
1	1	Canadian Imperial Holdings, Inc.	11.46	13.73
2	2	Mercantile Bancshares Corp.	10.86	10.28
3	3	MBNA Corp.	10.12	9.79
4	7	Marshall & Ilsley Corp.	9.67	8.79
5	6	Republic Deposit Corp.	9.57	8.95
6	5	Fifth Third Bancorp	9.53	9.75
7	9	Wilmington Trust Corp.	8.94	9.01
8	8	Marine Midland Banks, Inc.	8.91	8.64
9	11	Puget Sound Bancorp.	8.71	8.10
10	10	First Union Corp.	8.44	7.62
11	9	First Alabama Bancshares, Inc.	8.44	8.40
12	55	Fourth Financial Corp.	8.32	6.26
13	13	First Security Corp.	8.31	7.88
14	14	First Hawaiian, Inc.	8.25	7.87
15	15	BB&T Financial Corp.	8.24	7.82
16	16	National City Corp.	8.22	7.70
17	18	Synovus Financial Corp.	8.10	8.39
18	24	Commerce Bancshares, Inc.	8.01	7.12
19	57	Southern National Corp.	8.00	6.23
20	43	Crestar Financial Corp.	7.90	6.72
21	20	First National Bancorp.	7.90	6.40
22	26	Old Kent Financial Corp.	7.83	7.06
23	12	First Bank System, Inc.	7.80	8.10
24	17	First Interstate Bancorp	7.72	6.80
25	39	Firstar Corp.	7.71	6.84
26	34	Sanibank Bancorporation	7.65	7.09
27	73	MNC Financial, Inc.	7.65	5.64
28	27	PNC Bank Corp.	7.62	7.81
29	31	United Missouri Bancshares, Inc.	7.59	7.52
30	45	Comerica, Inc.	7.54	6.80
31	66	Corestates Financial Corp.	7.50	6.80
32	18	Star Banc Corp.	7.42	7.77
33	28	Norstar Bancorp	7.32	7.11
34	54	Bank of New York Co., Inc.	7.31	6.30
35	44	Banc One Corp.	7.26	6.64
36	27	Michigan National Corp.	7.26	7.08
37	32	First Maryland Bancorp.	7.25	7.42
38	47	Signet Banking

Top 100 Banking Companies Grew by 5% Last Year

By SAM ZUCKERMAN

The assets held by the nation's 100 largest banking companies jumped by 5.1% last year, while the rest of the industry shrank by 4.2%, according to an *American Banker* survey.

As a result, the share of assets for the top 100 surged by two full percentage points, to 71.0%, the survey found.

Mergers fueled most of the asset increase. The biggest gainer: Detroit-based Comerica Inc., which grew by 84% with its acquisition of Michigan rival Manufacturers National Corp.

Comerica now ranks as the nation's 26th-largest banking company, up 16 positions from yearend 1991.

Among other big movers were NBD Bancorp. of Detroit, up seven spots to No. 17; SouthTrust Corp. of Birmingham, Ala., up nine to No. 46; and Pittsburgh-based Integra Financial Corp., up 10 spots to No. 52.

The survey of the top 100 also found that:

- Net income soared 147%, to $20.2 billion from $8.2 billion in 1991.
- Ninety-five companies reporting organizations declined by $44.8 billion, to $1.018 trillion.

Overall, banking assets grew by 2.2% last year, or $75.2 billion, to $3.506 trillion.

The 50 largest banking companies were all in the black, and only two failed to boost profits.

corded profits, compared with only 86 in 1991.

- Tier 1 capital rose 21%, to $161 billion from $133 billion.

Assets at the top 100 grew by $120 billion last year, to $2.488 trillion. That 5.1% growth rate was up from 1.4% in 1991.

By comparison, the assets held at other commercial banks fueled by expansion into Indiana via three acquisitions.

Among other banking companies that grew significantly through acquisitions were Ohio-based Banc One Corp., which climbed four notches to become the eighth-largest company; Pittsburgh's PNC Bank Corp., which jumped from 15th to 10th place; Minneapolis' Norwest Corp., which edged into 15th place from No. 17; and Florida's Barnett Banks Inc., which jumped to No. 18 from No. 20.

Several deals announced in 1992 did not close by yearend and are not reflected in the top 100 ranking. These include Banc One's acquisition of Phoenix's Valley National Corp. and Albany, N.Y.-based Key Corp's purchase of Puget Sound Bancorp in Tacoma, Wash.

Most institutions sharply improved profitability.

The average return on assets for the top 100 was 0.92%, compared with 0.63% in 1991. Return on equity also rose significantly, to 12.49% from 7.97%.

The higher returns on equity were recorded despite significantly higher capital levels and a resulting reduction in earnings leverage. In response to regulatory and marketplace pressures, bank companies continued to build capital at a rapid clip.

Assets of the top 100 jumped 5.1%, while the rest of the industry shrank.

The average ratio of Tier 1 capital to risk-adjusted assets for the group rose from 8.46% in 1991 to 10.03% – well above the regulatory minimum. The average leverage capital ratio, considered the most important measure for regulatory purposes, increased to 7.12% in 1992 from 6.22%.

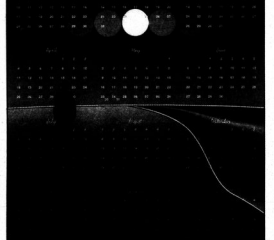
The performance improvement stemmed from declining interest rates and diminishing loan problems. Especially impressive was the return to profitability in 1992 by most of the major banking companies that lost money in 1991.

The 50 largest banking companies were all in the black, and only two – First Chicago Corp. and Portland, Ore.-based U.S. Bancorp – failed to boost profits from 1991 to 1992. U.S. Bancorp's earnings fell only because it adopted new accounting standards for employee retirement benefits.

For 1991, nine of the top 50 companies, including Citicorp, the largest, registered losses.

Other companies that returned to profitability in 1992 included First Interstate Bancorp; Bank of Boston Corp.; Chicago-based Continental Bank Corp.; MNC Financial Inc.; and Signet Banking Corp.

Even Edison, N.J.-based Midlantic Corp., recognized a year ago as one of the most troubled major banking companies in the country, eked out a $7 million profit in 1992 after losing $543 million the year before. □



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Top 100 U.S. Bank Holding Companies

Ranked by total assets on Dec. 31, 1992, compared with Dec. 31, 1991 (dollar amounts in thousands)

Rank 12/92	Bank Holding Company Largest Controlled Bank in Deposits	Total Assets 12/31/92	Total Assets 12/31/91	Rank 12/91	Change in Rank	Total Deposits 12/31/92	Total Deposits 12/31/91	Controlled Banks	Employees 12/31/92	Employees 12/31/91
1	Citicorp, New York Citibank, NA, New York	213,701,000	216,922,000	1		144,175,000	146,475,000	10	423	81,000	86,000
2	BankAmerica Corp., San Francisco Bank of America NT&SA, San Francisco	180,646,000	115,509,000	3	+1	137,883,000	94,067,000	9	2,110	83,235	54,369
3	Chemical Banking Corp., New York Chemical Bank, New York	139,655,000	138,930,000	2	-1	94,173,000	92,951,000	40	663	39,687	43,169
4	NationsBank Corp., Charlotte, N.C. NationsBank of Texas, NA, Dallas	118,059,000	110,319,000	4		82,727,000	88,075,000	11	1,737	50,828	57,177
5	J.P. Morgan & Co. Inc., New York Morgan Guaranty Trust Co., New York	102,941,229	103,468,000	5		32,518,748	36,976,000	2	4	14,368	13,323
6	Chase Manhattan Corp., New York Chase Manhattan Bank, NA, New York	95,862,000	98,197,000	6		67,224,000	71,517,000	8	375	34,540	36,210
7	Bankers Trust New York Corp. Bankers Trust Co., New York	72,448,000	63,959,000	8	+1	25,071,000	22,834,000	2	2	12,917	12,088
8	Banc One Corp., Columbus, Ohio Bank One, Columbus, NA	61,417,364	46,293,072	12	+4	48,464,730	37,056,979	61	1,017	32,700	27,500
9	Wells Fargo & Co., San Francisco Wells Fargo Bank, NA, San Francisco	52,537,000	53,547,000	9		42,244,000	43,719,000	1	626	21,300	21,000
10	PNC Bank Corp., Pittsburgh Pittsburgh National Bank	51,379,903	44,891,688	15	+5	29,469,533	30,019,401	13	550	17,809	16,908
11	First Union Corp., Charlotte, N.C. First Union National Bank, Charlotte	51,326,651	46,084,853	13	+2	39,389,530	36,597,663	5	897	23,459	24,203
12	First Interstate Bancorp, Los Angeles First Interstate Bank of California, Los Angeles	50,863,073	48,922,077	11	-1	43,674,550	41,433,328	18	993	26,990	30,281
13	First Chicago Corp. First National Bank, Chicago	49,281,000	48,963,000	10	-3	29,740,000	32,091,000	14	100	16,998	17,014
14	Fleet Financial Group, Inc., Providence, R.I. Fleet Bank of New York, Albany	46,938,510	45,444,800	14		32,734,759	35,245,313	7	804	27,500	25,172
15	Norwest Corp., Minneapolis Norwest Bank Minneapolis, NA	44,557,100	38,501,600	17	+2	26,969,800	25,438,900	76	1,946	28,966	25,365
16	Bank of New York Co., Inc. Bank of New York	41,022,962	39,426,145	16		29,448,549	28,974,227	2	291	12,678	13,225
17	NBD Bancorp, Inc., Detroit NBD Bank, NA, Detroit	40,937,190	29,513,459	24	+7	31,000,751	22,192,615	18	646	18,543	13,185
18	Barnett Banks, Inc., Jacksonville, Fla. Barnett Bank of South Florida NA, Miami	39,464,750	32,720,549	20	+2	34,688,562	28,854,666	34	735	20,737	17,755
19	Republic New York Corp. Republic National Bank, New York	37,146,388	31,220,805	22	+3	21,102,187	20,382,902	2	69	4,900	4,549
20	SunTrust Banks, Inc., Atlanta Trust Company Bank, Atlanta	36,648,572	34,553,620	18	-2	28,843,294	27,987,952	35	624	18,956	19,103
21	Wachovia Corp., Winston-Salem, N.C. Wachovia Bank of North Carolina, NA, Winston-Salem	33,366,519	33,158,320	19	-2	23,375,461	23,006,289	4	514	16,164	16,886
22	Bank of Boston Corp. First National Bank, Boston	32,346,101	32,700,243	21	-1	25,301,635	24,737,640	5	231	16,900	16,100
23	Mellon Bank Corp., Pittsburgh Mellon Bank, NA, Pittsburgh	31,574,000	29,355,000	25	+2	25,130,000	22,454,000	3	450	17,600	16,300
24	First Fidelity Bancorporation, Lawrenceville, N.J. First Fidelity Bank, NA, Newark	31,480,297	30,215,229	23	-1	27,004,835	25,218,550	6	568	11,500	11,504
25	National City Corp., Cleveland National City Bank, Cleveland	28,963,473	24,169,746	26	+1	22,585,324	18,325,168	32	602	18,766	15,721
26	Comerica, Inc., Detroit Comerica Bank, Detroit	26,586,814	14,450,791	42	+ 16	20,394,709	11,441,044	5	385	12,916	7,180
27	KeyCorp, Albany, N.Y. Key Bank of New York, NA, Albany	25,457,214	23,155,549	28	+1	21,003,726	19,051,580	9	692	13,956	13,221
28	Shawmut National Corp., Hartford, Conn. Shawmut Bank Connecticut, NA, Hartford	25,288,308	22,815,520	29	+1	16,409,811	16,512,850	4	306	10,609	10,792
29	Society Corp., Cleveland Society National Bank, Cleveland	24,978,302	15,404,528	39	+ 10	18,658,000	11,535,085	6	446	12,451	7,919
30	CoreStates Financial Corp, Philadelphia Philadelphia National Bank	23,699,098	21,623,939	31	+1	17,262,123	16,040,509	4	292	13,782	13,479
31	First Bank System, Inc., Minneapolis First Bank, NA, Minneapolis	23,527,000	18,301,000	33	+2	18,543,000	14,479,000	21	165	9,875	8,897
32	Boatmen's Bancshares, Inc., St. Louis, Mo. Boatmen's National Bank, St. Louis	23,386,710	17,634,713	35	+3	18,987,829	13,477,228	51	357	13,025	9,124
33	National Westminster Bancorp, Inc., New York National Westminster Bank USA, New York	22,762,435	21,625,280	30	-3	16,749,263	16,946,234	2	262	7,084	7,339
34	Continental Bank Corp., Chicago Continental Bank, NA, Chicago	22,467,000	24,008,000	27	-7	14,144,000	15,735,000	1	0	4,235	4,596
35	U.S. Bancorp, Portland, Ore. United States National Bank of Oregon, Portland	20,741,147	18,875,137	32	-3	15,425,277	13,316,363	9	431	11,980	11,281
36	First of America Bank Corp., Kalamazoo, Mich. First of America Bank-Michigan, Kalamazoo	20,146,767	16,754,982	38	+2	18,035,553	15,020,840	23	551	12,940	10,310
37	Marine Midland Banks, Inc., Buffalo, N.Y. Marine Midland Bank, NA, Buffalo	17,109,244	16,946,784	37		13,106,888	13,580,006	1	315	9,089	10,140
38	MNC Financial, Inc., Baltimore Maryland National Bank, Baltimore	16,925,493	17,438,171	36	-2	11,650,278	13,892,661	2	240	7,420	7,820
39	State Street Boston Corp. State Street Bank & Trust Co., Boston	16,489,828	15,046,301	40	+1	11,060,067	8,731,361	1	6	9,338	7,649
40	Northern Trust Corp., Chicago Northern Trust Co., Chicago	14,959,636	13,192,500	45	+5	9,870,762	8,560,300	8	3	6,249	5,798
41	Midlantic Corp., Edison, N.J. Midlantic National Bank, Newark	14,421,758	18,170,324	34	-7	12,560,029	16,089,823	3	330	5,748	9,086
42	Huntington Bancshares, Inc., Columbus, Ohio Huntington National Bank, Columbus	13,894,859	12,332,576	46	+4	9,952,686	9,510,761	9	275	6,819	6,250
43	UJB Financial Corp., Princeton, N.J. United Jersey Bank, Hackensack, N.J.	13,770,871	13,377,719	44	+1	11,786,661	11,313,547	6	259	6,326	6,504
44	First Corp., Milwaukee First Wisconsin National Bank, Milwaukee	13,168,917	12,309,000	47	+3	10,884,113	10,063,000	38	192	8,246	7,709
45	Harris Bankcorp, Inc., Chicago Harris Trust & Savings Bank, Chicago	12,729,236	14,480,907	41	-4	8,776,734	9,458,878	14	40	5,528	5,401
46	SouthTrust Corp., Birmingham, Ala. SouthTrust Bank of Alabama, NA, Birmingham	12,714,397	10,158,141	55	+9	10,082,241	8,277,200	41	359	6,454	5,462
47	Bancorp Hawaii, Inc., Honolulu Bank of Hawaii, Honolulu	12,713,134	11,409,341	49	+2	7,890,491	8,666,152	2	68	4,202	4,030
48	Crestar Financial Corp., Richmond Crestar Bank, Richmond	12,674,717	11,828,261	48		9,581,503	8,889,602	3	289	5,891	5,581
49	Meridian Bancorp., Inc., Reading, Pa. Meridian Bank, Reading, Pa.	12,208,288	11,336,880	50	+1	10,172,450	9,452,898	3	224	5,853	5,360
50	Signet Banking Corp., Richmond Signet Bank/Virginia, Richmond	12,092,747	11,238,800	51	+1	7,823,314	8,480,538	3	236	4,702	4,697

Sources of Data: *American Banker* survey; companies' yearend earnings releases and annual reports; and *Federal Reserve Form Y-9C*. Assets and deposits include all consolidated subsidiaries, both domestic and foreign. Data for 1991 are as reported in 1992 and have not been restated for acquisitions, mergers, or changes in accounting principals. Controlled 12/31/92: includes domestic commercial banks controlled according to definitions of Bank Holding Co. Act (Banks) and domestic commercial bank branches (Branches). Employees are full time equivalent employees at yearend.

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AUG 27 1993

Top 100 U.S. Bank Holding Companies

Ranked by total assets on Dec. 31, 1992, compared with Dec. 31, 1991 (dollar amounts in thousands)

Rank 12/93	Bank Holding Company / Largest Controlled Bank in Deposits	Total Assets 12/31/92	Total Assets 12/31/91	Rank 12/91	Change in Rank	Total Deposits 12/31/92	Total Deposits 12/31/91	Controlled Banks	Controlled Branches	Employees 12/31/92	Employees 12/31/91
51	Valley National Corp., Phoenix, Ariz. Valley National Bank, Phoenix	11,366,027	10,651,659	52	+1	10,004,671	9,626,117	4	262	6,892	7,172
52	Integra Financial Corp., Pittsburgh Integra Bank, Pittsburgh	10,787,954	8,846,921	62	+ 10	8,149,427	7,223,055	3	228	4,031	3,905
53	Michigan National Corp., Farmington Hills Michigan National Bank, Farmington Hills	10,634,931	10,650,231	53		8,975,293	8,655,477	3	190	5,722	5,600
54	LaSalle National Corp., Chicago LaSalle National Bank, Chicago	10,354,138	8,669,575	66	+ 12	7,177,849	6,421,239	9	16	3,423	2,536
55	Fifth Third Bancorp, Cincinnati Fifth Third Bank, Cincinnati	10,213,320	8,826,130	64	+9	7,531,946	6,687,262	10	249	4,579	4,159
56	BanPonce Corp., Ponce, P.R. Banco Popular de Puerto Rico, San Juan, P.R.	10,002,327	8,780,282	65	+9	8,038,711	7,207,117,577	1	195	6,965	6,860
57	BayBanks, Inc., Boston BayBank Middlesex, Burlington, Mass.	9,906,500	9,515,788	58	+1	8,992,800	8,757,570	3	204	5,327	5,531
58	AmSouth Bancorporation, Birmingham, Ala. AmSouth Bank, NA, Birmingham	9,750,688	9,459,269	59	+1	7,428,558	7,372,691	5	179	5,112	4,899
59	First Empire State Corp., Buffalo, N.Y. Manufacturers & Traders Trust Co., Buffalo, N.Y.	9,587,931	9,171,066	60	+1	8,077,110	7,474,324	2	141	3,959	3,053
60	Mercantile Bancorporation Inc., St. Louis, Mo. Mercantile Bank of St. Louis, NA	9,476,137	8,088,943	69	+9	7,532,037	6,480,688	35	172	4,839	4,417
61	First Tennessee National Corp., Memphis First Tennessee Bank NA, Memphis	8,925,774	7,903,676	70	+9	6,916,762	6,040,524	4	177	4,440	4,029
62	First Maryland Bancorp., Baltimore First National Bank of Maryland, Baltimore	8,849,941	8,945,544	61	-1	6,819,091	6,987,125	4	168	4,712	4,782
63	Dominion Bankshares Corp., Roanoke, Va. Dominion Bank, NA, Roanoke	8,810,605	9,710,955	57	-6	7,198,092	7,871,040	6	278	5,066	5,349
64	Central Fidelity Banks Inc., Richmond Central Fidelity Bank, Richmond	8,712,315	6,805,820	73	+9	6,672,453	5,178,025	2	230	3,335	3,160
65	Old Kent Financial Corp., Grands Rapids, Mich. Old Kent Bank & Trust Co., Grand Rapids	8,698,574	8,826,139	63	-2	7,253,540	7,313,979	16	208	4,570	4,610
66	BanCal Tri-State Corp., San Francisco Bank of California, NA, San Francisco	8,131,425	8,554,415	67	+1	5,034,449	4,986,416	1	46	3,094	3,372
67	First Alabama Bancshares, Inc., Montgomery First Alabama Bank, Birmingham	7,881,032	6,745,053	75	+8	6,701,142	5,917,028	4	201	4,696	4,465
68	Marshall & Ilsley Corp., Milwaukee, Wis. M&I Marshall & Ilsley Bank, Milwaukee	7,850,344	7,627,814	71	+3	6,212,129	6,133,079	39	144	5,760	5,532
69	Star Banc Corp., Cincinnati Star Bank, NA, Cincinnati	7,715,445	6,645,905	76	+7	6,402,756	5,428,548	10	199	3,696	3,786
70	First Security Corp., Salt Lake City, Utah First Security Bank of Utah, NA, Salt Lake City	7,606,318	7,015,075	72	+2	5,685,135	5,333,754	4	204	4,987	4,736
71	Commerce Bancshares, Inc., Kansas City, Mo. Commerce Bank of Kansas City, NA, Mo.	7,541,613	6,765,413	74	+3	6,458,651	5,850,415	19	150	4,019	3,783
72	West One Bancorp, Boise, Idaho West One Bank, Idaho, NA, Boise	7,133,637	5,417,199	90	+ 18	5,636,339	4,044,408	6	185	4,293	3,464
73	First Virginia Banks, Inc., Falls Church First Virginia Bank, Falls Church	6,840,547	6,119,260	82	+9	6,013,746	5,349,971	20	318	4,651	4,574
74	Central Bancshares of the South, Inc., Birmingham, Ala. Central Bank of the South, Birmingham	6,736,045	6,121,900	81	+7	5,104,513	4,518,660	5	114	3,323	3,000
75	First American Corp., Nashville, Tenn. First American National Bank, Nashville	6,716,320	6,376,967	79	+4	5,521,839	5,332,065	2	134	3,075	3,126
76	BB&T Financial Corp., Wilson, N.C. Branch Banking & Trust Co., Wilson	6,691,484	6,229,014	80	+4	5,346,320	5,203,499	2	210	3,295	3,280
77	First Hawaiian, Inc., Honolulu First Hawaiian Bank, Honolulu	6,553,382	6,510,554	78	+1	5,088,159	5,336,693	1	64	2,802	2,816
78	MBNA Corp., Newark, Del. MBNA America Bank, NA, Newark, Del.	6,454,511	6,009,028	83	+5	4,568,791	5,094,011	1	2	5,747	4,969
79	First Commerce Corp., New Orleans, La. First National Bank of Commerce, New Orleans, La.	6,124,022	4,995,482	93	+ 14	5,078,876	4,354,168	5	96	3,026	2,695
80	First American Bankshares, Inc., Washington, D.C. First American Bank of Virginia, McLean	5,947,243	8,392,206	68	-12	5,094,037	7,075,471	5	216	3,630	4,603
81	Fourth Financial Corp., Wichita, Kan. Bank IV Kansas, NA, Wichita	5,613,437	4,162,908	100	+ 19	4,511,011	3,605,244	2	89	2,594	2,020
82	Mercantile Bankshares Corp., Baltimore Mercantile-Safe Deposit & Trust Co., Baltimore	5,459,577	5,182,856	91	+9	4,517,165	4,273,896	19	144	2,724	2,726
83	First Citizens BancShares, Raleigh, N.C. First-Citizens Bank & Trust Co., Raleigh, N.C.	5,413,794	5,465,870	89	+6	4,816,624	4,824,446	1	318	3,589	3,633
84	Union Planters Corp., Memphis, Tenn. Union Planters National Bank, Memphis	5,262,184	3,786,839	110	+ 26	4,450,176	3,211,261	21	174	2,539	2,161
85	Synovus Financial Corp., Columbus, Ga. Columbus Bank & Trust Co., Ga.	5,183,780	4,069,950	101	+ 16	4,405,478	3,481,814	31	147	4,540	3,844
86	Canadian Imperial Holdings, Inc., New York Canadian Imperial Bank of Commerce (New York)	5,131,467	3,905,119	106	+ 20	2,193	14,840	1	1	182	229
87	Riggs National Corp., Washington, D.C. Riggs National Bank, Washington, D.C.	5,078,791	5,536,680	88	+1	4,437,598	4,912,372	3	64	2,143	2,187
88	United Missouri Bancshares, Inc., Kansas City United Missouri Bank, NA, Kansas City	5,003,187	4,692,053	95	+7	3,843,166	3,410,093	19	88	3,057	2,925
89	Deposit Guaranty Corp., Jackson, Miss. Deposit Guaranty National Bank, Jackson	4,994,431	5,056,838	92	+3	4,001,969	4,075,605	2	136	2,518	2,527
90	Hibernia Corp., New Orleans, La. Hibernia National Bank, New Orleans	4,734,038	5,818,429	84	-6	4,036,440	5,301,797	1	101	2,394	2,988
91	Puget Sound Bancorp., Tacoma, Wash. Puget Sound National Bank, Tacoma	4,656,868	4,883,811	94	+3	3,771,339	3,768,663	3	109	2,710	2,781
92	Citizens Financial Group, Inc., Providence, R.I. Citizens Trust Co., Providence	4,607,654	3,961,400	105	+ 13	3,791,852	3,250,429	3	61	1,899	1,741
93	Southern National Corp., Lumberton, N.C. Southern National Bank, Winston-Salem, N.C.	4,598,396	3,729,701	114	+ 21	3,790,684	3,220,963	4	149	2,225	2,073
94	Dauphin Deposit Corp., Harrisburg, Pa. Dauphin Deposit Bank & Trust Co., Harrisburg	4,572,586	3,611,655	116	+ 22	3,401,110	2,822,510	3	101	1,917	1,742
95	Liberty National Bancorp., Inc., Louisville, Ky. Liberty National Bank & Trust Co., Louisville, Ky.	4,565,745	4,338,106	99	+4	3,761,217	3,611,310	8	94	2,145	2,127
96	Bank South Corp., Atlanta Bank South, NA, Atlanta	4,464,459	4,444,825	98	+2	3,632,429	3,634,185	2	133	2,646	2,898
97	Valley Bancorporation, Appleton, Wis. Valley Bank, Madison, Wis.	4,384,306	3,969,388	104	+7	3,832,624	3,448,307	18	151	2,648	2,530
98	Wilmington Trust Corp., Del. Wilmington Trust Co.	4,284,603	4,061,341	102	+4	3,274,232	3,046,177	1	61	2,188	1,984
99	National Community Banks, Inc., Maywood, N.J. National Community Bank, Rutherford, N.J.	4,181,508	4,020,701	103	+4	3,812,027	3,662,422	1	117	1,922	1,913
100	Trustmark Corp., Jackson, Miss. Trustmark National Bank, Jackson	4,085,140	3,878,894	107	+7	3,196,882	3,160,667	1	125	2,005	1,967

Sources of Data: *American Banker* survey; companies' yearend earnings releases and annual reports; and *Federal Reserve Form Y-6C*. Assets and deposits include all consolidated subsidiaries, both domestic and foreign. Data for 1991 are as reported in 1992 and have not been restated for acquisitions, mergers, or changes in accounting principals. Controlled 12/31/92: Includes domestic commercial banks controlled according to definitions of Bank Holding Co. Act (Banks) and domestic commercial bank branches (Branches). Employees are full time equivalent employees at yearend. (*)— Yearend 1991 employee data were not available. Data are as of March 31, 1992.

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Average Takeover Premium Rose Sharply Last Year

By GORDON MATTHEWS

Bank merger premiums jumped last year, driven by a scarcity of banks in attractive markets.

For the 10 largest deals unveiled in 1992, the average price was 1.98 times the book value of the banks bought. That's up from 1.5 times book in 1991.

The total value of merger deals fell sharply last year, to $14.3 billion from $21.2 billion. But 1991 was dominated by blockbuster deals, such as BankAmerica Corp.'s acquisition of Security Pacific Corp.

A Way to Enter Markets

Many of the big mergers announced last year involved the acquisition of banks that provided the last major means of entry into their markets.

The year's biggest deal, Banc One Corp.'s acquisition of Valley National Corp., Phoenix, for $1.24 billion in stock, is a notable example. As the last major independent bank in Arizona, Valley commanded a premium of 2.2 times book value.

Most observers see that trend accelerating.

"There are really not that many banks in the $5 billion to $15 billion in assets category left around the country to be acquired now," said Frank Suozzo, analyst at S.G. Warburg & Co. "And wherever there are, as in Virginia or Alabama, you are going to see pressure mounting."

The fourth quarter was the most modest of the year in terms of price and volume. The largest deals carried an average premium of 1.6 times book value.

The total value of deals announced in the quarter fell to $2.9 billion, versus $3.6 billion in the comparable period last year.

Biggest Deal in Northwest

The largest deal announced in the fourth quarter was the planned purchase of Pacific First Financial Corp., Tacoma, Wash., by Washington Mutual Savings Bank, Seattle, for $663 million in cash, or 1.75 times book value.

From a premium point of view, the most expensive deal of the quarter was the proposed acquisition of Colorado National Bancshares, Denver, by First Bank System Inc., Minneapolis, for $528 million in stock.

At 2.1 times book value, it was the only transaction of the period whose price represented twice book value.

For 1992 as a whole, however, three of the top five deals and six of the top 10 carried price tags exceeding twice book value, generally viewed as the high-watermark for bank mergers.

One Impetus for Mergers

Many on Wall Street think a major ongoing impetus for mergers will come from the need to find a way to increase earning assets.

With the economy and lending activity still sluggish, mergers represent one of the few sure-fire ways to build assets.

"A continued lack of loan demand will force banks to seek other means to post volume gains, and the system has the capital required to pick up the pace of consolidation," said Thomas H. Hanley, an analyst at First Boston Corp.

Prices Deemed Fair

And not everyone views the merger prices being paid today as excessive.

"I don't think prices have increased that much in relation to the stock market," said H. Rodgin Cohen, partner in the New York law firm of Sullivan



Peggy Turbett/American Banker

H. Rodgin Cohen

Merger prices not excessive

& Cromwell. "The premiums have grown in terms of book value because acquirers and targets are both trading at higher multiples to book."

Mr. Suozzo of Warburg noted that the superregional banks, which are the main acquirers, are trading at about 1.9 times book on average. That is considerably higher than their valuation in mid-1986, during the initial interstate acquisition binge, he said.

"The improvements in value give the superregionals the ability to pay a higher price with less dilution" for their own shareholders, the analyst said.

But he quickly added that "dilution remains very much an issue" in bank mergers.

He noted that the premium level last year was influenced by the activity of Banc One. The Columbus, Ohio, superregional has one of the most highly valued bank stocks and is thus able to comfortably offer top dollar for other banks.

Besides the Valley National acquisition, the Ohio superregional struck two other deals that ranked among the top 10 last year: its purchase of Team Banchares, Dallas, for $785 million in stock, or 2.4 times book, and of Key Centurion Banchares, Charleston, W.Va., for $355 million in stock, or 1.75 times book. □

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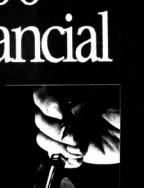

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Acquisitions Made by Top 300 Banks During 1992

Banks and thrifts acquired by top 300 banks in deposits. Acquiring banks listed geographically (dollar amounts in thousands)

Dep. Rank 6/92	Name of Acquiring Bank	Name or Location Change of Bank in Top 300	Name of Bank Acquired	Deposits Acquired	Date of Change
61	AmSouth Bank Birmingham NA		First National Bank, Birmingham	40,777	Dec. 11
			Jefferson FS&LA, Birmingham†	352,556	Mar. 14
49	Bank of America Arizona, Phoenix		Security Pacific Bank Arizona, Phoenix‡	5,479,833	June 1
227	Caliber Bank, Phoenix+		Bank of America Arizona, Phoenix‡§	1,650,000	June 1
36	Valley National Bank of Arizona, Phoenix		Columbia Bank, Avondale	16,859	Feb. 28
297	First Commercial Bank NA, Little Rock		First Exchange Bank Little Rock, NA	24,396	Aug. 5
15	First Interstate Bank of California, Los Angeles		Independence Bank, Los Angeles	547,627	Jan. 31
2	Bank of America NT&SA, San Francisco		Security Pacific National Bank, Los Angeles‡	40,635,924	Apr. 22
274	Westamerica Bank, NA, San Rafael, Calif.		John Muir National Bank, Martinez	51,378	Feb. 29
139	Bank of the West, Walnut Creek, Calif.		Atlantic Financial Savings Bank FSB, San Francisco†	211,454	Apr. 11
269	Colorado National Bank, Denver		Colorado National Bank-East Boulder, Boulder†	19,464	Jun.
267	Norwest Bank Denver NA	United Bank of Denver NA	United Bank of Skyline NA, Denver†	34,985	Apr. 27
206	Chase Manhattan Bank of Connecticut, NA, Bridgeport		Fairfield County Trust Co., Stamford	132,001	Apr. 10
38	Shawmut Bank Connecticut, NA, Hartford	Connecticut National Bank			1/1/93
200	Bank of Boston Connecticut, Waterbury		Connecticut FS&LA, Hartford†	5,498	Feb. 6
287	Chemical Bank Delaware, Wilmington	Manufacturers Hanover Bank (Delaware)			Jan. 19
131	Wilmington Trust Co.		Bank of Brandywine Valley, West Chester, Pa.	47,334	Feb. 22
			Sussex Trust Co., Lewes	365,299	Apr. 20
279	Crestar Bank, NA, Washington, D.C.+		Perpetual Savings Bank FSB, McLean*†	439,499	Jan. 10
11	First Union National Bank of Fla., Jacksonville		Security First FS&LA, Daytona Beach†	893,246	Apr. 10
			Flagler FS&LA, Miami†	1,488,065	Mar. 27
			Professional FSB, Coral Gables†	444,080	Mar. 13
300	Northern Trust Bank of Florida, NA, Miami		Northern Trust Bank of Florida, Sarasota‡	179,196	Oct. 17
172	Barnett Bank of Central Florida, NA, Orlando		United Savings of America FA, Melbourne†	292,379	Feb. 8
20	NationsBank of Florida, NA, Tampa	NCNB National Bank of Florida, Tampa	C&S/Sovran National Bank, Fort Lauderdale‡	5,543,710	Sep. 4
			NationsBank Tr. Co. (FL) NA, St. Petersburg‡	44,700	Sep. 4
34	NationsBank of Georgia, NA, Atlanta		NationsBank Tr. Co. (GA) NA, Atlanta‡	45,800	Apr. 4
			NCNB National Bank, Atlanta‡	30,066	Apr. 4
237	SouthTrust Bank of Georgia, NA, Atlanta	SouthTrust Bank of Atlanta, NA*			May 29
			First American Bank of Georgia, NA, Atlanta*	900,000	May 1
			SouthTrust Bank FSB, Atlanta*†	752,154	Apr. 15
91	First Hawaiian Bank, Honolulu		First Interstate Bank of Hawaii, Honolulu	718,000	Feb. 15
183	First Security Bank of Idaho, NA, Boise		First National Bank of North Idaho, Wallace	144,026	Jan. 25
299	Cole Taylor Bank, Chicago		Cole Taylor Bank/Yorktown, Lombard‡	96,354	Nov. 16
283	Comerica Bank-Illinois, Chicago	Affiliated Bank/Chicago			Dec. 31
12	First National Bank, Chicago		American National Bank, Lansing, Ill.§	144,067	Oct. 17
			First Chicago Bank of Ravenswood, Chicago‡	388,401	Jul. 18
			First Chicago Bank, Mt. Prospect‡	420,207	June 20
			First Chicago Bank of Oak Park‡	330,110	June 20
			First Chicago Bank of Evanston NA‡	49,402	Apr. 25
			First Chicago Bank of Winnetka NA‡	96,221	Apr. 4
			First Chicago Bank of Lincoln Park, Chicago‡	9,103	Jan. 1
231	First National Bank, Evergreen Park, Ill.		Oak Lawn Trust & Savings Bank	116,212	Apr. 6
112	NBD Bank, Wheaton, Ill.	NBD Wheaton Bank	NBD Bank Arlington Heights‡	247,324	Dec. 1
			NBD Bank Bloomingdale‡	28,313	Dec. 1
			NBD Bank Chicago‡	120,549	Dec. 1
			NBD Bank Elgin, NA‡	524,870	Dec. 1
			NBD Bank Elk Grove, Elk Grove Village‡	303,570	Dec. 1
			NBD Bank Evanston, NA‡	493,200	Dec. 1
			NBD Bank Glenbrook, Glenview‡	96,192	Dec. 1
			NBD Bank Highland Park, NA‡	377,707	Dec. 1
			NBD Bank Lake Zurich, NA‡	94,547	Dec. 1
			NBD Bank Lemont‡	31,867	Dec. 1
			NBD Bank Mount Prospect, NA‡	431,683	Dec. 1
			NBD Bank Northfield‡	117,158	Dec. 1
			NBD Bank Park Ridge‡	554,413	Dec. 1
			NBD Bank Woodfield, Schaumburg‡	172,294	Dec. 1
			NBD Bank Winfield‡	41,733	Dec. 1
			NBD Bank Woodridge‡	88,336	Dec. 1
272	NBD Bank, NA, Gary, Ind.	Gainer Bank, NA			Oct. 1
195	National City Bank, Indiana, Indianapolis	Merchants National Bank & Trust Co.			Oct. 31
169	Society Bank Indiana, South Bend		Ameritrust National Bank Michiana, Elkhart‡	712,446	Oct. 19
			Ameritrust National Bank-Central, Indianapolis‡	666,116	Oct. 19
			Ameritrust Bank of Howard County, Kokomo‡	274,195	Oct. 19
114	Bank IV Kansas, NA, Wichita		Peoples National Bank, Liberal	103,616	Dec. 31
			Mission Hills Bank, NA	70,970	Oct. 31
			Kansas National Bank & Trust Co., Prairie Village	89,559	Sep. 10
			Farmers & Merchants Bank, Colby	54,529	Aug.
260	Bank One Lexington, NA, Louisville, Ky.		First Security B&T Co., NA, Danville‡	55,218	Aug. 22
			First Security National B&T Co., Lexington‡	873,632	Aug. 22
			First Security B&T Co. Madison Cty, Richmond‡	120,958	Aug. 22
			First Security B&T Co. Clark Cty, Winchester‡	82,862	Aug. 22
116	Citizens Fidelity Bank & Trust Co., Louisville, Ky.		Citizens Fidelity B&T Co.-Oldham Cty, La Grange‡	121,362	Aug. 21
			Citizens Fidelity Bank & Trust Co., Elizabethtown‡	200,026	June 19
133	First National Bank of Commerce, New Orleans		Pelican Homestead & Savings Assn., Metairie†	831,000	Jan. 31
14	NationsBank of Maryland, NA, Baltimore	NationsBank of Maryland*	NationsBank Maryland NA, Baltimore‡	281,000	Dec. 25
13	First National Bank, Boston		Workingmens Co-operative Bank,Boston†	189,866	May 30
			New Heritage Bank, Lawrence	99,939	Mar. 7
55	Fleet Bank of Massachusetts NA, Boston		Heritage Bank for Savings, Dorchest	1,000,727	Dec. 4
			Guaranty First Trust Co., Waltham	348,942	Nov. 13
			Vanguard Savings Bank, Holyoke†	432,557	Mar. 27
					1/11/93
44	Shawmut Bank Massachusetts, NA, Boston	Shawmut Bank, NA			Dec. 31
			Provident Institution for Savings, Boston†	939,006	Sep. 25
226	USTrust, Cambridge, Mass.		United States Trust Co., Boston†	1,268,710	Dec. 31
17	Comerica Bank, Detroit		Manufacturers Bank, NA, Detroit‡	8,067,479	Sep. 14
118	First of America Bank-Southeast Michigan, NA, Royal Oak	Detroit			Dec. 31
			Security Bank of Commerce, Hamtramck‡	523,062	Oct. 1
147	Old Kent Bank & Trust Co., Grand Rapids+		Great Lakes Bancorp FSB, Ann Arbor†§	53,000	Sep. 27
			Old Kent Bank of Lansing NA‡	42,326	Mar. 2
134	Trustmark National Bank, Jackson, Miss.		Foxworth Bank	36,030	Aug. 7
185	Commerce Bank of St. Louis, NA, Clayton		New Age FSA, St. Louis†	8,595	Mar. 20
257	Missouri Bridge Bank, NA, Kansas City, Mo.	Metro North State Bank			Nov. 14
			Merchants Bank, Kansas City	1,395,338	Nov. 21
122	Mercantile Bank of St. Louis, NA		American Bank of St. Louis	125,151	Jun. 18

For footnotes, see next page.

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Acquisitions Made by Top 300 Banks During 1992

Banks and thrifts acquired by top 300 banks in deposits. Acquiring banks listed geographically (dollar amounts in thousands)

Dep. Rank 6/92	Name of Acquiring Bank	Name or Location Change of Bank in Top 300	Name of Bank Acquired	Deposits Acquired	Date of Change
224	Norwest Bank Nebraska, NA, Omaha		Norwest Bank Nebraska, NA, Lincoln‡	24,842	Oct. 1
			Vistar Bank, Lincoln	150,217	Oct. 1
			Community Bank of Nebraska, Omaha	6,130	Mar. 1
					Sep. 18
117	Bank of America Nevada, Las Vegas	Valley Bank of Nevada		869,138	June 1
			Security Pacific Bank Nevada, NA, Las Vegas‡	22,733	Jan. 31
255	Fleet Bank-NH, Nashua, N.H.		Atlantic Trust Co., Newington	2,156,198	Nov. 13
18	First Fidelity Bank, NA, Newark, N.J.		First Fidelity Bank, NA,North Jersey, Totowa‡	39,883	Oct. 3
			Howard Federal Savings FA, Belle†	3,400,000	Oct. 3
			Howard Savings Bank, Newark†	285,000	May 23
150	Valley National Bank, Passaic, N.J.		Powder Mill Bank, Morris Plains	417,944	Sep. 21
111	CoreStates New Jersey National Bank, Pennington		First Peoples Bank of New Jersey, Haddon Township	914,934	Sep. 21
48	Fleet Bank of New York, Albany		Fleet Bank of New York, Buffalo‡	3,205,846	Oct. 1
57	Manufacturers & Traders Trust Co., Buffalo, N.Y.		Endicott Trust Co.*	265,130	Jul. 1
			Central Trust Co., Rochester*	1,036,335	Jul. 1
			First National Bank, Highland	390,219	Mar. 1
248	North Fork Bank, Mattituck, N.Y.	Southold Savings Bank, Southold, N.Y.*	North Fork Bank & Trust Co., Mattituck	670,999	Oct. 1
7	Bank of New York		Riverhead Savings Bank, N.Y.†	316,612	Jun. 13
3	Chemical Bank, New York		Manufacturers Hanover Trust Co., New York‡	39,327,000	Jun. 20
			Central Federal Savings Bank, Mineola, N.Y.†	526,285	Mar. 14
			Chemical Bank (Delaware), Wilmington‡	179,545	Mar. 7
203	Central Carolina Bank & Trust Co., Durham, N.C.		Republic Bank & Trust Co., Charlotte	179,336	Dec. 5
138	Southern National Bank of N.C., Lumberton		First Security S&LA, Pinehurst†	49,557	May 23
			Workmen's Bancorp, Inc., Mt. Airy†	219,218	Mar. 21
			Orange Federal S&LA, Chapel Hill†	77,674	Dec. 31
166	Centura Bank, Rocky Mount, N.C.		First Carolina Bank & Trust Co., Sanford	40,422	Dec. 31
			First FSA, Raleigh†	175,221	Mar. 9
81	Branch Banking & Trust Co., Wilson, N.C.		Peoples Federal Savings Bank, Thomasville†	94,867	Jul. 18
			Gate City Federal Savings Bank, Greensboro†	415,783	Apr. 25
269	National City Bank, Northeast, Akron, Ohio	National City Bank	National City Bank, Northeast, Columbiana‡	156,590	Jan. 1
103	Fifth Third Bank, Cincinnati		MidFed Savings Bank, Middletown†	209,237	Mar. 26
186	PNC Bank, Ohio, NA, Cincinnati	Central Trust Co. NA			2/6/93
141	Provident Bank, Cincinnati		Mont Savings Assn., Cincinnati†	88,402	Jul. 27
			Thrift Savings & Loan Co., Norwood†	114,375	Jul. 27
100	Star Bank, NA, Cincinnati		Star Bank NA Cleveland, Independence‡	49,437	Jun. 20
23	Society National Bank, Cleveland		Ameritrust Development Bank, Cleveland‡	16,533	Sep. 28
			Ameritrust Co. NA, Cleveland‡	4,783,264	Jul. 11
			Society Bank NA, Dayton†	2,471,154	Feb. 18
289	Boatmen's First National Bank, Oklahoma City		First Bank of Catoosa	68,225	Nov. 1
			Security Bank, Tulsa	156,569	Nov. 1
			Founders Bank & Trust Co., Oklahoma City	298,467	May 1
277	Liberty National Bank & Trust Co. of Oklahoma City NA	Liberty National Bank & Trust Co.			Feb. 28
			Choctaw State Bank	29,146	Nov. 2
			Security Pacific Bank Oregon, Portland‡	1,116,553	June 1
154	Bank of America Oregon, Portland		Landmark S&LA, Pittsburgh†	1,032,667	Sep. 25
101	Integra National Bank,Pittsburgh		Mentor Savings Bank, Philadelphia†	2,909,344	Dec. 5
10	Mellon Bank, NA, Pittsburgh+		Peoples National Bank, Lebanon	126,000	Dec. 4
39	Meridian Bank, Reading, Pa.		Bell Federal Savings Bank, FA, Upper Darby†	440,000	Mar. 20
					2/6/93
221	PNC Bank-Northeast, Scranton	Northeastern Bank of Pennsylvania, Wilkes-Barre			Jul. 24
234	Marine Bank, Warren		First National Bank of Pa., Meadville	588,015	Jan. 13
			Producers Bank, Bradford	61,351	Mar. 31
197	First Eastern Bank NA, Wilkes-Barre, Pa.		Peoples First National B&T Co., Hazleton	326,719	Jan. 1
239	Commonwealth Bank, Williamsport, Pa.		County Bank, Montrose	168,620	Jan. 1
			Liberty State Bank, Mount Carmel	56,983	Jan. 1
			First Bank of Greater Pittston, Pittson	125,314	Jan. 1
			First Bank of Troy	124,650	Jan. 1
233	Banco Central Hispano-Puerto Rico, San Juan	Banco Central Corp.			Aug. 21
70	Fleet National Bank, Providence, R.I.		Eastland Bank, Woonsocket	76,172	Dec. 12
			Eastland Savings Bank, Woonsocket†	249,012	Dec. 12
			Dawsville Credit Union†	0	Jul.
270	First Citizens Bank & Trust Co., Columbia, S.C.+		First State Savings Bank, Spartanburg (4 offices)	64,000	Dec.
			C&S National Bank, Darlington (1 branch)	20,000	Apr.
88	NationsBank South of South Carolina, Columbia	Citizens & Southern National Bank of South Carolina	NCNB National Bank of South Carolina‡	2,297,473	June 19
			NationsBank Trust Co. of South Carolina NA, Columbia‡	44,950	June 19
			Fidelity Federal Bank FSB, Nashville†	761,449	Mar. 30
155	Union Planters National Bank, Memphis		Metropolitan FS&LA, FA, Nashville†	614,603	Mar. 26
			Team Bank, Dallas*	4,419,051	Nov. 30
19	Bank One, Texas, NA, Dallas		Hibernia National Bank in Texas, Dallas	787,228	Dec. 26
281	Comerica Bank-Texas, Dallas				Jan. 31
294	New First City, Texas-Dallas, NA*	First City, Texas-Dallas			Oct. 31
196	New First City, Texas-Houston, NA*	First City, Texas-Houston, NA			Dec. 31
140	Bank of America Texas NA, Irving	Bank of America Texas NA, Houston			Dec. 31
			Sunbelt Federal Savings FSB, Irving†	3,394,552	Apr. 11
264	International Bank of Commerce, Laredo, Tex.		Castle Hills National Bank, San Antonio	13,718	June 25
271	Victoria Bank & Trust Co., Tex.		First National Bank, Rockport	109,493	Dec. 1
135	First Security Bank of Utah, NA, Salt Lake City+		First Interstate Bank of Utah, NA§ (5 branches)	52,000	Oct. 31
174	Zions First National Bank, Salt Lake City		Home Savings Bank FSB, Salt Lake City†	7,966	Feb. 29
235	Jefferson National Bank, Charlottesville, Va.		Peoples Bank of Front Royal	50,311	Dec. 18
47	Crestar Bank, Richmond*		Perpetual Savings Bank FSB, McLean*†	1,723,854	Jan. 10
33	NationsBank Virginia NA, Richmond	Sovran Bank NA			Jan. 1
			NCNB Virginia, McLean‡	3,321	Apr. 1
254	West One Bank, Washington, Bellevue+		Yakima Valley Bank, Yakima	101,688	Oct.
			Security Pacific Bank Washington, NA, Seattle*§ (30 branches)	1,200,000	Sep. 3
			Security Pacific Bank Washington, NA, Seattle*§ (60 branches)	2,897,000	Sep. 3
26	Seattle-First National Bank		Security Pacific Bank Washington, NA, Seattle*§ (48 branches)	1,350,000	Sep. 3
167	Key Bank of Washington, Tacoma+		Federated Bank SSB, Bothell†	335,254	Sep.
104	First Star Bank Milwaukee, NA, Wis.				

Data sources: American Banker survey and data from the Federal Reserve Board's monthly E.16 release, *Changes in Status of Banks and Branches*. Table describes the holding of the mergers and acquisitions of other deposit-taking institutions made by the top 300 banks in deposits during 1992. The acquiring banks are listed in geographic order. Name and location changes among the top 300 are also reported. Acquisitions are listed chronologically, with the most recent listed first. Dep. Rank is the deposit rank of the acquiring bank on Dec. 31, 1992. **Deposits acquired:** The latest available deposit figure for the institution prior to its acquisition. When branches are acquired, only the deposits in those branches are reported. (+)— A major acquisition of branches. (§)— A major sale of branches. (‡)— An affiliated, or related institution. That is, the acquired institution was owned by the acquiring bank's parent bank holding company at the time of merger. (†)— A thrift institution. (*)— A purchase and assumption transaction. (*)— Crestar Bank, NA, Washington, D.C., Crestar bank Maryland, Bethesda, and Crestar Bank, Northern Virginia, NA, acquired portions of Perpetual Savings. (*)— Changed its name from Manufacturers Hanover Trust Co. to Chemical Bank on Dec. 15. And then changed charter and title from Southtrust Bank of Atlanta on May 1. (*)— Formerly Sovran Bank/Maryland. Changed title on 1/1/93. (*)— Acquired the bank from Midlantic Corp., Edison, N.J. (*)— North Fork Bank and Trust Co. was merged into Southold Savings Bank. Southold then converted its charter from a savings bank to a commercial bank and changed its name and location. (*)— During the fourth quarter. Banc One Corp., Columbus, Ohio, acquired Team Bancshares, Inc., parent of Team Bank. (*)— Acquired by Texas Commerce Bancshares, Inc., Houston, from the FDIC on 1/27/93. (*)— Texas Commerce Bank, NA, Houston, from the FDIC on 1/27/93. (*)— Bank was acquired by Seattle-First National Bank, an affiliate. To meet the requirements of the federal regulators, divestiture of branches was required. Key Bank and West One Bank acquired the branches divested.

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Top 100 Banking Companies in Trust Income

Banks and non-deposit trust companies ranked in order of 1992 gross trust revenues (dollar amounts in thousands)

Rank 1992	Rank 1991	Name	Total Trust Income 1992	Total Trust Income 1991	Percent Change	Bank Trust Assets 1992	Bank Trust Assets 1991	Total Assets as a % of Trust Assets 1992	Total Assets as a % of Trust Assets 1991	Data on Trust Subsidiaries Number of Officers	Number of Accts.	Participates in Fiduciary Risk Mgt.
1	1	J.P. Morgan & Co., Inc., New York	786,000	672,000	16.96	1	10,231,000	10,314,000	7.68	6.52	22	Yes
2	2	Citicorp, New York	666,000	551,000	20.87	3	31,548,000	31,830,000	2.08	1.73	47	Yes
3	3	Bankers Trust New York Corp.	648,000	567,000	14.29	2	6,550,000	6,844,000	9.89	8.28	13	Yes
4	4	State Street Boston Corp.	545,377	442,469	23.25	4	1,417,276	1,357,871	38.48	32.59	15	Yes
5	5	Chase Manhattan Corp., New York	407,000	375,000	8.53	5	11,107,000	11,840,000	3.66	3.17	17	No
6	6	Bank of New York Co., Inc.	388,000	353,000	10.20	6	3,583,000	4,224,601	10.77	8.29	6	Yes
7	7	Northern Trust Corp., Chicago	368,400	303,100	21.54	10	1,231,300	1,260,200	29.92	24.05	9	Yes
8	8	Chemical Banking Corp., New York (a)	351,000	334,000	4.94	7	12,174,000	14,126,000	2.97	2.43	28	Yes
9	9	NationsBank Corp., Charlotte, N.C. (b)	331,000	326,000	1.53	8	9,942,000	11,594,000	3.33	2.81	11	Yes
10	10	Mellon Bank Corp., Pittsburgh (c)	291,000	307,000	5.21	9	2,972,000	3,151,000	9.79	9.74	11	Yes
11	11	PNC Bank Corp., Philadelphia	260,113	237,764	9.39	11	4,105,747	4,469,558	6.34	5.32	17	Yes
12	12	U.S. Trust Corp., New York	235,824	204,948	15.07	13	418,775	405,022	56.31	50.60	7	Yes
13	14	SunTrust Banks, Inc., Atlanta	225,645	200,053	12.78	14	3,110,294	3,360,384	7.25	5.95	31	Yes
14	13	BankAmerica Corp., San Francisco (d)	222,000	209,876	25.97	118	15,262,000	21,716,139	1.45	1.36	20	Yes
15	15	Society Corp., Cleveland (e)	205,952	196,078	5.03	108	5,604,968	5,718,937	0.73	7.328	9	Yes
16	16	First Chicago Corp.	189,800	174,800	8.58	15	4,357,800	4,829,800	4.36	3.62	5	No
17	17	First Interstate Bancorp., Los Angeles	187,893	166,415	12.91	16	4,101,824	5,119,661	4.58	3.25	12	No
18	18	Wells Fargo & Co., San Francisco	185,000	138,000	19.57	18	5,204,000	5,861,000	3.17	2.35	3	No
19	20	Bank One Corp., Columbus, Ohio (f)	120,000	104,000	41.82	208	5,999,015	5,344,134	2.70	2.708	24	Yes
20	21	First Financial Group, Inc., Providence, R.I.	160,083	118,912	34.62	23	4,852,126	4,438,893	3.30	2.68	10	Yes
21	19	Norwest Corp., Minneapolis	155,700	127,600	22.02	21	4,626,100	4,420,300	3.36	2.89	26	Yes
22	22	Bank of Boston Corp.	153,491	146,188	5.00	17	5,291,745	4,547,011	2.90	3.21	12	No
23	23	Keefe Bancorp., Inc., Chicago	145,091	131,149	10.63	19	1,187,457	1,333,335	12.22	9.84	12	Yes
24	25	NBD Bancorp., Inc., Detroit (g)	139,856	130,978	7.38	138	3,373,005	3,611,909	4.15	3.618	7	Yes
25	24	Boatmen's Bancshares, Inc., St. Louis, Mo.	133,574	105,991	26.02	26	2,000,750	1,587,547	6.68	6.68	17	No
26	26	First Union Corp., Charlotte, N.C.	125,332	117,800	6.39	24	4,354,508	4,321,164	2.88	2.73	4	No
27	27	National City Corp., Cleveland (h)	118,350	111,352	6.28	254	2,783,083	3,150,742	4.25	3.538	14	Yes
28	28	First Bank System, Inc., Minneapolis	115,600	105,100	11.00	27	1,864,200	1,821,300	6.30	5.72	14	No
29	29	Star Banc Corp., Cincinnati	115,103	120,624	-4.58	22	2,023,858	2,343,571	5.69	5.15	4	Yes
30	30	Boston Safe Deposit & Trust Co. (i)	112,113	106,951	4.83	25	682,056	660,648	16.44	11.76	0	No
31	31	Comerica Inc., Detroit (j)	110,403	103,732	6.43	306	2,269,812	2,567,228	4.86	4.048	7	Yes
32	32	Wachovia Corp., Winston-Salem, N.C.	105,504	102,666	6.66	28	2,778,303	3,138,394	3.94	3.37	3	No
33	33	Capital Guardian Trust Co., Los Angeles	101,607	89,116	14.02	34	104,127	91,590	97.58	97.30	0	No
34	34	First Wisconsin Corp., Milwaukee	95,926	80,813	18.70	36	1,199,388	1,254,216	8.00	6.44	18	Yes
35	35	Continental Bank Corp., Chicago	93,000	95,000	-2.11	31	1,765,000	2,301,000	5.27	4.13	3	No
36	36	CoreStates Financial Corp., Philadelphia	89,833	89,900	-.08	33	2,133,869	2,472,933	4.21	3.64	5	Yes
37	37	First Fidelity Bancorp., Lawrenceville, N.J.	86,396	83,784	3.12	35	2,461,657	2,777,050	3.51	3.02	4	No
38	38	Fiduciary Trust Company International, New York	78,677	71,766	9.63	37	93,714	88,060	83.95	81.50	3	Yes
39	39	Wilmington Trust Corp., Del.	77,002	67,128	14.71	40	425,778	429,473	18.09	15.63	1	Yes
40	40	Barnett Banks, Inc., Jacksonville, Fla. (k)	72,751	65,858	10.46	388	3,422,379	3,879,290	2.13	1.708	5	No
41	41	Fidelity Management Trust Co., Boston	70,835	57,960	22.14	43	73,154	61,360	96.83	96.51	0	No
42	42	First of America Bank Corp., Kalamazoo, Mich.	68,850	58,623	17.45	42	1,857,443	1,433,990	3.71	4.09	23	Yes
43	43	Sanwa Tri-State Corp., San Francisco	65,291	58,500	18.49	47	705,951	814,150	9.38	8.79	1	No
44	44	Bessemer Group, Inc., Woodbridge, N.J.	61,682	57,946	6.63	44	82,324	84,405	74.93	68.53	4	No
45	45	MBC Financial, Inc., Baltimore (l)	60,548	57,712	4.91	45	1,533,280	2,192,010	3.95	2.63	2	Yes
46	46	Crestar Financial Corp., Richmond	50,067	46,952	6.63	49	1,098,702	1,212,975	4.56	3.87	2	Yes
47	47	Fifth Third Bancorp., Cincinnati	46,433	40,263	20.29	53	894,513	1,065,412	5.41	4.55	9	No
48	48	Mercantile Bancorporation, Inc., St. Louis	48,123	41,815	15.09	52	815,523	775,963	5.90	5.38	14	No
49	49	Midlantic Corp., Edison, N.J.	46,776	56,156	-16.70	46	1,352,572	1,988,741	3.46	2.83	2	No
50	50	U.S. Bancorp., Portland, Ore.	45,738	40,000	14.35	55	1,304,975	2,013,809	2.36	1.99	5	Yes
51	51	Marshall & Ilsley Corp., Milwaukee	45,595	43,133	5.71	51	797,948	835,436	5.71	5.16	5	Yes
52	52	Marine Midland Banks, Inc., Buffalo, N.Y.-e	42,000	40,189	4.58	54	1,551,515	1,830,183	2.71	2.19	1	Yes
53	53	United Missouri Bancshares, Inc., Kansas City	41,049	35,258	16.42	60	366,829	356,892	11.19	9.88	1	Yes
54	54	Mercantile Bancshares Corp., Baltimore	39,000	35,353	12.87	58	761,635	512,436	7.95	10.90	1	No
55	55	Old Kent Financial Corp., Grand Rapids, Mich.	38,472	35,346	8.84	59	815,240	862,474	4.72	4.10	2	No
56	56	La Salle National Corp., Chicago	36,598	33,567	9.03	62	868,574	797,851	4.21	4.21	2	No
57	57	Meridian Bancorp, Inc., Reading, Pa.	35,810	35,873	-.18	57	1,082,317	1,213,278	3.31	2.96	5	Yes
58	58	KeyCorp, Albany, N.Y.	35,488	32,653	8.68	63	2,238,756	2,262,746	1.59	1.43	6	No
59	59	Union Bank, San Francisco	34,111	34,025	0.25	61	1,386,395	1,832,676	2.46	2.08	0	No
60	60	First City Bancorp of Texas, Inc., Houston (m)	33,968	33,917	0.15	56	522,817	1,140,913	6.50	3.15	11	No
61	61	Investors Fiduciary Trust Co., Kansas City, Mo.	33,868	34,006	-0.46	611	81,415	80,123	41.60	42.47	0	No
62	62	Amsbank Bancorp., Birmingham, Ala.	33,655	31,630	6.44	64	829,657	899,055	4.06	3.51	2	No
63	63	Star Banc Corp., Cincinnati	32,963	31,517	4.59	65	941,875	959,152	5.14	4.78	4	No
64	64	Valley National Corp., Phoenix, Ariz. (n)	31,722	29,995	8.28	66	1,024,430	1,132,367	3.10	2.59	2	No
65	65	Bancorp Hawaii, Inc., Honolulu	30,519	26,539	15.05	69	940,041	1,022,792	3.25	2.59	1	No
66	66	Bank of Tokyo Trust Co., New York	29,537	24,417	20.97	73	493,494	690,724	5.99	3.50	0	Yes
67	67	Riggs National Corp., Washington, D.C.	27,750	27,299	0.86	68	457,953	180,839	14.38	4.34	4	Yes
68	69	BB Bank & Trust, Minneapolis (o)	27,266	23,853	14.31	754	43,512	42,469	62.66	56.17	0	No
69	70	Hartington Bank Inc., Columbus, Ohio	25,676	24,441	5.87	72	330,935	413,864	7.70	5.91	0	No
70	71	Integra Financial Corp., Pittsburgh	25,687	25,652	0.14	70	890,341	802,361	2.89	3.20	4	No
71	72	Commerce Bancshares, Inc., Kansas City, Mo.	25,356	23,127	20.33	75	559,228	593,942	4.53	3.55	5	Yes
72	73	Glenmede Corp., Philadelphia	24,877	27,520	-9.60	67	26,364	29,351	94.36	93.76	2	Yes
73	74	Huntington Bank Inc., Columbus, Ohio	23,042	21,934	5.05	74	646,401	1,219,395	2.72	1.91	8	No
74	75	First Trust Corp., Denver	22,736	20,210	12.50	788	52,303	51,829	42.38	38.99	0	No
75	76	Collins, First Bankers, Inc., San Antonio	21,861	20,000	9.31	77	251,794	288,722	8.68	6.94	4	Yes
76	77	First Tennessee National Corp., Memphis	20,103	17,521	14.74	80	824,346	750,765	2.44	2.32	1	Yes
77	78	Liff Financial Corp., Princeton, N.J.	19,837	16,875	17.55	81	1,129,550	1,259,219	1.76	1.34	3	No
78	79	First Maryland Bancorp., Baltimore	19,553	13,143	41.41	100	845,327	852,397	2.20	1.54	3	No
79	81	First Hawaiian, Inc., Honolulu	18,171	15,937	14.02	85	547,010	577,581	3.32	2.76	1	No
80	82	Northeast Bancorp, Inc., New Haven, Conn.	18,016	16,438	9.59	84	262,750	330,072	6.15	4.97	1	No
81	83	First Bo Inc., Omaha, Neb.	17,934	18,169	-1.29	79	264,456	293,044	6.78	6.30	5	No
82	84	Michigan National Corp., Farmington Hills	17,877	15,461	15.48	88	1,003,866	1,096,553	1.78	1.41	2	No
83	85	First Empire State Corp., Buffalo, N.Y. (p)	17,820	17,171	3.78	81	889,839	991,093	2.00	1.738	1	No
84	86	Sanwa Bank California, San Francisco	17,585	11,555	67	573,690	541,896	3.05	2.44	0	No
85	87	Associated Banc-Corp., Green Bay, Wis.	16,927	15,060	12.40	90	255,178	194,975	6.63	7.72	5	No
86	88	First Alabama Bancshares, Inc., Montgomery	16,730	14,443	15.77	95	655,824	644,544	2.55	2.19	2	No
87	89	Signet Banking Corp., Richmond	16,487	15,875	3.86	86	1,049,291	1,212,576	1.57	1.31	2	No
88	90	BOK Financial Corp., Tulsa, Okla.	16,251	13,448	20.86	99	196,254	203,296	8.28	6.62	2	Yes
89	91	Fourth Financial Corp., Wichita, Kan.	15,898	14,382	10.54	96	425,253	415,361	3.74	3.45	1	No
90	92	First Security Corp., Salt Lake City, Utah	15,853	14,660	8.58	93	687,602	707,001	2.31	2.07	2	Yes
91	93	Liberty Bancorp, Inc., Oklahoma City	15,698	14,780	6.15	91	184,759	186,445	8.50	7.95	2	Yes
92	94	Pittston Fiduciary Trust Co., Boston	14,864	12,144	22.40	97	120,594	103,919	12.33	11.69	0	No
93	95	SouthBanc, Inc., Boston	14,650	15,360	-4.63	89	911,347	980,009	1.63	1.57	1	Yes
94	96	First American Corp., Nashville, Tenn.	14,650	12,964	13.01	101	523,194	587,936	2.80	2.21	1	Yes
95	97	Central Bancshares of the South, Inc., Birmingham	14,150	11,743	20.16	105	608,263	571,730	2.33	2.02	2	No
96	98	Douglas Deposit Corp., Harrisburg, Pa.	14,158	12,815	10.48	102	375,425	334,368	3.77	3.83	2	No
97	101	Industrial Bank of Japan Trust Co., N.Y.	13,521	10,833	27.66	112	291,140	333,074	4.64	3.19	0	No
98	99	National Westminster Bancorp, Inc., New York	13,520	20,712	-34.72	76	1,763,681	1,974,057	0.77	1.05	2	No
99	100	Hamilton Bancshares Corp., Roanoke, Va.	12,991	14,296	-9.08	97	644,634	1,090,304	1.94	1.38	2	No
100	100	Liberty National Bancorp, Inc., Louisville, Ky.	12,965	13,960	-7.13	98	381,104	395,562	3.40	3.53	1	No
		Totals for the Top 100 Banks of 1992	10,895,475	9,852,814	10.57		229,374,813	248,844,246	4.71	3.93	669	497

Data Sources: American Banker survey, annual reports, and federal-regulatory reports of income for banks and holding companies. Total trust income is gross operating income of the trust department from all fiduciary services. Non-operating credits are excluded. Total operating income is gross interest income plus gross noninterest income. Number of asks is the number of subaccounts, or trusts, that the trust department handles. Does the trust company to the question: *Do you have affiliated investment adviser subsidiaries?* Foreign Trust Ops: The response by company to the question: *Do you conduct trust operations outside the U.S.?* (b)—Restated by *American Banker* for major 1992 acquisitions. (b)— Restated by the bank for major 1992 acquisitions. (c)— Restated by the bank for 1992 acquisitions. (d)— Restated by *American Banker* for major 1992 acquisitions. (e)— Owned by a foreign bank. (f)— On Feb. 13, acquired four former *First City Bancorp. of Texas* banks (Beaumont, Dallas, Houston, and Midland) with trust income of approximately $30 million. Had the merger taken place in 1992, Chemical would have ranked 6th with trust income of $391 million. (h)— In process of acquiring Ameritrust Corp., which would rank 6th with $391.5 million in trust income. (n)— On May 21, acquired *The Boston Company* from *Shearson Lehman Hutton Inc.* If the merger had taken place in 1992, Boston Safe would have ranked 5th with trust income of $453.9 million. (k)— Restated 1991 data for the mergers of Security Pacific Corp., Los Angeles, and Valley Capital Corp., Las Vegas. (l)— Restated 1991 data for mid-year merger of *American Bank Corp.*, Baltimore. (m)— Acquired Valley National Corp., Phoenix, at the end of the first quarter. If the merger had taken place in 1992, Valley would have ranked 64th with trust income of $133.8 million. Restated for 1991 data for mergers. (p)— Restated its 1991 data for mergers, the largest of which was *INB Financial Corp.*, Indianapolis. (q)— Restated its 1991 data for the merger of *Merchants National Corp.*, Indianapolis. (r)— Acquired, along with its parent, *The Boston Company*, by *Mellon Bank Corp.* on May 21. If the merger had taken place in 1992, Boston Safe would have ranked 5th. (s)— Restated its 1991 data for the merger of *First Florida Banks, Tampa.* (t)— All trust activities are performed by *Security Trust Co. NA*, Washington, D.C. Its trust income would rank 7th with trust income of $453.9 million if the merger had taken place in 1992. (u)— Restated its 1991 data for the merger of *Central Trust Co., Rochester, and Endicott Trust Co.*

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Trust Revenues Grew by 10% at Top 100 Last Year

By MICHAEL O'D. MOORE

Trust revenue at banks climbed sharply last year, allaying fears that growth had stalled in this important area.

The top 100 banks in the field posted an aggregate 10.57% jump in trust revenues, marking only the second time in five years that the growth rate has double digits, according to an *American Banker* survey.

In 1991, the increase had been less than 7%, setting off a round of soul-searching in the industry.

Experts say that last year's pickup was caused mainly by appreciation of assets in a strong investment climate.

Managed assets at the top 100 grew 13.39% in 1992, increasing the base on which fees are levied. Also bolstering income was intensified marketing of mutual funds.

Continuing Rise Foreseen

In a significant mood change from 1991, bankers and analysts now expect continued growth in the trust business, driven by the aging population and new successes in mutual funds, which often are run from trust departments.

"Overall, our view is that trust, for a number of demographic reasons, will continue to be one of the major areas of growth in banking," said Robert Tetenbaum, executive vice president of First Manhattan Consulting Group.

For the top 100 banks in the field, trust already has become important to their bottom line. In 1992, trust businesses accounted for nearly 5% of the group's operating income, more than double the share of 1983, the survey found.

Much of the increase in trust business grows and as more assets are concentrated, Tetenbaum says. Gerald Schneider, senior vice president in charge of trusts and estates at Chase Manhattan Corp.

Shifting in the Ranks

The survey found that J.P. Morgan & Co. remained the leader in trust revenues last year, pulling in $786 million. That amounted to nearly 8% of the New York company's total operating income.

Meanwhile, Citicorp pushed aside Bankers Trust New York Corp. to take the No. 2 spot—by a margin of just $18 million.

In another shift at the top of the rankings, Northern Trust Corp. jumped from No. 10 to No. 7, passing Chemical Banking Corp., Mellon Bank Corp., and NationsBank Corp.

The Merger Factor

Elsewhere in the rankings, many of the increases resulted from mergers and acquisitions. And more such gains are occurring this year.

For example, if Mellon Bank Corp. had acquired the Boston Co. in 1992, instead of this year, it would have ranked fifth in trust revenue and third in discretionary assets. Instead, it ranked 10th and sixth respectively.

Likewise, if Chemical's acquisition this year of units of First City Bancorporation of Texas had taken place in 1992, Chemical would have ranked sixth in trust revenue and 10th in discretionary assets. Instead, it ranked eighth and 11th respectively.

Gains from Fund Sales

Some banks have been gaining trust assets from the sale of homegrown mutual funds, which soared in popularity amid a nationwide boom in the funds.

NBD Bancorp, which posted a large gain in trust revenue and



Gail Schneider
Upward trend will continue

assets, expects its proprietary mutual funds, the Woodward Funds, to add 10% to 15% to trust revenue this year.

"The dynamics are good for trust operations for a variety of reasons," said Richard L. Foerstering, NBD's first vice president for trust business product development. "Banks are getting very good at broadening their product lines principally through proprietary funds."

'Aging of the Population'

Proprietary funds give banks the ability to better compete in the 401(k) market, he said, while trust departments have long offered commingled funds, mutual funds have fewer marketing restrictions.

Chase, posting results that were typical of the top 100, reported that its trust revenue increased by 8.5% last year.

"We are seeing a greater interest in trust primarily through the aging of the population and the more complex issues related to money management," said Ms. Schneider.

Last year, she said, Chase had more charitable trusts established as aging customers looked to leave gifts – a trend she expects to continue.

Chase also has seen growth from business owners who cash out and create trusts. □

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Top 100 Banking Companies in Discretionary Trust Assets

Banks and non-deposit trust companies ranked in order of 1992 market value of assets under management (dollar amounts in thousands)

Rank 1992	Rank 1991	Name	Market Value of Discretionary Assets (a) 12/31/92	12/31/91	Percent Change	Rank 1992	Rank 1991	Market Value of Discretionary Assets 12/31/92	12/31/91	Discretionary Assets as a % of Assets 1992	1991
1	1	**Bankers Trust New York Corp.**	151,309,800	138,200,000	9.49	1	1	403,254,700	353,000,000	9.49	37.52
2	2	**Wells Fargo & Co., San Francisco**	134,996,617	122,185,153	10.48	2	2	170,113,566	145,061,613	17.26	84.23
3	4	**Boatmen's Bancshares, Inc., San Francisco (a)**	124,645,290	31,274,782	298.55	148	285,409,162	369,097,730	22.27	43.67	8.47
4	3	**J.P. Morgan & Co., Inc., New York**	120,809,000	105,277,000	14.76	3	3	826,859,000	718,470,000	15.41	14.61	14.89
5	5	**Mellon Bank Corp., Pittsburgh**	112,891,500	86,194,200	30.97	4	4	1,325,763,478	1,145,261,817	15.76	8.52	8.50
6	9	**Mellon Bank Corp., Pittsburgh (b)**	91,855,000	65,596,000	7.31	5	5	391,957,000	305,311,000	28.38	23.43	28.04
7	6	**PNC Bank Corp., Pittsburgh**	58,851,000	63,689,953	-7.57	6	6	170,232,000	151,141,344	12.63	34.57	32.88
8	7	**Citicorp, New York**	58,000,000	56,400,000	2.84	7	7	503,000,000	497,300,000	1.15	11.53	11.34
9	8	**Northern Trust Corp., Chicago**	49,629,800	43,591,700	14.31	9	9	366,193,700	300,722,000	21.77	13.56	12.43
10	10	**NationsBank Corp., Charlotte, N.C. (c)**	46,351,000	45,037,000	2.92	8	8	133,810,000	126,211,000	6.02	34.64	35.68
11	11	**Chemical Banking Corp., New York**	44,796,856	41,199,000	27.57	119	13	136,607,000	115,582,000	19.82	32.79	30.38
12	12	**SunTrust Banks, Inc., Atlanta**	38,095,651	34,021,264	11.98	13	13	60,359,576	53,739,726	12.32	63.11	63.31
13	13	**Boatmen's Bancshares, Inc., St. Louis, Mo.**	32,161,028	30,966,000	3.87	14	14	63,713,585	58,984,000	8.02	50.48	50.82
14	14	**Fidelity Management Trust Co., Boston**	30,859,817	22,381,717	37.88	22	22	61,888,368	41,349,764	49.67	49.86	54.13
15	15	**Bank of New York Co., Inc.**	30,673,456	30,444,725	15.84	109	109	730,731,996	631,040,898	15.79	4.20	4.82
16	16	**Banc One Corp., Columbus, Ohio (d)**	29,700,000	23,603,5978	25.83	318	119	1,800,000	96,813,7718	23.74	24.79	24.38
17	17	**Chase Manhattan Corp., New York**	28,663,000	28,522,000	3.07	16	16	405,704,000	351,705,000	15.35	7.06	7.91
18	18	**Comerica Inc., Detroit (f)**	28,419,150	26,246,058	8.28	208	208	64,806,036	60,386,796	2.32	43.85	43.40
19	19	**First Chicago Corp.**	27,739,795	30,360,100	-8.63	15	15	164,686,198	155,614,500	5.83	16.84	16.51
20	20	**Society Corp., Cleveland (g)**	27,492,000	27,660,718	-0.97	188	188	66,698,000	62,052,9858	7.48	41.17	44.21
21	21	**Harris Bankcorp., Inc., Chicago+**	26,590,789	25,035,301	6.21	18	18	138,794,837	130,250,993	15.41	19.16	20.82
22	22	**U.S. Trust Corp., New York**	26,500,000	21,900,000	21.00	23	23	236,900,000	210,100,000	-24.30	11.19	8.97
23	23	**Wilmington Trust Co., Del.**	25,682,955	27,417,759	-6.33	17	17	104,606,455	105,859,834	-1.18	24.55	25.90
24	24	**National City Corp., Cleveland (h)**	24,578,116	23,591,000	5.30	229	229	43,504,752	41,369,000	21.00	56.50	54.48
25	25	**Capital Guardian Trust Co., Los Angeles**	24,382,460	34,143,446	-28.59	12	12	44,009,563	38,595,184	14.03	55.40	68.47
26	26	**NBD Bancorp., Inc., Detroit (i)**	24,348,781	21,986,3018	10.75	26	26	91,990,110	85,000,8988	14.42	26.47	27.35
27	27	**First Interstate Bancorp., Los Angeles**	24,339,7387	22,881,800	6.37	20	20	117,819,2958	107,020,100	10.09	20.66	21.36
28	28	**Fiduciary Trust Company International, New York**	23,738,140	22,738,000	4.39	21	21	46,014,000	39,170,253	1.81	40.48	39.46
29	29	**First Financial Group, Inc., Providence, R.I.**	23,549,621	20,232,419	16.40	27	27	44,345,377	36,516,886	21.44	53.11	55.41
30	30	**Norwest Corp., Minneapolis**	22,345,237	19,438,332	14.95	28	28	90,746,895	75,708,397	19.87	24.62	25.66
31	31	**Conestoga Financial Corp., Philadelphia**	20,471,084	21,234,008	-3.59	25	25	131,839,291	161,672,436	-18.45	15.53	13.13
32	32	**First Union Corp., Charlotte, N.C.**	18,023,622	16,906,435	6.61	31	31	26,767,102	30,230,946	-11.46	67.33	55.92
33	33	**Boston Safe Deposit & Trust Co. (j)**	17,910,000	18,953,197	5.68	30	30	23,016,000	23,972,976	-13.56	7.69	6.27
34	34	**First Bank System, Inc., Minneapolis**	17,346,592	15,065,078	15.14	33	33	66,153,121	66,304,436	-.23	26.22	22.72
35	35	**Wachovia Corp., Winston Salem, N.C.**	16,146,580	14,490,000	11.43	34	34	44,000,000	37,400,352	8.72	19.95	19.22
36	36	**Continental Bank Corp., Chicago**	14,207,499	13,273,408	7.04	37	37	146,787,200	127,674,842	14.97	9.68	10.40
37	37	**First Fidelity Bancorporation, Lawrenceville, N.J.**	13,778,482	14,124,000	2.45	36	36	43,476,112	43,049,000	3.99	31.69	32.81
38	38	**Firstar Corp., Milwaukee**	13,676,453	12,288,763	11.29	39	39	45,821,071	40,689,409	12.67	29.85	30.22
39	39	**Shawmut National Corp., Hartford, Conn., Boston, Mass.**	13,518,062	12,935,000	4.50	38	38	22,180,798	22,098,000	4.56	60.95	58.50
40	40	**MNC Financial, Inc., Baltimore (k)**	12,107,968	11,281,000	7.33	40	40	24,291,653	23,401,000	3.81	49.84	48.21
41	41	**Mercantile Bancorporation, Inc., St. Louis, Mo.**	11,531,786	10,821,349	10.66	42	42	16,193,000	15,242,925	9.00	71.23	70.99
42	42	**Bank of Boston Corp.**	11,091,009	10,548,019	5.15	45	45	48,042,673	69,515,507	30.89	23.09	15.17
43	43	**Barnett Banks, Inc., Jacksonville, Fla. (l)**	9,807,910	7,561,0878	23.20	448	448	18,054,000	15,213,283	1.81	40.48	39.46
44	44	**Mercantile Bancshares Corp., Baltimore**	9,213,882	7,585,105	21.47	46	46	24,716,712	22,445,402	10.12	37.28	33.79
45	45	**Bessemer Group, Inc., Woodbridge, N.J.**	8,403,358	8,622,100	-2.54	45	45	10,071,875	10,238,129	-1.63	83.43	84.21
46	46	**First of America Bank Corp., Kalamazoo, Mich.**	8,052,513	7,951,852	11.51	49	49	13,182,851	11,215,211	17.53	61.08	64.36
47	47	**Crestar Financial Corp., Richmond**	7,810,317	7,487,660	4.31	48	48	27,929,240	25,779,414	8.34	27.96	29.05
48	48	**United Missouri Bancshares, Inc., Kansas City, Mo.**	7,493,000	6,780,157	10.44	50	50	156,091,780	135,377,000	15.30	4.74	5.37
49	49	**Glenmede Corp., Philadelphia**	7,264,711	6,650,814	9.23	51	51	7,675,613	7,073,037	8.52	94.65	94.03
50	50	**Fifth Third Bancorp., Cincinnati**	6,364,810	5,987,788	6.80	54	54	36,359,851	32,693,377	9.21	17.50	18.31
51	51	**Old Kent Financial Corp., Grand Rapids, Mich.**	6,173,481	6,199,517	-.62	53	53	10,990,683	13,873,865	-19.62	56.17	45.34
52	52	**BankOne Trust Corp., San Francisco+**	5,631,000	5,721,516	7.84	58	58	28,225,000	25,405,548	10.94	19.95	20.55
53	53	**Marshall & Ilsley Corp., Milwaukee**	5,469,175	5,360,474	3.97	57	57	15,235,929	13,810,682	10.32	35.90	38.09
54	54	**Meridian Bancorp, Inc., Reading, Pa.**	5,467,753	5,468,400	10.05	59	59	22,666,125	20,598,000	-2.06	24.12	26.54
55	55	**Mitsubishi Corp., Edison, N.J.**	5,464,993	8,706,654	-37.23	43	43	12,112,538	14,737,383	-17.81	45.12	59.08
56	56	**Bancorp Hawaii Inc., Honolulu**	4,898,000	4,898,000	6.40	60	60	8,017,000	7,677,693	-8.14	61.10	63.80
57	57	**AmSouth Bancorporation, Birmingham, Ala.**	4,731,620	4,536,348	4.30	63	63	14,429,877	11,916,028	21.10	32.79	38.07
58	58	**Integra Financial Corp., Pittsburgh**	4,724,268	4,615,126	-1.97	61	61	4,252,647	4,167,895	1.05	70.86	71.39
59	59	**Riggs National Corp., Washington, D.C.**	4,525,426	4,589,500	-1.40	62	62	10,105,629	30,521,175	-49.88	23.44	11.92
60	60	**U.S. Bancorp, Portland, Ore.**	4,411,535	4,069,913	8.40	65	65	11,927,552	9,861,548	20.58	36.99	41.15
61	61	**KeyCorp, Albany, N.Y.**	4,402,369	3,827,004	15.18	68	68	16,048,325	15,951,377	2.68	27.43	24.90
62	62	**La Salle National Corp., Chicago+**	4,390,3951	4,578,8471	-4.12	638	14,372,4788	12,003,9798	19.73	30.55	38.14
63	63	**ORS Bank, New York**	4,370,000	3,730,000	17.44	69	69	4,897,000	4,450,000	10.04	89.40	83.78
64	64	**Union Bank, San Francisco+**	4,126,9991	3,866,883	6.78	67	67	10,796,9055	9,163,899	17.82	38.24	42.20
65	65	**Commerce Bancshares, Inc., Kansas City, Mo.**	3,677,000	3,414,669	7.82	72	72	10,859,000	9,934,782	22.02	33.86	35.33
66	66	**Star Banc Corp., Cincinnati**	3,970,165	3,592,090	10.53	70	70	10,041,329	8,174,740	22.83	39.54	43.94
67	67	**Valley National Corp., Phoenix, Ariz. (m)**	3,621,324	3,099,192	6.53	73	73	6,995,397	6,680,682	5.03	51.77	51.03
68	68	**BB Bank & Trust, Pittsburgh (n)**	3,469,086	3,522,640	-1.52	71#	74	14,759,838	12,106,790	21.91	23.50	29.10
69	69	**First Tennessee National Corp., Memphis**	3,294,344	3,460,284	-4.52	71	71	13,400,015	13,580,000	-1.32	24.59	25.48
70	70	**UBI Financial Corp., Princeton, N.J.**	3,240,399	2,448,240	32.35	79	75	15,237,433	12,045,548	26.50	21.27	20.32
71	71	**Marine Midland Banks, Inc., Buffalo, N.Y.+**	3,154,038	3,273,290	-2.42	74	74	37,924,000	34,744,638	-24.61	8.32	9.58
72	72	**First City Bancorporation of Texas, Inc., Houston (o)**	3,113,430	3,180,000	-2.18	75	75	27,634,343	28,250,091	-2.18	11.27	11.27
73	73	**UST Corp., Boston**	2,940,839	2,400,000	22.53	83	83	3,016,168	2,500,000	20.65	97.50	96.00
74	74	**First Maryland Bancorp., Baltimore+**	2,863,000	2,725,123	18.56	81	81	25,093,000	20,185,133	-11.46	12.06	13.50
75	75	**BOK Financial Corp., Tulsa, Okla.**	2,732,110	2,157,745	26.62	92	92	4,260,031	3,414,682	25.34	63.83	63.19
76	76	**Huntington Bancshares Inc., Columbus, Ohio**	2,717,285	2,376,241	14.37	85	85	11,378,149	9,971,051	14.11	23.88	23.83
77	77	**Cullen/Frost Bankers, Inc., San Antonio**	2,620,664	2,396,354	9.36	84	84	8,588,530	8,779,545	-2.18	30.51	27.29
78	78	**Trustco Inc., Albany, N.Y.**	2,503,087	2,471,185	1.29	78	78	10,078,165	8,820,143	14.26	24.84	28.01
79	79	**First Security Corp., Salt Lake City, Utah**	2,426,461	2,218,471	9.38	90	90	4,135,932	3,795,262	8.98	58.67	58.45
80	80	**Liberty National Bancorp, Inc., Louisville, Ky.**	2,364,505	2,400,000	-1.48	82	82	3,066,404	3,000,000	-2.32	77.11	80.00
81	81	**Liberty Bancorp, Inc., Oklahoma City**	2,312,415	2,225,417	3.91	89	89	3,955,879	4,054,954	-2.44	58.46	54.88
82	82	**Northeast Bancorp, Inc., New Haven, Conn.**	2,306,643	2,306,160	2.56	88	88	3,945,054	3,725,139	-4.74	58.47	61.90
83	83	**First Alabama Bancshares, Inc., Montgomery, Ala.**	2,302,988	2,197,290	4.81	91	91	3,475,833	3,334,647	4.23	66.26	65.89
84	84	**Assiniboia Bank of New York**	2,300,000	2,000,000	15.00	94	94	2,300,000	2,136,000	7.55	41.61	36.54
85	85	**Associated Banc-Corp., Green Bay, Wis.**	2,295,289	2,129,710	7.77	93	93	4,260,730	3,856,960	10.47	53.87	55.22
86	86	**Summit Bancorp., N.J.**	2,144,276	1,378,896	55.51	106	106	3,137,571	2,548,399	23.07	68.34	54.09
87	87	**First American Corp., Nashville, Tenn.**	2,106,000	2,446,512	-13.90	80	80	3,272,844	3,408,954	-3.98	64.35	71.76
88	88	**Signet Banking Corp., Richmond**	2,088,524	2,314,500	-9.76	86	86	8,079,471	7,482,600	-7.98	25.85	30.93
89	89	**Michigan National Corp., Farmington Hills**	2,066,119	1,853,124	11.49	95	95	4,381,736	3,437,903	27.47	47.15	53.90
90	90	**Fourth Financial Corp., Wichita, Kan.**	1,835,830	1,530,000	19.99	103	103	5,753,370	4,969,000	15.79	31.91	30.79
91	91	**Colorado National Bankshares, Denver**	1,778,049	1,703,100	8.66	98	98	4,185,578	4,230,411	4.39	43.73	40.26
92	92	**Dauphin Deposit Corp., Harrisburg, Pa.**	1,819,529	1,587,182	14.64	102	102	3,315,369	2,787,701	16.17	54.59	57.38
93	93	**First Hawaiian, Inc., Honolulu**	1,808,851	1,605,782	12.72	100	100	3,382,000	3,476,165	2.71	53.49	46.20
94	94	**Baybanks, Inc., Boston**	1,806,071	1,776,470	1.78	96	96	4,302,134	3,743,673	14.92	42.03	47.46
95	95	**SouthTrust Corp., Birmingham, Ala.**	1,803,157	1,229,227	39.05	---	---	14,906,879	11,770,488	24.88	12.10	10.44
96	96	**Wilmington Corp., New Orleans, La.**	1,570,791	1,300,000	10.37	87	87	4,698,283	6,000,000	21.70	33.43	38.33
97	97	**First Commonwealth of Ohio, Akron**	1,561,243	1,408,754	10.83	97	97	3,185,000	2,841,000	3.54	49.02	51.91
98	98	**Central Bancshares of the South, Inc., Birmingham, Ala.**	1,531,853	1,600,000	-4.26	101	101	4,631,884	4,100,000	17.85	31.70	39.02
99	99	**Bancorp Hawaii Trust Co., Honolulu**	1,504,000	1,482,000	1.48	105	105	3,348,000	3,364,406	4.02	44.92	44.05
100	100	**Deposit Guaranty Corp., Jackson, Miss.**	1,499,087	1,488,425	0.72	99	99	10,106,426	1,924,882	323.68	18.38	77.33
		Totals for the Top 100 Banks of 1992†	**1,914,703,948**	**1,691,396,534**	**13.20**			**$ 13,199,864,834**	**$ 11,713,313,090**	**10.37**	**30.99**	**30.44**

Data Source: American Banker survey. Discretionary (managed) assets are assets of accounts over which a company is authorized to make or recommend investment decisions. Market value of assets under management includes all trust assets includes discretionary assets and nondiscretionary assets; nondiscretionary assets should exclude corporate trust assets. Data are not all-bank data with deposit and foreign subsidiaries. (a) — Restated by American Banker for major acquisitions in 1992. (b) — Restated by the bank to include the trust assets of Boston Safe Deposit & Trust Co. that had been included in survey. (c) — Owned by a foreign bank. (d) — Data for 1992 publication on June 30, 1993. (f) — Bank company would have had, if data had been available. (g) — Gain in managed assets attributable to a reclassification of nondiscretionary assets as discretionary assets. The 1992 data are preliminary and subject to revision by Federal Reserve. (h) — Data as of 1991 date for the mergers of Security Pacific Corp., Los Angeles, and Valley Capital Corp., Las Vegas. (k) — On May 21, acquired The Boston Company Inc. and its subsidiary, Boston Safe Deposit & Trust Co. If the merger had taken place in 1992, Mellon would have ranked 3rd in terms of market value of $134.5 billion. (l) — In process of acquiring MNC Financial, Inc., Baltimore. (m) — Data as of 1991 date for the merger of Valley National Corp., Phoenix, Ariz., and Arizona Bank, Phoenix. (n) — Acquired by Bank One Corp. of Columbus, Ohio, effective Jan. 1, 1993. (o) — Data as of 1991 date for the merger of First City Bancorporation of Texas, Houston, and Texas Commerce Bancshares, Houston. (p) — Data as of 1991 date for the merger of Boatmen's Bancshares, St. Louis, and Central Bancshares of the South, Birmingham, Ala. (q) — Data as of 1991 date for the merger of Deposit Guaranty Corp., Jackson, Miss., and Trustmark Corp., Jackson, Miss. (r) — Data as of 1991 date for the merger of Wilmington Trust Co., Wilmington, Del., and Rodney Square Management Corp., Wilmington, Del. (s) — Data as of 1991 date for the merger of Bessemer Group, Inc., Woodbridge, N.J., and Bessemer Trust Co., New York. (t) — Data as of 1991 date for the merger of Dauphin Deposit Corp., Harrisburg, Pa., and Commonwealth Bancorp, Norristown, Pa. (u) — Data as of 1991 date for the merger of Fourth Financial Corp., Wichita, Kan., and Bancshares of Kansas, Inc., Hutchinson, Kan. (v) — Data as of 1991 date for the merger of Liberty Bancorp, Inc., Oklahoma City, and Liberty National Bancorp, Inc., Louisville, Ky. (w) — Data as of 1991 date for the merger of Northeast Bancorp, Inc., New Haven, Conn., and Hartford National Corp., Hartford, Conn. (x) — Data as of 1991 date for the merger of Summit Bancorp., N.J., and Valley National Corp., Phoenix, Ariz. (y) — Data as of 1991 date for the merger of Wachovia Corp., Winston-Salem, N.C., and First Atlanta Corp., Atlanta. (z) — Data as of 1991 date for the merger of Wells Fargo & Co., San Francisco, and Crocker National Corp., San Francisco. (#) — Restated 1991 data for the merger of American Commerce Bancshares, Inc., Nashville, Tenn., and Hamilton Bancorp, Inc., Chattanooga, Tenn. — Acquired by Banc One on March 31, 1993. (+) — Owned by a foreign bank. (†) — Data for 1992 publication on June 30, 1993. (‡) — Bank company would have had, if data had been available. (aa) — Gain in managed assets attributable to a reclassification of nondiscretionary assets as discretionary assets. The 1992 data are preliminary and subject to revision by Federal Reserve. (bb) — Restated 1991 data for all-bank basis. (cc) — Restated 1991 data for the merger of American Commerce Bancshares, Inc., Nashville, Tenn., and Hamilton Bancorp, Inc., Chattanooga, Tenn. — Acquired by NBD on March 31, 1993. (dd) — Restated 1991 data for the merger of Bessemer Group, Inc., Woodbridge, N.J., and Bessemer Trust Co., New York. (ee) — Restated 1991 data for the merger of Dauphin Deposit Corp., Harrisburg, Pa., and Commonwealth Bancorp, Norristown, Pa. (ff) — Restated 1991 data for the merger of Fourth Financial Corp., Wichita, Kan., and Bancshares of Kansas, Inc., Hutchinson, Kan. (gg) — Restated 1991 data for the merger of Liberty Bancorp, Inc., Oklahoma City, and Liberty National Bancorp, Inc., Louisville, Ky. (hh) — Restated 1991 data for the merger of Northeast Bancorp, Inc., New Haven, Conn., and Hartford National Corp., Hartford, Conn. (ii) — Restated 1991 data for the merger of Summit Bancorp., N.J., and Valley National Corp., Phoenix, Ariz. (jj) — Restated 1991 data for the merger of Wachovia Corp., Winston-Salem, N.C., and First Atlanta Corp., Atlanta. (kk) — Restated 1991 data for the merger of Wells Fargo & Co., San Francisco, and Crocker National Corp., San Francisco. (ll) — Restated 1991 data for the merger of Wilmington Trust Co., Wilmington, Del., and Rodney Square Management Corp., Wilmington, Del.

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Top 100 Banking Companies in Discretionary Trust Assets or Income

Listed geographically within states by managed trust assets and trust income and trust income rank (dollar amounts in thousands)

Tr. Ast. Rank 12/93		Managed Assets 12/31/92	Trust Income 12/31/92	Tr. Inc. Rank 12/31/92
	ALABAMA			
57	AmSouth Bancorporation, Birmingham	4,731,620	33,655	62
83	First Alabama Bancshares, Inc., Montgomery	2,302,988	16,720	86
98	Central Bancshares of the South, Inc., Birmingham	1,719,745	11,938	106
98	Central Bancshares of the South, Inc., Birmingham	1,531,853	14,190	95
	ARIZONA			
67	Valley National Corp., Phoenix	3,621,324	31,722	64
	CALIFORNIA			
2	Wells Fargo & Co., San Francisco	134,996,617	185,000	18
3	BankAmerica Corp., San Francisco	124,714,879	222,000	14
25	Capital Guardian Trust Co., Los Angeles	24,382,460	121,407	33
27	First Interstate Bancorp., Los Angeles	24,339,738	187,893	17
62	La Salle National Corp., Chicago+	5,631,000	29,000	43
64	Union Bank, San Francisco+	4,126,999	34,111	59
113	Sanwa Bank California, San Francisco	1,155,968	17,505	84
	COLORADO			
91	Colorado National Bankshares, Denver	1,823,020	12,226	104
	First Trust Corp., Denver	0	22,736	74
	CONNECTICUT			
39	Shawmut National Corp., Hartford (Boston, Mass.)	13,518,062	115,103	29
82	Northeast Bancorp, Inc., New Haven	2,306,643	18,018	80
	DELAWARE			
23	Wilmington Trust Corp.	25,682,955	77,002	39
	DISTRICT OF COLUMBIA			
59	Riggs National Corp., Washington, D.C.	4,525,426	27,530	67
	FLORIDA			
43	Barnett Banks, Inc., Jacksonville	9,807,910	72,751	40
	GEORGIA			
12	SunTrust Banks, Inc., Atlanta	38,095,651	225,645	13
	HAWAII			
56	Bancorp Hawaii, Inc., Honolulu	4,898,000	30,519	65
93	First Hawaiian, Inc., Honolulu	1,808,851	18,171	79
	ILLINOIS			
9	Northern Trust Corp., Chicago	49,629,800	368,400	5
19	First Chicago Corp.	27,739,795	180,000	20
21	Harris Bankcorp, Inc., Chicago	26,590,789	145,091	23
36	Continental Bank Corp., Chicago	14,207,499	93,000	35
62	La Salle National Corp., Chicago	4,390,395	36,098	56
	KANSAS			
90	Fourth Financial Corp., Wichita	1,835,830	15,898	89
	KENTUCKY			
80	Liberty National Bancorp, Inc., Louisville	2,364,505	12,965	100
	LOUISIANA			
96	Wilmington Corp., New Orleans	1,570,791	12,263	103
	MARYLAND			
42	MNC Financial, Inc., Baltimore	12,107,968	80,548	45
44	Mercantile Bancshares Corp., Baltimore	9,213,882	39,903	54
74	First Maryland Bancorp., Baltimore+	2,880,828	18,593	78
	MASSACHUSETTS			
5	State Street Boston Corp.	112,891,519	545,377	4
14	Fidelity Management Trust Co., Boston	30,859,817	70,835	41
33	Boston Safe Deposit & Trust Co.	17,916,000	112,113	30
42	Bank of Boston Corp.	11,091,009	153,493	27
73	UST Corp., Boston	2,940,839	12,615	101
94	Bayboks, Inc., Boston	1,806,071	14,810	94
	Putnam Fiduciary Trust Co., Boston	0	14,864	92
	MICHIGAN			
18	Comerica Inc., Detroit	28,419,150	10,403	31
26	NBD Bancorp, Inc., Detroit	24,348,781	39,856	24
89	Michigan National Corp., Farmington Hills	2,066,119	17,877	82
		6,173,481	38,472	55
		2,066,119	17,877	82
89	Michigan National Corp., Farmington Hills	2,066,119	17,877	82
	MINNESOTA			
30	Norwest Corp., Minneapolis	22,345,237	155,700	21
34	First Bank System, Inc., Minneapolis	17,346,592	115,000	31
95	SouthTrust Corp., Birmingham	3,469,086	27,266	68
	MISSISSIPPI			
100	Deposit Guaranty Corp., Jackson	1,499,087	11,078	111
	MISSOURI			
13	Boatmen's Bancshares, Inc., St. Louis	32,161,028	133,574	25

Tr. Ast. Rank 12/93		Managed Assets 12/31/92	Trust Income 12/31/92	Tr. Inc. Rank 12/31/92
	MISSOURI (Continued)			
41	Mercantile Bancorporation, Inc., St. Louis	11,531,786	48,123	48
48	United Missouri Bancshares, Inc., Kansas City	7,488,856	41,000	53
65	Commerce Bancshares, Inc., Kansas City	4,079,407	25,356	71
	Investors Fiduciary Trust Co., Kansas City	0	13,896	81
	NEBRASKA			
76	Fiserv Inc., Omaha	2,503,087	17,934	81
	NEW JERSEY			
37	First Fidelity Bancorporation, Lawrenceville	13,778,482	86,396	37
45	Bessemer Group, Inc., Woodbridge	8,403,358	61,682	44
85	Summit Bancorp., N.J.	2,144,276	17,476	83
70	UBI Financial Corp., Princeton	3,240,399	19,837	77
96	Summit Bancorp.	2,144,276	17,899	76
	NEW YORK			
1	Bankers Trust New York Corp.	151,309,800	648,000	3
4	J.P. Morgan & Co., Inc., New York	120,809,000	666,000	2
8	Citicorp, New York	58,000,000	666,000	2
11	Chemical Banking Corp., New York	44,796,854	361,000	8
15	Bank of New York Co., Inc.	30,673,456	380,000	5
16	Chase Manhattan Corp., New York	28,663,000	407,000	1
22	U.S. Trust Corp., New York	26,500,000	235,624	12
28	Fiduciary Trust Company International, New York	23,738,140	78,612	38
61	KeyCorp, Albany	4,402,369	35,488	58
63	ORS Bank, New York	4,370,000	0	52
71	Marine Midland Banks, Inc., Buffalo	3,154,038	5,300	
72	First National Bank of New York	3,113,430	12,800	102
101	First Empire State Corp., Buffalo	1,327,826	13,520	98
104	National Westminster Bancorp, New York	1,214,275	14,875	88
110	ISI Schroder Bank & Trust Co., New York	713,623	29,537	66
122	Bank of New York Co., Inc.	288,827	13,574	97
125	Industrial Bank of Japan Trust Co., New York			
	NORTH CAROLINA			
10	NationsBank Corp., Charlotte	46,351,000	331,000	9
32	First Union Corp., Charlotte	18,023,622	120,132	26
35	Wachovia Corp., Winston-Salem	16,146,580	106,504	32
	OHIO			
16	Banc One Corp., Columbus	29,700,000	162,069	19
20	Society Corp., Cleveland	27,492,067	309,952	15
24	National City Corp.,

Top 100 Banking Companies in Market Capitalization

Listed in order of market value of common stock on June 30, 1993, compared with March 31, 1993 (dollar amounts in millions)

Rank 6/93	Rank 3/93		Mkt. Cap. 6/30/93	Mkt. Cap. 3/31/93	% Chg. 3/93	Mkt. Cap. Rank 6/93	Rank 3/93		Mkt. Cap. 6/30/93	Mkt. Cap. 3/31/93	% Chg. 3/93	Mkt. Cap. Rank 6/93
1	1	BankAmerica Corp., San Francisco	$18,022	$17,792	10.0%	8.1%	51	48	Bancorp Hawaii, Inc., Honolulu	1,266	1,432	-12.1	16.0
2	3	Banc One Corp., Columbus, Ohio	14,557	14,946	2.6	20.9	52	49	First Alabama Bancshares, Inc., Birmingham	1,259	1,432	-12.1	16.0
3	4	J.P. Morgan & Co. Incorporated, New York	13,040	13,049	0.0	10.1	53	51	LSB Financial Corp., Muncie, Ind.	1,206	1,270	-5.0	23.3
4	2	First Union Corp., Charlotte, N.C.	12,600	13,870	9.2	10.4	54	54	Synovus Financial Corp., Columbus, Ga.	1,175	1,211	-3.0	17.2
5	5	Citicorp, New York	11,980	11,754	1.9	7.2	55	53	Mercantile Bancorp., Inc., St. Louis, Mo.	1,147	1,211	-5.3	15.6
6	6	Chemical Banking Corp., New York	10,280	10,154	1.2	7.0	56	56	Mercantile Bancorp., Inc., St. Louis, Mo.	1,147	1,186	-3.3	13.1
7	9	First Union Corp., Charlotte, N.C.	8,060	7,935	1.6	12.8	57	58	Central Fidelity Banks, Inc., Richmond, Va.	1,143	1,201	-5.4	12.6
8	8	Norwest Corp., Minneapolis, Minn.	7,961	7,752	9.8	17.5	58	60	First Tennessee National Corp., Memphis	1,140	1,140	0.4	13.6
9	7	PNC Bank Corp., Pittsburgh, Pa.	7,644	7,790	-1.9	15.0	59	61	First Security Corp., Salt Lake City, Utah	1,105	1,096	0.9	14.0
10	12	Bankers Trust New York Corp.	6,142	5,935	3.7	7.0	60	59	Star Banc Corp., Cincinnati, Ohio	1,053	1,105	-4.6	14.2
11	11	Wells Fargo & Company, San Francisco	5,116	6,026	1.5	12.0	61	62	Wilmington Trust Corp., Del.	1,017	1,092	-6.0	24.7
12	13	SunTrust Banks, Inc., Atlanta, Ga.	5,994	5,931	1.1	16.0	62	72	BB&T Financial Corp., Wilson, N.C.	981	954	1.5	13.6
13	10	Wachovia Corp., Winston-Salem, N.C.	5,918	6,349	-6.8	17.6	63	66	Midlantic Corp., Edison, N.J.	976	1,011	-3.4	7.0
14	15	Chase Manhattan Corp., New York	5,807	5,494	7.3	7.4	64	63	First Empire State Corp., Buffalo, N.Y.	941	1,029	-8.5	9.4
15	14	NBD Bancorp., Inc., Detroit, Mich.	5,196	5,658	-8.2	13.0	65	67	Mercantile Bancshares Corp., Baltimore, Md.	932	1,077	-13.5	17.5
16	16	Bank of New York Company, New York	4,917	4,783	2.8	12.3	66	65	First Hawaiian, Inc., Honolulu	903	1,007	-10.4	13.1
17	17	First Interstate Bancorp., Los Angeles	4,741	4,439	6.8	5.7	67	68	Commerce Bancshares, Inc., Kansas City, Mo.	903	1,037	-13.0	13.1
18	18	First Commerce Corp., Jacksonville, Fla.	4,588	4,613	-0.5	6.7	68	64	Compass Bancshares, Inc., Birmingham, Ala.	884	902	-2.0	13.0
19	19	Fleet Financial Group, Providence, R.I.	4,526	4,313	4.9	6.6	69	69	Comerica, Inc., Detroit	868	1,241	-30.1	5.2
20	20	KeyCorp, Albany, N.Y.	4,196	4,498	-6.7	13.1	70	70	BankPonce Corp., San Juan, P.R.	858	956	-10.3	8.4
21	21	Society Corp., Cleveland, Ohio	4,104	4,045	1.5	15.8	71	71	Michigan National Corp., Farmington Hills	848	899	-5.8	8.1
22	22	National City Corp., Cleveland, Ohio	4,036	4,188	-3.6	14.5	72	76	BayBanks, Inc., Boston, Mass.	803	936	-14.2	8.4
23	23	First Fidelity Bancorp., Newark, N.J.	3,056	3,028	0.8	12.0	73	73	Wed One Bancorp., Bobo, Idaho	800	834	-4.1	11.3
24	24	Comerica Incorporated, Detroit, Mich.	3,449	3,842	-10.2	13.1	74	75	First American Corp., Nashville, Tenn.	760	763	-0.4	11.3
25	25	First Chicago Corp.	3,415	3,457	-1.2	15.8	75	74	Deposit Guaranty Corp., Jackson, Miss.	730	797	-8.4	10.1
26	27	Mellon Bank Corp., Pittsburgh, Pa.	3,401	3,665	-7.2	11.0	76	77	First Commerce Corp., New Orleans, La.	728	737	-1.3	12.1
27	26	Corestates Financial Corp., Philadelphia, Pa.	3,380	3,401	-0.4	14.8	77	78	Fourth Financial Corp., Wichita, Kan.	677	699	-3.2	12.4
28	28	Fifth Third Bancorp, Cincinnati, Ohio	3,189	3,279	-2.7	30.4	78	80	Southern National Corp., Lumberton, N.C.	663	663	0.0	13.0
29	31	Boatmen's Bancshares, Inc., St. Louis, Mo.	2,950	2,981	-1.0	12.9	79	79	Old Kent Financial Corp., Grand Rapids, Mich.	656	615	6.7	9.4
30	35	MBNA Corp., Newark, Del.	2,896	2,426	19.4	47.5	80	90	Firstier Financial, Inc., Omaha, Neb.	650	491	32.3	7.3
31	30	First Bank System, Inc., Minneapolis, Minn.	2,852	2,910	-2.0	8.5	81	81	Liberty National Bancorp, Inc., Louisville, Ky.	607	625	-2.9	15.1
32	32	Republic New York Corp.	2,656	2,682	-1.0	7.6	82	82	National Community Banks, Inc., West Paterson, N.J.	602	616	-2.3	15.1
33	33	Norwest Corp., Minneapolis, Minn.	2,606	2,682	-2.8	17.5	83	83	Valley National Corp., Phoenix, Ariz.	600	583	2.9	14.0
34	34	U.S. Bancorp, Portland, Ore.	2,481	2,558	-3.0	23.1	84	84	First Bancorp, of Ohio, Akron	596	596	0.0	15.5
35	36	First of America Bank Corp., Kalamazoo, Mich.	2,295	2,417	-5.0	11.4	85	91	Valley National Bancorp., Clifton, N.J.	596	634	-6.0	18.6
36	37	Shawmut National Corp., Boston, Mass.	2,224	2,142	3.8	9.5	86	85	Wilmington Trust Corp., Del.	558	558	0.0	24.2
37	39	Northern Trust Corp., Chicago	2,224	2,627	-15.4	14.6	87	87	Bank South Corp., Atlanta, Ga.	554	587	-5.5	12.9
38	38	Bank of Boston Corp., Mass.	2,110	2,377	-11.2	8.1	88	86	United Missouri Bancs., Inc., Kansas City	552	571	-3.1	11.1
39	40	Huntington Bancshares Inc., Columbus, Ohio	2,096	1,884	11.3	14.9	89	94	Summit Bancorp., Chatham, N.J.	516	541	-4.6	13.1
40	41	Meridian Bancorp., Inc., Reading, Pa.	2,061	2,148	-4.1	16.0	90	92	Deposit Guaranty Corp., Jackson, Miss.	516	542	-4.9	10.7
41	42	Signet Banking Corp., Richmond, Va.	1,893	1,550	9.3	14.7	91	95	Keystone Financial, Inc., Harrisburg, Pa.	502	532	-5.6	15.7
42	43	Wells Fargo & Co., Los Angeles, Calif.	1,816	1,536	7.1	9.2	92	93	U.S. Trust Corp., New York	500	530	-5.7	15.3
43	29	Integra Financial Corp., Pittsburgh, Pa.	1,569	1,560	0.5	11.8	93	88	Zions Bancorp., Salt Lake City, Utah	492	591	-16.7	17.6
44	44	Charter One Financial, Inc., Cleveland, Ohio	1,516	1,548	-2.1	24.4	94	96	National Commerce Bancorp., Memphis, Tenn.	481	514	-6.4	15.3
45	46	SouthTrust Corp., Birmingham, Ala.	1,491	1,581	-5.3	11.1	95	97	First Citizens Bancshares Inc., Raleigh, N.C.	468	524	-11.1	9.8
46	45	Integra Financial Corp., Pittsburgh, Pa.	1,490	1,572	-5.2	11.8	96	98	First Virginia Banks, Inc., Falls Church, Va.	465	511	-9.0	11.2
47	47	Dauphin Deposit Corp., Harrisburg, Pa.	1,459	1,467	-0.6	14.9	97	99	Hibernia Corp., New Orleans, La.	454	458	-0.8	11.4
48	50	Ed Kent Financial Corp., West Bloomfield, Mich.	1,292	1,362	-5.1	13.1	98	103	Bancorp Hawaii, Inc., Honolulu	431	431	0.1	11.7
49	52	Marshall & Ilsley Corp., Milwaukee, Wis.	1,271	1,296	-1.7	14.8	99	102	Trustmark Corp., Jackson, Miss.	418	441	-5.4	10.0
50	55	Continental Bank Corp., Chicago	1,269	1,505	-14.3	5.9	100	100	Premier Bancorp, Inc., Baton Rouge, La.	409	455	-10.1	10.5
									Totals for the Top 100 at Midyear	271,689	275,141	-2.04%	10.51%

Data source: SNL Securities, Charlottesville, Va. Description of the table: a listing of 100 banking companies with the largest market capitalization Mar. Cap. a market capitalization, which is computed by multiplying a bank's common shares outstanding by the closing market price of the bank's stock on June 30, 1993. For most banks in the list, shares outstanding are as of March 31. Wherever possible, SNL or American Banker have adjusted shares outstanding for common stock issued during the second quarter. % Chg. 3/93 Percentage change in market capitalization from March 31, 1993 to June 30, 1993. Mar. Cap./Assets is market capitalization on March 31 expressed as a percentage of total assets on September 30 (*). Shares outstanding have been adjusted by American Banker to account for common stock issued during the second quarter

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Top 100 Banking Companies in Market Capitalization

Listed in order of market value of common stock on December 31, 1992, compared with December 31, 1991 (dollar amounts in millions)

Rank 12/92	Rank 12/91		Market Capitalization 12/31/92	Market Capitalization 12/31/91	% Chg.	Mkt. Cap./ Assets*
1	4	BankAmerica Corp., San Francisco	15,467	9,363	65.2%	10.2%
2	3	NationsBank Corp., Charlotte, N.C.	13,882	10,364	33.9	10.8
3	1	J.P. Morgan & Co., Inc., New York	12,556	13,006	-3.46	10.67
4	2	Banc One Corp., Columbus, Ohio	11,043	9,630	12.24	21.57
5	11	Chemical Banking Corp., New York	9,507	3,877	145.21	6.85
6	12	Citicorp, New York	9,134	3,761	142.85	5.56
7	7	PNC Financial Corp, Pittsburgh	6,352	5,062	25.49	13.62
8	9	Norwest Corp., Minneapolis	6,014	5,104	17.83	14.65
9	13	First Union Corp., Charlotte, N.C.	5,847	3,656	59.93	12.11
10	6	Wachovia Corporation Winston Salem, N.C.	5,829	4,959	17.52	18.34
11	5	Bankers Trust New York Corp.	5,692	5,254	8.33	7.70
12	8	Wells Fargo & Co., San Francisco	5,416	5,054	7.43	16.13
13	14	NBD Bancorp., Inc., Detroit	5,219	3,449	51.34	15.36
14	15	Chase Manhattan Corp., New York	5,170	3,171	63.04	7.70
15	25	Bank of New York Co., Inc.	4,331	2,139	102.61	9.60
16	16	Wells Fargo & Co., San Francisco	4,093	3,016	35.69	12.23
17	18	Fleet Financial Group, Inc., Providence, R.I.	4,030	2,999	34.40	8.88
18	23	National City Corp., Cleveland	3,896	2,880	35.27	13.63
19	17	Society Corp., Cleveland	3,730	2,856	30.53	15.29
20	35	Comerica, Inc., Detroit	3,648	3,037	20.12	13.68
21	20	First Interstate Bancorp., Los Angeles	3,462	2,882	83.84	6.98
22	19	First Commerce Corp., Jacksonville, Fla.	3,322	2,733	21.52	14.61
23	22	First Chicago Corp.	3,261	2,892	37.32	19.69
24	27	Fifth Third Bancorp, Cincinnati	3,238	2,692	19.93	32.64
25	21	First of America Bank Corporation, Lawrenceville, N.J.	3,136	2,896	37.16	19.86
26	24	First Commerce Corp., Jacksonville, Fla.	3,034	2,338	29.81	9.32
27	26	Mellon Bank Corp., Pittsburgh	2,999	2,694	19.39	9.76
28	28	Boatmen's Bancshares, Inc., St. Louis, Mo.	2,695	1,863	44.13	13.43
29	34	U.S. Bancorp, Portland, Ore.	2,605	2,197	18.58	12.38
30	30	First Bank System, Inc., Minneapolis, Minn.	2,460	2,440	0.83	7.87
31	31	MBNA Corp., Newark, Del.	2,456	1,764	39.25	41.84
32	33	Norwest Corp., Minneapolis, Minn.	2,256	1,882	19.87	12.44
33	36	Northern Trust Corp., Chicago	2,199	1,721	27.81	15.37
34	37	Shawmut National Corp., Hartford, Conn.	2,158	1,708	26.33	11.73
35	39	Bank of Boston Corp.	2,155	807	148.71	8.58
36	38	First Union Corp., Richmond, Va.	1,971	1,475	33.66	15.39
37	40	Huntington Bancshares Inc., Columbus, Ohio	1,753	1,199	46.18	17.99
38	41	Meridian Bancorp., Inc., Reading, Pa.	1,680	1,164	44.33	16.01
39	42	Signet Banking Corp., Richmond, Va.	1,551	972	59.60	12.91
40	45	Shelton Bancorp., Inc., Reading, Pa.	1,424	1,047	36.00	12.96
41	46	Ed Kent Financial Corp., West Bloomfield, Mich.	1,362	937	47.92	13.84
42	48	Valley National Corp., Phoenix, Ariz.	1,302	995	128.93	12.63
43	44	Marshall & Ilsley Corp., Milwaukee, Wis.	1,255	1,164	16.43	13.83
44	51	Sanwa Bancorporation, Birmingham, Ala.	1,208	854	53.23	13.88
45	50	Dauphin Deposit Corp., Harrisburg, Pa.	1,203	921	30.64	12.27
46	49	Bancorp Hawaii, Inc., Honolulu	1,231	1,245	1.10	10.53
47	61	LSB Financial Corp., Princeton, N.J.	1,225	671	82.46	9.06
48	47	First Alabama Bancshares, Inc., Montgomery	1,206	987	22.15	16.37
49	52	SouthTrust Corp., Birmingham, Ala.	1,196	1,067	12.06	9.61
50	53	First Virginia Banks, Inc., Falls Church	1,178	1,060	50.10	17.61
51	74	Continental Bank Corp., Chicago	1,158	760	52.37	7.64
52	62	BB&T Financial, Inc., Wilson, N.C.	1,153	426	170.75	6.66
53	55	Central Fidelity Banks, Inc., Richmond	1,069	845	26.52	12.92
54	57	First Security Corp., Salt Lake City, Utah	1,049	757	48.22	14.08
55	56	Integra Financial Corp., Pittsburgh	1,048	726	43.86	9.74
56	58	Star Banc Corp., Cincinnati	1,047	921	44.00	13.96
57	81	Puget Sound Bancorp., Tacoma, Wash.	1,009	499	102.23	21.08
58	52	Mercantile Bancorp., Inc., Baltimore	1,005	861	18.11	18.56
59	64	Wilmington Trust Corp., Del.	990	1,032	4.09	23.55
60	63	First Empire State Corp., Buffalo, N.Y.	983	579	69.61	9.28
61	60	Mercantile Bancorporation Inc., St. Louis, Mo.	969	682	39.87	10.52
62	54	First Interstate Bancorp., San Francisco	952	631	51.08	5.50
63	65	Commerce Bancshares, Inc., Kansas City, Mo.	934	655	130.12	10.68
64	66	First Hawaiian, Inc., Honolulu	904	1,015	1.70	13.06
65	67	Midlantic Corp., Edison, N.J.	915	775	433.93	6.03
66	68	First Empire State Corp., Buffalo, N.Y.	909	689	35.79	8.85
67	69	Commerce Bancshares, Inc., Kansas City, Mo.	884	611	44.52	12.57
68	70	First Tennessee National Corp., Memphis	879	657	33.78	11.35
69	71	Synovus Financial Corp., Columbus, Ga.	874	678	34.83	20.58
70	74	BB&T Financial Corp., Wilson, N.C.	841	598	50.72	12.55
71	73	BayBanks, Inc., Boston	839	306	172.89	8.73
72	75	Wed One Bancorp, Boise, Idaho	795	442	79.76	11.96
73	76	Michigan National Corp., Farmington Hills	781	607	28.62	7.32
74	85	Central Bancshares of the South, Inc., Birmingham, Ala.	779	621	25.29	12.33
75	77	First American Corp., Nashville, Tenn.	759	421	80.31	11.61
76	78	Deposit Guaranty Corp., Jackson, Miss.	691	427	61.84	9.61
77	79	First Commerce Corp., New Orleans, La.	688	457	54.45	14.28
78	80	Liberty National Bancorp, Inc., Louisville, Ky.	637	380	64.53	15.65
79	82	Southern National Corp., Lumberton, N.C.	625	380	64.53	15.65
80	84	First Bancorp, of Ohio, Akron	587	471	34.61	15.54
81	83	National Community Banks, Inc., West Paterson, N.J.	587	472	33.53	15.01
82	100	Valley National Bancorp., Clifton, N.J.	562	317	77.15	18.27
83	86	United Missouri Bancs., Inc., Kansas City	552	514	7.31	12.10
84	87	First Citizens Bancshares Inc., Raleigh, N.C.	547	349	57.00	18.01
85	88	Hibernia Corp., New Orleans, La.	538	298	77.33	11.15
86	89	Firstier Financial, Inc., Omaha, Neb.	518	316	63.92	18.33
87	90	Summit Bancorp., Chatham, N.J.	514	291	74.88	12.96
88	96	Valley Bancorp., Appleton, Wis.	505	349	44.82	11.71
89	91	Zions Bancorp., Salt Lake City, Utah	491	343	143.24	18.02
90	92	Deposit Guaranty Corp., Jackson, Miss.	481	271	77.49	9.12
91	93	Trustmark Corp., Jackson, Miss.	441	277	59.21	10.49
92	94	National Commerce Bancorp., Memphis, Tenn.	437	287	67.25	15.42
93	95	First Virginia Banks, Inc., Falls Church, Va.	436	280	55.71	10.42
94	97	Keystone Financial, Inc., Harrisburg, Pa.	467	387	20.67	15.43
95	98	Dime Bancorp., Salt Lake City, Utah	454	305	48.85	10.61
96	99	U.S. Trust Corp., New York	451	391	15.36	14.01
97	101	National Commerce Bancorp., Memphis, Tenn.	450	301	49.21	15.87
98	102	National Bancorp. of Alaska, Anchorage	430	295	45.95	20.44
99	103	Magna Group, Inc., St. Louis, Mo.	409	254	100.18	11.15
100	104	Union Planters Corp., Memphis, Tenn.	404	239	70.19	8.14
		Totals for top 100	242,238	170,072	42.02%	10.17%

Data source: SNL Securities, Charlottesville, Va. The 1991 data have been restated for major acquisitions in 1992. Description of the table: A listing of 100 banking companies with the largest market capitalization. Market capitalization, which is computed by multiplying a bank's common shares outstanding by the closing market price of the bank's stock on December 31, 1992 and 31, 1991. Mar. Cap./Assets is market capitalization on December 31 expressed as a percentage of total assets on September 30 (*). Shares outstanding have been adjusted by American Banker to account for common stock issued during the fourth quarter. (**) – Total is for the top 100 on December 31, 1992; market capitalization on December 31, 1992, market capitalization 41.97% from $170,744 on December 31, 1991

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—William G. Hegg, President, CEO
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Top 100 Banks in Business Lending

Based on commercial and industrial loans outstanding on Dec. 31, 1992, compared with Dec. 31, 1991 (dollar amounts in millions)

Rank 12/92	Name of Bank, City, State	Business Loans 12/31/92	Business Loans 12/31/91	Percent Change	Total Assets 12/31/92	Rk as a Business Lender 12/31/92	Total Noncurrent Business Loans 12/31/92	Total Noncurrent Business Loans 12/31/91	Noncurrent as a % of Business Loans 12/31/92	Noncurrent as a % of Business Loans 12/31/91	Business Loan Charge-offs 1992	Business Loan Charge-offs 1991	% Change in Charge-offs	Net Charge-offs as a % of Business Loans
1	Citibank NA, New York	36,040	33,885	6.4	213,846	22.00	1,533	2,065	4.25	6.09	568.000	700.000	-7.08	8.52
2	Bank of America NT&SA, San Francisco (a)	27,027	31,432	-14.02	133,449	20.25	1,157	2,229	4.28	7.09	327.063	607.886	7.49	9.33
3	Chemical Bank, New York	24,506	28,172	-13.01	108,994	22.48	1,680	1,846	6.86	6.55	506.000	684.778	6.92	8.93
4	Chase Manhattan Bank NA, New York	18,721	18,721	-1.74	74,454	25.31	770	832	4.11	4.52	211.057	435.750	6.60	9.00
5	Bank of New York	12,103	14,396	-15.92	36,644	33.03	334	560	2.76	3.89	205.361	257.987	8.55	10.77
6	First National Bank, Boston	11,474	11,472	2.70	25,547	44.91	185	300	1.61	2.69	85.000	71.732	8.37	9.75
7	Morgan Guaranty Trust Co., New York	10,013	10,469	-4.36	76,718	13.05	216	352	2.15	3.36	140.587	221.130	8.38	10.26
8	Wells Fargo Bank NA, San Francisco	8,587	7,757	27.00	53,196	36.93	419	107	4.88	1.25	2.26	94.965	5.31	8.43
9	Mellon Bank NA, Pittsburgh	7,957	8,118	-1.98	29,592	26.89	110	160	1.39	1.97	51.345	74.949	6.12	8.07
10	Continental Bank NA, Chicago	7,860	8,918	-11.86	29,744	26.43	332	395	4.22	4.43	332.000	350.000	29.17	35.44
11	Wells Fargo Bank NA, San Francisco	6,870	9,801	-29.90	50,833	13.52	512	849	7.45	8.67	180.955	235.249	10.62	11.21
12	National Westminster Bank USA, New York	6,331	6,300	0.48	36,933	16.93	419	448	6.62	7.10	83.777	117.866	7.49	9.42
13	Bankers Trust Co., New York	6,325	8,378	24.50	31,846	19.86	135	221	2.13	2.64	166.451	63.846	7.17	9.05
14	Comerica Bank, Detroit	6,143	5,950	3.23	22,364	27.47	53	63	0.86	1.07	37.000	46.000	6.16	6.83
15	Bank of Boston	5,999	6,400	2.40	24,770	24.22	600	602	10.00	9.41	176.000	16.485	6.75	8.70
16	NationsBank of North Carolina NA, Charlotte	5,907	5,289	11.69	21,939	26.93	140	202	2.37	3.83	34.000	48.504	6.76	8.74
17	Bankers Trust Co., New York	5,035	5,544	-9.18	55,803	9.02	601	809	11.94	14.59	167.000	193.000	4.61	8.48
18	CoreStates Bank NA, Philadelphia	4,629	4,500	2.87	16,039	28.86	122	150	2.63	3.34	21.350	60.771	6.08	9.00
19	Union Bank, San Francisco	4,358	4,402	-2.24	16,890	25.80	183	190	4.20	3.95	68.479	54.065	9.15	9.29
20	Bank of Tokyo Trust Co., New York	4,121	2,908	41.71	8,456	48.74	90	70	2.18	2.42	35.528	32.909	4.98	9.93
21	Harris Bank, Chicago	3,822	3,813	0.22	21,867	17.46	65	85	1.70	2.24	23.672	43.780	6.56	7.70
22	NationsBank of Georgia, NA, Atlanta	3,746	2,686	39.43	14,225	26.33	57	64	1.53	2.39	18.388	54.334	6.85	11.86
23	First Union National Bank, Charlotte, N.C.	3,400	2,974	14.34	17,969	18.93	100	119	2.93	4.01	2.477	17.069	6.91	8.19
24	Society National Bank, Cleveland	3,247	3,597	-9.72	18,535	17.52	125	177	3.86	4.92	29.810	53.488	6.88	10.36
25	Marine Midland Bank NA, Buffalo, N.Y. a	3,211	3,403	5.63	16,150	19.88	339	480	10.55	14.12	75.575	106.176	6.18	10.00
26	JP Morgan Delaware, Wilmington	3,110	2,277	36.64	49.33	39	44	2.27	1.95	2.000	3.029	2.39	8.95	
27	Wachovia Bank of North Carolina NA, Winston-Salem	2,917	3,330	-12.39	17,995	16.21	10	19	0.34	0.56	0.749	18.516	6.18	6.19
28	Seattle-First National Bank	2,907	3,537	-17.81	18,584	15.64	79	127	2.72	3.59	6.134	39.353	8.54	9.48
29	Trust Company Bank, Atlanta	2,800	2,458	13.92	9,670	28.96	12	12	0.44	0.50	8.380	24.568	5.80	8.71
30	NationsBank of Virginia NA, Richmond	2,791	2,756	1.27	11,893	23.47	132	117	4.73	4.18	29.650	70.730	6.57	9.60
31	Texas Commerce Bank, NA, Houston	2,772	3,010	-7.89	30,034	27.63	55	77	1.99	2.55	12.000	23.297	6.09	7.18
32	United States National Bank, Portland, Ore.	2,704	2,738	-1.53	10,712	23.38	50	113	1.85	4.15	38.467	30.470	7.74	9.77
33	First Bank NA, Minneapolis	2,493	2,861	-12.86	10,747	23.20	109	95	4.35	3.31	28.685	48.249	8.35	10.44
34	Bank of California NA, San Francisco	2,484	2,562	-3.05	9,665	30.70	168	186	6.74	7.29	32.886	45.644	7.49	9.42
35	Wachovia Bank of Georgia NA, Atlanta	2,419	1,680	43.96	10,347	23.38	4	6	0.17	0.38	1.471	3.970	4.62	6.85
36	LaSalle National Bank, Chicago	2,407	2,031	18.49	7,126	33.78	32	14	1.35	0.67	15.194	12.879	7.84	8.89
37	Harris Trust & Savings Bank, Chicago	2,371	2,605	-8.99	9,665	24.53	75	91	3.17	3.49	34.007	28.582	7.31	9.03
38	Connecticut National Bank, Hartford	2,345	1,787	31.19	12,094	19.39	79	97	3.45	5.43	25.000	25.000	5.66	7.10
39	Provident National Bank, Philadelphia	2,271	2,191	3.65	9,335	24.33	60	79	2.66	3.95	26.859	22.962	5.11	9.56
40	First National Bank, Providence, R.I.	2,242	2,062	8.73	7,946	28.22	81	121	3.59	5.87	37.882	35.125	7.41	7.26
41	National City Bank, Cleveland	2,189	2,187	0.09	11,850	18.47	54	65	2.46	3.08	17.362	23.024	8.33	9.95
42	Norwest Bank Minnesota NA, Minneapolis	2,183	2,187	-0.17	15,007	14.55	33	45	1.49	2.04	12.987	25.256	8.16	10.86
43	Shawmut Bank, NA, Boston	2,180	2,096	3.60	13,601	16.03	64	97	2.94	4.75	38.907	49.362	5.61	11.09
44	First Fidelity Bank NA, Newark, N.J.	2,165	2,475	-12.52	18,949	11.43	164	165	5.73	6.67	73.332	68.352	8.83	9.06
45	Meridian Bank, Reading, Pa.	2,127	2,196	-3.14	10,089	19.07	41	53	1.93	2.43	26.207	25.144	7.49	9.42
46	Midlantic National Bank, Newark, N.J.	2,061	2,008	-20.99	10,282	20.04	148	378	7.18	14.48	41.783	165.963	7.60	11.11
47	Dan Sun, Texas, NA, Dallas	1,954	2,244	-13.01	18,803	10.39	12	17	0.61	0.76	7.517	21.691	9.36	10.56
48	First Bank of Upstate NY, Albany	1,938	2,048	-5.35	9,966	19.45	114	71	5.86	3.47	54.008	26.151	8.62	9.44
49	Bank of Hawaii, Honolulu	1,868	1,779	-5.00	11,613	16.08	52	53	2.78	2.98	5.331	27.455	5.45	7.56
50	Northern Trust Co., Chicago	1,842	2,172	-15.19	11,907	15.47	48	32	2.59	1.48	19.033	12.898	6.23	7.99
51	AmSouth Bank NA, Birmingham, Ala.	1,841	1,798	2.98	8,464	21.76	25	20	1.36	1.14	9.641	4.583	6.98	9.02
52	First Union National Bank, Farmington Hills	1,837	1,681	9.27	11,629	15.79	19	31	1.03	1.78	4.739	14.000	10.46	12.48
53	Republic National Bank, New York	1,798	2,491	-27.82	29,866	6.02	43	23	2.39	0.93	29.500	45.801	8.40	11.04
54	Industrial Bank Japan Trust Co., New York	1,796	1,296	38.58	5,047	35.59	27	74	1.50	4.14	6.550	0.000	6.13	9.21
55	American National Bank & Trust Co., Chicago	1,754	1,772	-0.97	4,712	37.23	43	87	2.48	4.93	16.098	32.553	7.85	8.76
56	Huntington National Bank, Columbus, Ohio	1,739	1,466	18.66	10,789	16.11	39	59	2.22	3.73	18.517	19.384	8.67	10.28
57	U.S. Bank of Washington, NA, Seattle	1,675	1,488	12.58	5,971	28.06	8	7	0.45	0.44	4.052	8.808	8.42	10.30
58	First Bank of Massachusetts NA, Boston	1,659	1,277	29.90	6,288	26.02	21	7	1.29	0.10	5.016	0.458	7.33	5.12
59	First Interstate Bank of California, Los Angeles	1,613	2,514	-35.84	20,732	7.78	17	72	1.08	2.86	18.547	41.692	8.43	10.35
60	Crestar Bank, Richmond	1,564	1,960	-19.19	10,572	14.80	51	64	3.36	4.67	31.317	54.000	8.58	9.39
61	NationsBank of Florida NA, Tampa	1,543	1,564	-1.37	12,058	13.00	40	41	2.57	2.64	7.690	42.972	6.30	8.79
62	First Union National Bank of Florida, Jacksonville	1,541	2,000	-22.92	21,777	5.55	67	105	4.34	5.23	44.132	50.710	14.11	6.84
63	Fuji Bank & Trust Co., New York	1,538	1,538	0.00	5,449	2.507	0	0	0.00	0.00	0.000	0.000	0.00	0.00
64	Boatmen's National Bank, St. Louis	1,472	1,512	-2.68	9,288	15.84	15	23	1.02	1.49	4.311	4.508	6.84	7.91
65	National Westminster Bank NJ, Jersey City	1,460	1,553	-4.78	6,652	21.94	70	103	4.79	6.09	20.598	31.871	8.85	8.32
66	First National Bank of Maryland, Baltimore	1,368	1,319	3.72	6,844	19.99	44	49	3.25	3.70	8.768	6.553	7.03	10.44
67	First Tennessee Bank NA, Memphis	1,343	1,337	0.44	7,929	16.94	16	15	1.18	1.16	4.099	11.166	6.47	7.57
68	Maryland National Bank, Baltimore	1,340	1,619	-17.19	11,883	11.28	76	142	5.70	8.77	39.509	59.776	7.66	10.62
69	United Jersey Bank, Hackensack, N.J.	1,296	1,404	-8.98	5,963	21.74	70	103	4.79	6.09	20.598	31.871	8.85	8.32
70	Sovran Bank/Tidewater, Norfolk, Va.	1,259	1,247	0.98	5,380	23.41	27	30	2.16	2.40	4.760	28.041	8.08	8.66
71	First Hawaiian Bank, Honolulu	1,210	1,191	4.01	6,086	19.87	50	31	3.81	2.62	1.771	9.000	6.47	7.57
72	Interstate Bank of Texas NA, Houston	1,187	1,128	5.64	5,453	21.85	6	35	0.53	3.07	20.457	24.455	5.86	9.74
73	SJ Schroder Bank & Trust Co., New York	1,185	1,237	-4.13	3,884	30.52	59	71	5.11	6.12	15.150	51.851	5.65	7.77
74	Continental Bank, Norristown, Pa.	1,184	1,350	-12.30	3,853	30.73	58	71	4.89	5.23	12.067	40.159	7.31	9.52
75	First National Bank, Louisville, Ky.	1,127	1,159	-2.78	5,084	22.17	14	25	1.28	2.19	5.859	7.416	6.68	8.74
76	Manufacturers & Traders Trust Co., Buffalo, N.Y.	1,099	955	69.27	8,084	13.72	13	14	1.14	2.18	8.525	13.385	7.85	9.74
77	Fidelity Bank NA, Philadelphia	1,074	1,239	-13.32	7,828	13.72	57	100	5.27	8.10	28.049	61.167	10.18	11.18
78	Key Bank of New York NA, Albany	1,045	1,296	-1.36	12,390	8.05	34	56	3.27	5.26	25.910	30.000	7.81	11.70
79	Fifth Third Bank, Cincinnati	1,032	955	8.09	5,786	17.84	5	21	0.51	2.24	12.362	7.897	8.75	10.01
80	Sanwa Bank California, San Francisco	1,027	1,099	-6.61	7,282	14.10	53	61	5.17	5.59	10.749	3.538	6.63	8.81
81	First Alabama Bank, Montgomery	1,024	952	7.49	7,082	14.45	5	4	0.45	0.42	3.846	5.527	6.72	6.96
82	Signet Bank/Virginia, Richmond	1,008	1,027	-1.83	9,038	11.15	4	31	0.39	3.05	16.540	6.870	8.97	9.56
83	Banco Popular De Puerto Rico, San Juan	1,003	1,084	-7.53	9,640	10.40	42	62	4.21	5.75	34.616	14.715	6.64	15.49
84	Bank One, Indianapolis, NA	997	1,025	-2.74	10,476	20.87	5	80	0.88	2.91	13.176	51.000	9.76	10.57
85	First Bank, Cincinnati, Ohio	987	949	16.77	3,711	26.59	12	6	1.17	0.69	7.024	12.549	8.09	10.14
86	Sun Bank, Orlando, Fla.	965	952	1.39	4,864	19.84	7	5	0.76	0.57	1.925	5.679	5.67	7.51
87	Valley National Bank of Arizona, Phoenix	959	1,008	-9.95	10,457	9.17	38	69	3.96	6.47	33.202	29.376	7.29	9.53
88	Firstar Bank Milwaukee NA	938	890	5.39	5,198	18.04	8	17	0.87	1.95	3.456	-2.478	7.16	9.47
89	Star Bank NA, Cincinnati	930	1,098	-15.30	5,231	17.74	26	23	2.75	2.72	10.411	7.744	10.45	10.48
90	BancOhio National Bank, Columbus	931	1,076	-13.45	5,744	16.21	12	34	1.28	3.70	7.132	3.143	8.18	9.78
91	State Street Bank & Trust Co., Boston	923	1,063	-4.08	16,543	5.58	39	27	3.21	3.03	9.600	6.000	7.41	9.56
92	Citibank South Dakota NA, Sioux Falls	916	919	-0.25	6,216	14.74	21	21	2.29	2.33	29.102	27.013	4.55	4.06
93	Keybank, Albany, New York	880	1,098	-19.10	9,913	9.87	53	80	6.05	7.34	34.872	34.000	8.18	9.73
94	First Interstate Bank of Oregon NA, Portland	874	990	-11.72	5,936	14.72	17	46	1.92	4.67	4.358	39.315	7.34	11.84
95	First National Bank of Connecticut, Hartford	870	790	9.00	5,063	17.17	29	39	3.34	4.93	18.907	29.000	7.39	9.43
96	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	865	1,040	-16.80	5,634	15.36	21	28	2.39	2.65	24.875	35.897	7.98	10.10
97	NationsBank of South Carolina NA, Charleston	850	953	-10.78	8,649	9.83	26	21	3.02	2.18	3.831	40.455	6.71	10.87
98	City National Bank, Beverly Hills	830	990	-16.21	7,966	23.66	53	61	6.39	7.59	21.064	29.000	7.71	9.68
99	MB National Bank, Indianapolis	829	873	-4.96	4,705	17.63	12	16	1.49	1.80	12.310	8.281	7.62	9.50
100	Rhode Island Hospital Trust Nat'l Bank, Providence, R.I.	826	671	23.13	3,360	24.58	11	43	1.36	6.40	6.126	6.225	7.96	11.49
	Totals for the top 100 banks	357,824	370,749	-3.49	1,770,371	20.21	12,566	17,269	3.51	4.66	4,676	6,610	7.23	9.29
	Totals for all FDIC-insured banks	536,436	550,961	-4.03	3,506,480	15.30	19,952	31,808	2.97	3.96	6,140	9,119	6.35	8.13

Data Source: All data provided by **Sheshunoff Information Services Inc.**, Austin Texas. Data for 1991 have been adjusted for subsequent mergers and acquisitions. **Asterisk (*) Denotes Acquired Security Pacific National Bank, Los Angeles in April 1992, in an asset purchase and assumption transaction. American Banker** adjusted the data for that merger, as if it had taken place on a pooling of interest basis. **Business Loans** consist of commercial and industrial loans outstanding, as reported on the federal regulatory *Report of Condition*. Schedule RC-C. Data are consolidated to include both domestic and foreign offices. **Percent change** in business loans outstanding from Dec. 31, 1991 to Dec. 31, 1992. **Rk. as a % of Bk.** rank is business loans outstanding on Dec. 31, 1992 divided by total assets on Dec. 31, 1992, expressed as a percentage. **Total Noncurrent Business Loans** are business loans 90 or more days past due plus those loans placed on a nonaccrual basis. **Noncurrent as a % of Business Loans** is noncurrent business loans divided by total business loans outstanding, expressed as a percentage. **Business Loan Net Charge-offs** are total business loans charged off less corresponding recoveries. **Gross return on domestic business loans** is gross interest and fee income on business loans booked in domestic offices as a percentage of business loans booked in the domestic offices. **Net interest margin** is net interest income for 1992 (**a**)— For subsidiary of foreign bank **Copyright American Banker, 1993**

Top 100 Banks in Business Loans

Listed geographically in order of business loans within states ($ amounts in millions)

Rk. Rank 12/92	Bank	Business Loans 12/31/92	% Change in Business Loans 12/31/91-12/31/92	Gross return on Domestic Business Loans
	NEW YORK			
1	Citibank NA, New York	36,040	6.25	35.01
3	Chemical Bank, New York	24,506	-9.01	-26.11
4	Chase Manhattan Bank NA, New York	18,721	-7.48	-51.56
5	Bank of New York	12,103	-40.41	-46.48
7	Morgan Guaranty Trust Co., New York	10,013	38.09	36.42
12	National Westminster Bank USA, New York	6,331	-6.45	-46.68
13	Bankers Trust Co., New York	5,035	25.71	-13.47
17	Bankers Trust Co., New York	4,121	77.97	7.86
25	Marine Midland Bank NA, Buffalo	3,211	29.47	25.76
38	First Interstate Bank of California, Los Angeles	1,613	59.78	36.96
53	Republic National Bank, New York	1,798	86.70	-35.59
54	Industrial Bank Japan Trust Co., New York	1,796	25.42	0.00
63	Fuji Bank & Trust Co., New York	1,538		
73	SJ Schroder Bank & Trust Co., New York	1,185	-20.02	-69.70
74	Manufacturers & Traders Trust Co., Buffalo	1,109	-11.77	-32.81
76	Key Bank of New York NA, Albany	1,045	38.70	-32.70
	NORTH CAROLINA			
16	NationsBank of North Carolina NA, Charlotte	5,907	30.73	-29.76
23	First Union National Bank, Charlotte, N.C.	3,400	16.32	-85.49
27	Wachovia Bank of North Carolina NA, Winston-Salem	2,917	-46.17	-95.97
	OHIO			
24	Society National Bank, Cleveland	3,247	29.02	-44.27
41	National City Bank, Cleveland	2,189	-17.45	-62.76
56	Huntington National Bank, Columbus	1,739	30.29	-4.51
79	Fifth Third Bank, Cincinnati	1,032	75.59	55.27
85	First Bank, Cincinnati	987	96.22	-44.03
90	Star Bank NA, Cincinnati	935	14.19	36.75
90	BancOhio National Bank, Columbus	931	-65.35	-126.92
	OREGON			
32	United States National Bank, Portland	2,504	-56.01	-26.25
94	First Interstate Bank of Oregon NA, Portland	874	-63.73	-88.92
	PENNSYLVANIA			
9	Mellon Bank NA, Pittsburgh	7,957	-31.12	-31.49
19	CoreStates Bank NA, Philadelphia	4,629	-19.13	-64.87
21	Pittsburgh National Bank	3,822	-23.85	-45.95
39	Provident National Bank, Philadelphia	2,271	-23.32	-16.97
45	Meridian Bank, Reading	2,127	-22.39	-25.43
74	Continental Bank, Norristown	1,184	-18.07	-69.70
77	Fidelity Bank NA, Philadelphia	1,074	-43.55	-54.14
	PUERTO RICO			
83	Banco Popular De Puerto Rico, San Juan	1,003	32.17	-35.24
	RHODE ISLAND			
40	First National Bank, Providence	2,242	-33.45	7.85
100	Rhode Island Hospital Trust National Bank, Providence	826	-73.80	-1.59
	SOUTH CAROLINA			
97	NationsBank of South Carolina NA, Charleston	850	23.56	-90.53
	SOUTH DAKOTA			
92	Citibank South Dakota NA, Sioux Falls	916	-1.71	7.73
	TENNESSEE			
67	First Tennessee Bank NA, Memphis	1,343	-41.17	-65.03
70	Sovran Bank/Tidewater, Norfolk	1,259	-9.12	63.02
	TEXAS			
15	NationsBank of Dallas	8,587	-30.54	-6.43
31	Texas Commerce Bank, NA, Houston	2,772	28.07	-48.45
47	Dan Sun, Texas, NA, Dallas	1,954	-11.48	-60.26
72	First Interstate Bank of Texas NA, Houston	1,192	-81.73	-16.35
	VIRGINIA			
30	NationsBank of Virginia NA, Richmond	2,791	12.89	-58.07
60	Crestar Bank, Richmond	1,564	-41.76	-42.1
82	Signet Bank/Virginia, Richmond	1,008	-87.32	12.30
	WASHINGTON			
28	Seattle-First National Bank	2,907	38.06	34.42
57	U.S. Bank of Washington, NA, Seattle	1,675	14.98	-54.00
	WISCONSIN			
88	Firstar Bank Milwaukee NA	938	52.88	-239.47
	Top 100 Banks of 1992	**$357,824**	**-3.49%**	**-29.3%**
	Totals for all FDIC-insured banks	**$536,436**	**-4.03%**	**-32.7%**

Compiled by American Banker, Copyright 1993.

Data Source: All data provided by **Sheshunoff Information Services Inc.**, Austin Texas. Data for 1991 have been adjusted for subsequent mergers and acquisitions. **Business Loans** are total commercial and industrial loans outstanding. **% Change** in business loans outstanding from Dec. 31, 1991 to Dec. 31, 1992, divided by total noncurrent business loans in 1991, expressed as a percentage. **% Change Rsv. Loan** **Chg.Offs:** the dollar change in net charge-offs on total business loans from 1991 to 1992 divided by net charge-offs on total business loans in 1991, expressed as a percentage

Business Lending by Banks in the U.S.

Grouped by bank size and type: yearend 1984 to yearend 1992 ($ billion)

	1992	1991	1990	1989	1988	1987	1986	1985	1984
Top 10 Banks	$164.3	$157.7	$170.0	$165.5	$155.5	$160.2	$158.2	$197.3	$205.2
Annual percent change in business lending	+4.2	+7.2	+2.7	+6.4	-7.8	-9.4	-3.9	-3.8	+7.2
Annual percent change adjusted for merger	3.91	5.72	5.40	4.83					
Net charge-offs of business loans as a percentage of total	1.30	1.20	1.07	0.73	0.53	0.75	0.74	0.45	
Net charge-offs of business loans as a percentage of total	1.31	1.21	1.08	0.74	0.54	0.76	0.75	0.46	
Top 100 Banks	$357.8	$364.4	$393.5	$389.4	$372.4	$406.4	$414.3	$503.0	$519.6
Annual percent change in business lending	-1.8	-7.4	+1.1	+4.6	-8.4	-1.9	-17.6	-3.2	+5.8
Annual percent change adjusted for merger	-3.5								
Net charge-offs of business loans as a percentage of total	1.31	4.73	4.53	3.63					
Net charge-offs of business loans as a percentage of total	1.31	1.80	1.23	0.91					
Top 200 Banks	$429.9	$437.4	$465.7	$462.9	$463.1	$452.8	$462.2	$444.4	N.A.
Annual percent change in business lending	-1.7	-6.1	+0.5	+4.1	+2.4	-2.0	+4.0	+3.1	N.A.
Annual percent change adjusted for merger	3.13	-6.4							
Net charge-offs of business loans as a percentage of total	1.80	4.58							
Net charge-offs of business loans as a percentage of total	1.81	2.00	1.60	1.21	0.91	0.93	0.99	0.77	0.55
All FDIC-insured commercial banks	$536.4	$550.9	$610.5	$618.7	$600.3	$589.3	$600.9	$577.7	$585.2
Annual percent change in business lending	-2.6	-9.7	-0.53	-3.1	+1.9	-1.9	+4.0	+2.2	+7.7
Annual percent change adjusted for merger	2.97	3.90	3.76	3.47					
Net charge-offs of business loans as a percentage of total	1.14	1.63	1.21	1.06					
U.S. branches & agencies of foreign banks	$67.9	$106.2	$148.9	$138.2	$124.8	$108.6	$93.3	$73.0	$64.6
Annual percent change in business lending	-36.0	+11.6	+7.7	+10.7	+14.9	+20.2	+27.8	+13.2	+14.5
Total for banks and U.S. branches & agencies of fgn. banks	$704.3	$725.2	$764.4	$756.9	$725.1	$697.9	$693.2	$650.7	$649.8
Annual percent change in business lending	-2.9	-5.1	+1.0	+4.4	+3.9	+0.7	+6.5	+0.1	+8.0

Data Sources: Current data for the top 100 and the top 200 banks provided by **Sheshunoff Information Services Inc.**, Austin, Texas. Data for all FDIC-insured commercial banks are from the **Federal Deposit Insurance Corp.**, Washington, D.C. Data for the U.S. branches and agencies of foreign banks are from the **Federal Reserve Board**, Washington, D.C. (**%**— Adjusted for Bank of America's acquisition of Security Pacific National Bank.

Top 100 Banks in Commercial Real Estate Lending

Based on Dec. 31, 1992 federal regulatory report of condition, (dollar amounts in millions)

Rank 12/92	Name of Bank, City, State	COMMERCIAL REAL ESTATE LOANS: TOTAL 12/31/92	12/31/91	Percent Change	NONCOMPONENT COMMERCIAL REAL ESTATE LOANS: TOTAL 12/31/92	12/31/91	As a % of Assets 12/31/92	12/31/91	Change	TOTAL ASSETS 12/31/92	12/31/91	As a % of Commercial Real Estate Loans 12/31/92	12/31/91
1	Bank of America NT&SA, San Francisco (a)	12,074	8,222	46.8	2,149	591	2.8	2.0	15.2	1,877	458,000	144,000	3.8	3.6
2	Citibank, NA, New York	11,478	13,503	-15.0	2,867	3,424	2.1	2.4	32.2	43.1	2,904	1,022,000	529,000	9.8	3.9
3	Wells Fargo Bank, NA, San Francisco	11,464	13,244	-13.4	1,469	1,210	12.8	9.1	45.9	33.7	377	189,895	187,000	3.4	1.5
4	Chemical Bank, New York	7,702	8,449	-8.8	1,367	1,259	17.7	14.8	10.6	24.4	777	365,000	261,326	4.7	3.1
5	Chase Manhattan Bank, NA, New York	5,297	6,958	-23.9	2,136	2,504	40.3	36.0	44.3	66.0	982	485,133	298,000	8.4	5.8
6	Union Bank, San Francisco	3,826	2,840	37.7	374	266	10.3	9.4	33.9	27.8	287	54,416	29,808	1.5	1.0
7	First Union National Bank of Florida, Jacksonville	3,617	4,597	-21.3	368	413	10.2	9.0	17.3	21.4	149	31,359	49,609	0.9	1.1
8	Security Bank of California, San Francisco*	3,571	3,453	3.1	109	116	3.0	3.3	3.0	3.4	37	3,600	3,400	0.1	0.4
9	Seattle-First National Bank	3,406	4,164	-18.2	365	282	10.7	6.8	22.9	19.8	179	4,973	20,272	0.1	0.5
10	Nationsbank of Florida, NA, Tampa	3,185	3,366	-5.4	189	186	5.9	5.5	17.2	15.9	168	64,139	106,401	2.0	3.2
11	Bank of New York (b)	2,890	2,171	33.1	200	296	6.9	13.6	7.7	13.3	178	76,432	160,336	2.6	7.4
12	Nationsbank of North Carolina, NA, Charlotte	2,565	2,720	-5.7	115	196	4.5	7.2	5.7	10.1	127	84,367	137,000	3.3	5.0
13	First Fidelity Bank, NA, Newark, NJ	2,560	1,897	35.1	197	306	7.7	10.8	14.9	18.5	110	47,567	26,045	1.9	1.4
14	Nationsbank of Georgia, NA, Atlanta	2,505	1,692	51.0	76	63	3.0	4.9	6.1	11.1	82	27,835	15,200	1.1	0.9
15	Mellon Bank, NA, Philadelphia	2,503	2,762	-10.7	108	131	4.3	4.7	16.0	19.8	142	35,316	50,424	1.4	1.8
16	Maryland National Bank, Farmington Hills	2,496	2,988	-16.5	234	409	9.4	13.7	31.5	88.5	226	54,606	33,000	2.2	1.1
17	Maryland National Bank, Baltimore	2,486	2,988	-16.8	234	409	9.4	13.7	31.5	88.5	226	54,606	33,000	2.2	1.1
18	Mbl Bank, NA, Detroit	2,482	2,984	25.1	71	72	2.9	3.6	4.6	5.0	17	12,533	15,986	0.5	0.8
19	First Union National Bank of North Carolina, Charlotte	2,185	2,319	-6.6	65	94	3.0	4.1	6.6	11.1	59	31,122	13,462	1.4	5.7
20	First National Bank, Chicago	2,153	2,158	-34.4	155	256	7.8	13.0	13.8	25.4	254	100,455	185,059	32.5	5.0
21	Midlantic National Bank, Newark, N.J.	2,145	2,567	-16.4	505	698	23.5	26.0	71.9	125.7	333	174,416	161,776	8.1	6.3
22	Nationsbank of Texas, Dallas	2,107	1,670	26.2	20	15	1.0	0.9	1.1	0.8	2	4,330	6,839	0.2	0.0
23	Nationsbank of Texas, NA, Houston	2,096	2,370	-11.6	148	156	7.1	6.6	10.8	13.2	99	34,982	16,197	1.7	0.7
24	Comerica Bank, Detroit	2,087	2,027	2.9	88	89	4.2	4.4	4.2	4.5	20	5,963	14,666	0.3	0.4
25	Comerica Bank, Detroit	2,056	2,635	-22.0	275	401	13.4	15.2	19.1	35.3	25	136,822	49,419	6.7	1.9
26	First Interstate Bank of California, Los Angeles	2,034	2,101	-3.2	149	334	8.3	15.9	7.7	18.5	162	150,396	81,680	7.4	3.9
27	Wachovia Bank, NA, Philadelphia	2,011	1,957	2.9	102	101	5.1	4.9	14.7	18.3	40	37,838	26,274	1.9	1.3
28	Nationsbank of South Carolina, Columbia	2,007	2,530	-20.7	560	470	20.0	16.5	100.0	n/a	226	54,151	33,803	2.8	1.3
29	Bank of California, NA, San Francisco	1,929	2,533	-23.9	560	470	20.0	16.5	100.0	n/a	91	64,928	82,580	3.5	4.1
30	Shawmut Bank, Massachusetts, NA, Boston	1,875	2,019	-7.1	213	299	11.3	14.8	25.0	46.5	91	64,928	82,580	6.9	1.3
31	Key Bank of New York, Albany	1,874	1,748	7.2	50	51	2.8	2.9	5.2	6.0	34	10,656	22,582	0.9	1.3
32	United States National Bank, Portland, Ore.	1,859	1,849	0.6	77	93	4.1	5.0	8.3	10.4	17	22,628	17,135	1.2	0.9
33	Continental Bank, NA, Chicago	1,858	2,283	-18.6	272	150	14.6	6.6	14.9	8.8	100	64,000	96,000	3.4	4.2
34	First National Bank, Boston	1,784	1,889	-5.6	100	164	5.6	8.7	13.0	17.4	56	75,133	113,710	4.2	6.0
35	Nationsbank of North Carolina, NA, Winston-Salem	1,648	1,577	4.5	51	68	3.1	4.3	3.9	5.3	27	1,515	17,581	0.1	1.1
36	First Bank of Minneapolis, MN, Minneapolis	1,634	1,186	37.7	144	1	8.8	0.1	28.0	0.2	0	0.000	15,000	0.0	0.0
37	Marine Midland Bank, NA, Buffalo, N.Y.	1,630	1,365	19.4	45	37	2.8	2.7	9.0	8.7	10	15,461	10,578	0.9	0.8
38	National Westminster Bank USA, New York*	1,609	1,645	-2.1	382	455	23.7	27.7	40.9	60.1	151	40,982	90,626	2.5	5.5
39	National Westminster Bank USA, New York*	1,603	1,957	-18.1	194	329	12.1	16.8	22.0	54.7	141	92,024	95,086	5.7	4.9
40	Connecticut National Bank, Hartford	1,577	1,683	-6.3	385	425	24.4	25.3	12.8	18.3	380	49,000	55,000	3.1	3.3
41	Bankers Trust Co., New York	1,577	1,683	-6.3	385	425	24.4	25.3	12.8	18.3	380	49,000	55,000	3.1	3.3
42	Mellon Bank, Reading, Pa.	1,545	1,630	-5.2	92	85	3.8	5.2	7.9	12.6	50	39,574	26,842	2.6	1.6
43	United Jersey Bank, Hackensack, N.J.	1,539	1,284	3.4	157	207	10.2	13.0	40.7	59.3	75	62,467	44,370	4.1	2.8
44	Sanwa Bank California, San Francisco	1,438	1,521	-5.8	94	142	5.9	9.3	12.5	22.3	96	25,668	8,100	1.8	0.5
45	Crestar Bank, Richmond	1,431	1,521	-11.7	56	104	3.9	6.4	8.1	16.9	68	46,699	45,331	3.3	2.9
46	Continental Bank, NA, Philadelphia	1,407	1,438	-2.1	80	128	5.7	9.0	11.4	20.8	25	25,175	13,517	1.8	0.9
47	Nationsbank of Virginia, NA, Richmond	1,389	1,691	-17.8	119	243	8.5	14.3	14.0	30.4	127	105,818	185,855	7.6	11.0
48	First Bank of New York, Albany	1,372	1,446	5.1	85	139	4.7	9.6	8.2	17.6	30	20,000	12,000	1.5	0.8
49	First Bank of New York, Albany	1,327	1,296	3.2	14	38	1.0	2.9	2.7	9.0	18	8,314	7,718	0.6	0.6
50	Branch Banking & Trust Co., Wilson, N.C.	1,307	1,310	-0.2	7	10	0.6	0.7	1.1	1.6	2	1,000	1,000	0.1	0.1
51	Bank of Hawaii, Honolulu	1,265	1,338	-4.2	74	32	5.8	2.4	13.0	11.0	38	26,030	22,491	2.0	1.7
52	Capital Fidelity Bank, Richmond	1,263	1,338	-4.2	74	32	5.8	2.4	13.0	11.0	38	26,030	22,491	2.0	1.7
53	Marine Midland Bank, NA, Buffalo, N.Y.	1,236	1,531	-19.3	351	426	30.4	27.8	30.7	42.4	77	11,517	14,711	0.5	0.5
54	Southern Bank, NA, Houston, Va.	1,153	1,432	-19.5	104	156	9.0	11.0	25.4	35.2	63	62,864	82,630	5.5	5.8
55	Huntington National Bank, Columbus, Ohio	1,111	1,154	-3.7	32	71	2.9	6.1	4.6	11.0	18	15,000	14,000	1.7	0.3
56	Bayfleet Mbl&Trust, Burlington, Iowa	1,083	1,309	-17.4	115	123	10.4	9.2	23.9	28.5	156	33,210	48,163	3.0	3.6
57	First National Bank, Providence, R.I.	1,064	1,064	2.9	75	179	6.8	16.9	12.6	33.2	89	79,132	63,792	7.4	6.0
58	U.S. Bank of Washington, PA, Seattle	1,061	1,078	0.7	24	12	2.3	1.1	6.0	3.0	7	25,275	11,000	2.4	1.0
59	First National Bank of Maryland, Baltimore	1,079	1,077	0.1	31	16	2.9	1.5	7.9	3.9	21	6,326	4,703	0.6	0.4
60	First National Bank of Maryland, Baltimore	1,073	941	14.0	4	23	0.3	2.4	1.1	6.2	38	15,152	4,545	0.0	0.5
61	Bank/First Bank of Atlanta, Ga., Birmingham	1,047	1,257	-16.7	41	39	5.1	3.0	19.7	41	13,978	54,350	1.3	4.3
62	First Florida Bank, NA, Tampa	1,045	1,035	-0.7	59	24	5.6	2.3	11.3	5.2	0	3,000	10,000	0.3	0.9
63	First Hawaiian Bank, Honolulu	1,037	1,074	-3.5	42	53	4.1	4.9	6.6	8.7	92	11,927	22,533	1.2	2.1
64	Southeast National Bank, St. Louis	1,037	1,074	-3.5	42	53	4.1	4.9	6.6	8.7	92	11,927	22,533	1.2	2.1
65	Chase Lincoln First Bank, NA, Rochester, N.Y.	1,035	1,161	-10.7	88	82	8.5	7.1	20.3	20.0	47	4,256	8,729	0.4	0.8
66	First Bank, NA, Hartford, Conn.	1,018	1,035	-1.6	71	68	6.9	5.8	13.0	14.9	30	23,700	15,802	2.3	1.4
67	National Westminster Bank NJ, Jersey City	1,015	1,036	-2.1	152	171	14.9	16.5	31.7	39.2	118	31,984	33,000	3.2	2.2
68	South Carolina National Bank, Columbia	994	1,138	-11.7	65	68	6.5	6.0	15.5	18.5	28	9,538	40,815	1.0	3.6
69	Trust Company Bank, Atlanta	943	867	8.7	29	33	3.1	3.8	3.9	4.8	12	0.468	1,435	0.0	0.2
70	First Union Bank, Bloomington	938	793	18.4	5	5	0.5	0.6	0.9	0.9	6	2,000	2,000	0.1	0.1
71	Wachovia Bank of Georgia, NA, Atlanta	931	968	-3.7	68	119	7.3	12.3	11.8	23.4	43	32,469	41,642	3.5	4.3
72	Valley National Bank of Arizona, Phoenix	927	829	11.2	85	80	9.2	9.6	11.9	12.0	100	13,901	30,917	1.5	4.0
73	Texas Commerce Bank, NA, Houston	919	995	-7.6	57	103	6.2	10.3	19.6	39.5	84	12,566	40,797	1.4	4.1
74	Continental Bank, Northbrook, Ill.	905	1,039	-13.0	47	14	4.6	1.4	9.6	3.3	2	1.792	10,757	0.2	1.0
75	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	903	924	2.3	32	53	3.6	5.7	7.1	14.1	24	9,739	26,102	1.1	2.8
76	First American National Bank, Nashville, Tenn.	902	829	11.2	85	80	9.2	9.6	11.9	12.0	100	13,901	30,917	1.5	4.0
77	National Community Bank, Rutherford, N.J.	852	957	-10.9	29	40	3.4	4.2	11.4	16.5	41	10,238	10,760	1.2	1.1
78	Connecticut Bank, Northern Co., Ft. Lauderdale, Fla.	845	891	-5.2	24	19	2.8	2.1	6.3	6.8	11.2	2,699	5,504	0.3	0.6
79	First Union National Bank of Georgia, Atlanta	822	1,183	-30.5	51	88	6.2	7.4	8.1	15.8	58	25,058	31,451	3.0	2.7
80	Fidelity Bank, NA, Philadelphia	818	773	5.8	23	27	2.8	3.5	3.4	4.4	14	(2,118)	13,322	-0.3	1.7
81	Trustcorp Bank, NA, Philadelphia, PA	817	651	25.6	30	10	3.7	1.5	4.5	1.6	10	0.000	2,460	0.0	0.4
82	Banco Popular de Puerto Rico, San Juan	815	790	3.1	15	17	2.0	2.0	5.9	4.6	17	6,898	7,363	0.8	0.2
83	Sun Bank, NA, Orlando, Fla.	803	710	13.2	7	13	0.9	1.8	0.6	1.1	4	1,053	0,938	0.1	0.1
84	Bank One, Texas, NA, Dallas	791	895	-11.7	18	37	2.1	4.2	2.0	5.6	24	5,381	2,942	0.7	0.3
85	Citizens First National Bank, Ridgewood, N.J.	782	837	-6.6	65	74	8.3	6.9	36.8	80.0	47	9,152	12,697	1.2	1.5
86	Constitution New Jersey National Bank, Pennington	776	832	-6.6	46	43	5.9	5.2	17.7	15.9	34	5,387	4,978	0.7	0.6
87	Peoples Bank & Trust Co., Raleigh, N.C.	758	789	-3.8	20	14	2.6	1.8	6.1	5.1	26	4,383	2,849	0.6	0.4
88	First Sun, NA, Minneapolis	748	811	-7.7	46	43	5.7	3.5	5.7	48	33,083	27,305	4.5	3.4
89	Bank of America Nevada, Las Vegas	747	732	2.0	69	29	9.2	4.0	14.0	19.0	35	5,545	4,099	0.7	0.6
90	Washington Trust Co., Del.	744	693	7.3	13	18	1.8	2.5	3.6	4.8	35	0.687	2,748	0.1	0.4
91	Mbl Bank, Clinton, IL	740	740	6.9	51	58	7.0	2.8	1.5	6.3	3.5	4	0.000	7,233	0.0	1.0
92	American National Bank & Trust Co., Chicago	738	654	12.7	46	76	6.2	11.6	11.6	37.6	10	17,897	16,392	2.4	2.5
93	Commercial Bank, Northeast Ga., Gainesville	733	1,057	-30.6	145	300	19.8	28.2	45.3	87.6	190	95,645	112,285	13.0	10.6
94	Imperial Bank, Los Angeles	717	933	-23.1	30	23	4.1	2.4	15.4	12.3	66	4,561	12,411	0.6	1.3
95	Bank of New Jersey, New Orleans	711	937	-24.0	100	101	10.2	10.7	24.6	50.5	45	22,000	59,000	2.4	6.3
96	Nationsbank of Maryland, PA, Bethesda	687	842	-18.4	75	93	10.9	11.0	29.3	38.0	30	73,234	61,748	10.7	7.3
97	Southtrust Bank of Alabama, Birmingham, Ala.	679	657	3.3	5	7	0.8	1.1	1.7	2.5	22	2,648	5,000	0.4	0.9
98	Star Bank, NA, Cincinnati	667	• 527	26.6	11	10	1.6	1.5	3.0	3.0	4	2,231	2,383	0.3	0.5
99	City National Bank, Beverly Hills	662	853	-22.4	98	123	13.2	14.5	39.5	43.9	92	20,966	6,300	3.1	1.1
100	Equibank, Pittsburgh	656	769	-14.7	57	103	8.7	13.4	65.7	87.5	29	12,603	17,792	1.9	2.3
101	Provident National Bank, Philadelphia	655	796	-17.5	47	46	6.4	5.8	8.3	8.9	4	5,653	10,588	0.9	1.3
102	First Interstate Bank of Texas, NA, Houston	640	705	-9.2	7	6	1.1	0.8	1.5	1.6	26	2,244	42,751	0.4	6.1
103	Southern National Bank of North Carolina, Lumberton	636	546	16.4	4	8	0.7	1.5	1.1	2.5	7	2,600	2,563	0.5	0.5
104	Centran Bank, Rocky Mount, N.C.	628	546	15.0	4	8	0.7	1.5	1.1	2.5	14	5,780	5,012	0.9	0.9
105	Signet Bank/Virginia, Richmond	627	870	-28.0	29	111	4.6	12.8	5.6	25.1	36	30,526	19,607	5.3	2.3
106	Bank South, NA, Atlanta	625	797	-21.6	42	65	6.7	8.2	14.7	18.9	27	15,637	22,254	2.5	2.8
	Totals for Top 100 Banks of 1992	181,739	190,332	-4.5	19,823	21,350	10.9	11.2	18.3	24.0	13,526	6,382	5,196	3.5	2.7
	Totals for All FDIC-Insured Commercial Banks*	383,447	399,155	-3.9	27,177	31,882	7.1	8.0	10.3	13.8	21,305	8,009	7,746	2.1	1.9

Data source: Data provided by Sheshunoff Information Services Inc., Austin, Texas. Data for 1991 have been adjusted for subsequent bank acquisitions. Banks are ranked by the amount of commercial real estate loans on the books of non-owned real estate loans plus unsecured real estate loans. Unsecured commercial real estate loans include domestic construction and land development loans, loans secured by nonfarm nonresidential property, loans secured by nonfarm nonresidential property, loans secured by multifamily residential property, loans secured by other real estate owned by the bank. It is the book value (not to exceed fair market value) of secured commercial real estate — other than bank premises — owned or controlled by the bank and its consolidated subsidiaries. Included in commercial and industrial loans and in all other loans. Noncurrent commercial real estate loans include total commercial real estate loans that are 90 days or more past due or on a nonaccrual basis. Total noncurrent commercial real estate loans as a percentage of total commercial real estate loans outstanding, and total noncurrent as a percentage of equity capital. Change in total assets, 1991-92. Total commercial real estate loans as a percentage of total assets. (a) Bank of America NT&SA and Bank of America National Trust & Savings Association. (b) The 1992 data include branches and real estate assets acquired from Security Pacific Bank of New York. The 1991 data have not been restated for the acquisition. (*)— From *Quarterly Banking Profile*, published by the Federal Deposit Insurance Corp., Washington, D.C. (n/a)— Owned by a Nationsbank of Texas, NA subsidiary. (•)— Owned by a Nationsbank of North Carolina, NA subsidiary.

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Foreclosed Realty Holdings Shrank Nearly 5% in '92

By STEPHEN KLEEGE

Banks reduced their holdings of foreclosed real estate last year for the first time in 13 years, according to an analysis in *American Banker*.

The results, reflecting aggressive sales of bad assets, provide evidence that banks are extricating themselves from the commercial real estate quagmire.

The "other real estate owned" line on the industry's ledger – representing foreclosed property – fell nearly 5% to $23.5 billion. It was the first decrease since 1979.

Noncurrent Loans Down

At the same time, noncurrent real estate loans – those past due at least 90 days or on nonaccrual status – fell to $27.2 billion from a peak of $31.9 billion at the end of 1991. It was the first year-to-year decline since 1988.

Analysts said banks were helped by lower interest rates. The lower cost of money made real estate more appetizing to investors and made it easier for borrowers to refinance and keep their loans current.

In addition, many banks are better positioned to take the losses needed to sell devalued real estate holdings.

"Keep in mind that the banks have been very busy over the building reserves. That means they have considerable flexibility in working with buyers," said Sandra J. Flannigan of Merrill Lynch & Co.

Indeed, real estate chargeoffs rose to $8 billion in 1992, from $7.7 billion in 1991.

Citibank, one of the largest holders of commercial real estate loans, managed to reduce noncurrent loans by $400 million, to $2.8 billion. But noncurrent loans equaled 32% of equity capital, compared with 43.1% at the end of 1991.

The Citicorp unit charged off $1.1 billion in 1992, more than twice the 1991 total.

Up and Downs in California

Also noteworthy, especially considering the poor economic conditions in California, was First Interstate Bank of California, which reduced its portfolio of seized property to $46 million from $127 million.

The main unit of Los Angeles-based First Interstate also reduced noncurrent loans, to $273 million from $401 million.

First Interstate's success stemmed partly from lessons learned in the bank's ill-timed expansions into Arizona and Texas in the 1980s. Analysts said First Interstate recognized the decline in California early and responded aggressively.

Problems continued to mount for First Interstate's California neighbors. Noncurrent loans at San Francisco-based Bank of California rose to $560 million – equal to 100% of equity capital – from $470 million at the end of 1991.

At Wells Fargo Bank, a $128 million reduction in foreclosed property was offset by a $259 million increase in noncurrent real estate loans.

Northeastern Woes

Meanwhile, although problems seemed to recede in the Southeast, the burden remained heavy on some northeastern banks.

New Jersey-based Midlantic Corp., for example, still had noncurrent loans equal to 71% of equity capital, even after reducing noncurrent loans by $163 million and foreclosed real estate by $112 million.

The balance-sheet cleansing was progress for banks but did little for construction and development loans, said Steven Wechsler, president of the National Realty Committee, which represents lenders, builders, and developers in Washington.

Bank holding of these risky loans declined by 23.4% last year, to $78.7 billion. That followed smaller reductions in some preceding years, when banks were still making loans under commitments made in the 1980s, Mr. Wechsler said.

"We see the seeds of a future recovery, as the market tries to come back to some equilibrium," Mr. Wechsler conceded.

But he argued that capital for real estate was only slightly easier to come by, and he applauded efforts by the Clinton administration to make it easier for banks to refinance loans.

Not surprisingly, the trends were more pronounced for those banks that did most of the real estate lending.

The 100 biggest real estate lenders reduced their total real estate loans by 4.5%, to $181.7 billion. The industry as a whole scored a 3.9% reduction, to $383.4 billion.

The bigger lenders sustained most of the chargeoffs, too. The top 100 charged off 3.5% of all real estate loans, compared to 2.1% for the industry at large.



Steven Wechsler
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Top 300 Banks in Lending to the Consumer

Includes loans secured by residential real estate, credit card loans, and all other consumer loans.
Dec. 31, 1992, compared with Dec. 31, 1991 (dollar amounts in thousands)

Rank, 12/92		Total Consumer Loans			1-4 Family Mortgage Loans			Home Equity Loans			All Other Consumer Loans			Consumer Loans As % of Total Loans	
		12/92	12/91	% Chg.	12/92	12/91	% Chg.	12/92	12/91	% Chg.	12/92	12/91	% Chg.	12/92	12/91
1	Bank of America NT&SA, San Francisco	48,843,000	36,154,000	35.10	29,878,000	20,405,000	46.42	5,939,000	3,537,000	67.91	13,026,000	6.67	49.14	48.93	
2	Citibank, NA, New York	28,540,000	28,600,000	-0.21	7,964,000	8,020,000	-0.70	4,555,000	5,400,000	-15.65	16,021,000	7.39	26.73	25.82	
3	Chemical Bank, New York	18,360,000	15,709,842	16.87	7,979,000	5,470,000	45.87	662,000	610,000	8.52	9,719,000	0.93	26.87	22.46	
4	Wells Fargo Bank, NA, San Francisco	15,407,667	17,663,915	-12.77	7,174,114	9,114,549	-21.29	3,223,989	2,797,628	15.24	4,809,564	6.52	43.22	41.74	
5	Chase Manhattan Bank, NA, New York	11,947,823	12,286,554	-2.76	6,481,283	7,710,788	-15.95	332,836	675,778	-50.75	5,133,704	31.63	25.64	25.02	
6	Chase Manhattan Bank, NA, Florida	9,606,550	9,007,057	6.66	6,961,000	6,424,000	8.37	638,487	667,503	-4.35	2,006,526	4.40	49.47	54.55	
7	First Union National Bank of Florida, Jacksonville	8,722,922	5,248,215	66.20	6,170,523	3,114,683	98.11	---	---	---	2,552,399	19.61	43.00	36.91	
8	NationsBank of Texas, NA, Dallas	8,722,922	5,248,215	66.20	6,170,523	3,114,683	98.11	---	40,774	83.364	51.09	2,480,527	10.57	43.00	36.91
9	Chase Manhattan Bank (USA), Wilmington, Del.	8,521,331	9,566,159	-10.92	---	---	---	---	---	1,061	1,564	-30.88	8,896,526	-7.09	100.00
10	American Express Centurion Bank, Newark, NJ	6,897,607	7,424,516	-7.10	---	---	---	---	---	---	---	---	---	---	---
11	Norwest Bank Minnesota, NA, Minneapolis	6,513,426	2,971,372	119.21	5,648,924	2,088,221	170.51	119,024	144,107	-17.41	745,478	0.87	62.53	45.10	
12	NationsBank of Georgia, NA, Atlanta	6,488,836	6,668,777	-2.70	3,875	2,176	36.72	---	---	---	6,484,961	-4.53	49.33	51.26	
13	Society National Bank, Cleveland	5,930,022	5,783,077	2.54	1,721,599	1,768,600	-2.66	704,274	642,468	9.62	3,504,149	3.92	47.95	45.25	
14	PNC Bank, NA, Pittsburgh	5,743,917	4,872,329	17.89	3,071,011	2,529,948	31.81	1,096,906	1,342,381	-18.28	1,569,423	0.80	36.90	32.14	
15	Key Bank of New York, Albany	5,654,479	5,425,768	4.22	2,317,514	1,805,476	28.36	713,005	626,304	13.84	2,623,960	-12.36	65.75	66.52	
16	Seattle-First National Bank	5,272,110	5,406,622	-2.49	3,772,772	3,267,934	18.43	1,499,338	1,295,787	25.22	3,009,772	-6.66	41.89	39.54	
17	Southern National Bank, Lumberton, NC	5,215,621	5,555,097	-6.11	2,710,627	2,390,275	-9.19	479,293	545,972	-12.21	2,565,701	-2.03	33.88	37.24	
18	Comerica Bank, Detroit	5,166,926	4,286,302	20.54	2,816,000	2,295,381	27.68	1,568,000	1,277,000	22.78	1,541,381	0.11	40.90	34.70	
19	First Fidelity Bank, NA, Newark, NJ	4,916,463	4,396,631	11.89	1,749,391	1,944,518	-10.03	564,968	196,833	187.03	2,605,104	15.51	54.94	47.81	
20	First Union National Bank, Charlotte, NC	4,863,924	4,475,962	8.67	3,605,320	3,197,591	12.75	1,403,000	1,393,000	0.84	1,258,604	-6.16	37.73	38.44	
21	First Interstate Bank of California, Los Angeles	4,854,915	5,489,132	-11.55	1,813,046	2,159,302	-16.04	1,166,526	1,283,010	-7.71	1,875,383	-16.53	50.25	45.28	
22	NationsBank of Florida, NA, Tampa	4,609,965	4,597,962	0.26	1,436,796	1,508,753	-4.77	395,075	350,726	12.64	2,778,092	1.45	46.32	46.28	
23	NationsBank of Delaware, NA, Dover	4,561,420	4,561,742	-0.01	---	---	---	---	---	---	4,561,409	46.00	100.00	100.00	
24	NBD Bank, NA, Detroit	4,326,659	4,134,825	4.64	1,956,404	1,898,838	3.03	228,619	183,121	24.85	2,141,636	4.32	30.29	30.40	
25	Mellon Bank, NA (East), Pittsford	4,289,867	4,170,703	2.86	481,253	418,930	14.89	259,313	242,600	6.89	3,549,571	14.17	47.78	45.53	
26	Boston Safe Deposit & Trust Co.	4,241,459	4,145,984	2.30	3,967,190	3,774,982	5.09	124,524	143,324	-13.12	149,745	34.23	90.90	89.71	
27	Bank of New York, Garden City	4,113,656	4,153,523	-0.96	2,955,322	2,955,322	16.55	597,810	597,810	0.00	560,524	0.00	71.84	71.84	
28	FCC National Bank, Wilmington, Del.	4,067,140	3,482,689	16.78	---	---	---	---	---	---	4,067,140	16.78	100.36	100.40	
29	Marine Midland Bank, NA, Buffalo, NY	4,012,913	4,258,842	-5.78	1,350,108	1,154,697	17.62	484,993	345,000	40.58	2,177,812	0.48	33.65	29.70	
30	Bank One, Arizona, NA, Phoenix	3,944,688	3,179,437	24.07	1,440,804	893,696	61.22	556,711	539,460	3.20	1,947,173	11.50	60.16	55.31	
31	MBNA America Bank, NA, Newark, DE	3,925,947	3,436,113	14.24	---	---	---	---	---	---	3,925,947	14.24	98.67	98.67	
32	Bank of New York (Delaware), Wilmington	3,873,092	3,873,092	0.00	---	---	---	---	---	---	3,873,092	34.18	98.59	89.82	
33	Wachovia Bank of Georgia, NA, Atlanta	3,778,587	2,690,517	40.44	771,098	736,420	4.71	184,076	186,426	-1.26	2,823,413	59.73	51.45	45.79	
34	Manufacturers Hanover Trust Co., Columbus, Ohio	3,602,037	3,721,787	-3.22	1,221,221	512,659	138.31	362,562	292,457	23.98	2,017,728	7.76	51.23	44.98	
34	Citibank (Nevada), NA, Las Vegas	3,583,373	5,495,530	34.79	67,507	76,736	-11.51	53,214	42,211	26.07	3,462,250	-35.60	99.95	99.99	
35	Wachovia Bank of North Carolina, NA, Winston-Salem	3,577,936	3,547,185	0.87	1,121,475	1,270,444	7.95	310,550	312,368	-0.58	2,285,387	0.37	50.57	49.53	
36	Pittsburgh National Bank	3,557,643	4,213,762	-15.57	1,299,688	1,821,027	28.63	548,426	418,776	30.98	1,711,129	-13.31	38.96	42.89	
37	Bank of Boston, Massachusetts, MA Boston	3,489,338	3,442,000	1.38	1,472,495	1,270,694	15.87	1,042,000	1,015,970	2.56	974,843	42.29	42.93	39.80	
38	Bank of New York	3,437,950	3,098,506	10.96	1,489,149	1,347,323	10.53	737,145	445,900	65.32	1,211,656	1.17	14.62	12.28	
39	Citibank (South Dakota), NA, Sioux Falls	3,404,414	3,404,414	0.00	---	---	---	---	---	---	---	---	98.47	98.47	
40	Signet Bank/Maryland, Baltimore	3,257,083	3,217,579	1.23	1,190,321	1,157,362	2.85	618,480	715,763	-13.59	1,448,282	7.72	58.24	55.13	
41	Crestar Bank, Richmond	3,203,710	2,939,370	10.02	1,174,139	1,074,239	9.30	492,387	384,044	28.21	1,537,184	-8.70	45.44	39.32	
42	Bank of Boston Connecticut	2,980,840	3,000,056	-0.64	1,230,310	1,454,202	-15.39	1,008,000	1,024,202	-1.58	742,530	2.42	3.15	61.57	59.31
43	Banco Popular de Puerto Rico, San Juan	2,759,228	2,909,599	-5.17	921,056	877,591	-4.95	---	---	---	1,838,172	26.08	57.83	58.51	
44	Meridian Bank, Reading, Pa.	2,719,932	2,696,179	0.88	1,163,811	1,096,169	6.17	433,333	312,609	274,058	34.08	1,556,121	12.10	39.57	33.14
45	Shawmut Bank Connecticut, NA, Hartford	2,683,080	2,988,631	-10.22	1,961,257	2,096,484	-6.45	430,705	370,192	16.35	291,118	-44.23	37.48	41.84	
46	Old National Bank, Evansville, IN	2,627,532	2,547,184	3.15	825,773	892,352	-7.46	593,272	591,040	0.38	1,228,486	9.70	47.00	47.39	
47	Dominion Bank, NA, Roanoke, Va.	2,569,926	2,688,179	-4.43	1,150,652	1,165,915	-0.79	336,709	389,683	-13.59	1,076,565	-5.03	56.00	51.41	
48	Bank One, Akron, NA	2,496,213	2,466,450	1.21	1,637,759	1,079,680	51.69	342,690	342,690	0.00	515,970	4.42	28.42	32.91	
49	AmSouth Bank NA, Birmingham, Ala.	2,480,419	2,082,518	19.11	1,133,200	837,460	21.96	295,722	252,895	16.93	1,151,477	17.20	45.44	41.53	
50	Manufacturers & Traders Trust Co., Buffalo, N.Y.	2,469,035	2,273,035	8.62	1,354,892	1,350,017	0.36	588,309	574,455	2.41	1,114,143	-3.45	43.41	43.04	
51	First Alabama Bank, Birmingham	2,446,192	2,126,589	15.03	1,204,940	991,133	21.57	153,219	132,450	15.68	1,088,033	8.48	49.68	49.62	
52	Nationsbank of North Carolina, NA, Charlotte	2,433,761	2,287,126	6.41	1,574,139	1,274,239	23.53	460,287	384,044	19.85	1,028,622	-8.70	31.35	29.32	
53	United States National Bank, Omaha, Neb.	2,391,283	2,300,058	-0.38	1,130,607	948,358	19.22	78,178	56,851	37.51	1,082,498	-16.39	28.48	27.05	
54	First Bank of New York, Albany	2,274,946	2,280,505	-0.33	648,984	747,886	-13.22	153,000	153,000	0.00	1,472,962	-1.20	58.51	58.51	
55	Nationsbank Bank of South Carolina, Columbia	2,260,402	2,260,402	0.00	1,108,744	829,972	14.47	389,597	312,465	-1.32	1,020,741	4.64	39.06	35.14	
56	Nationsbank of Virginia, NA, Richmond	2,186,836	4,015,399	-45.54	596,727	683,675	-12.43	247,987	262,199	-5.41	1,340,122	-56.34	31.35	43.70	
57	Central Fidelity Bank, Richmond	2,142,691	1,966,351	8.96	1,202,006	1,006,286	19.45	204,480	204,480	0.00	1,036,205	0.38	48.37	47.59	
58	Signet Bank/Virginia, Richmond	2,107,837	1,609,212	30.99	358,503	359,175	-0.19	317,994	336,322	-5.45	1,431,340	56.65	53.23	43.06	
59	Chemical Bank New Jersey, NA, East Brunswick	2,104,420	1,964,277	7.13	1,040,750	872,277	13.31	360,750	342,600	5.29	703,070	0.83	33.40	31.29	
60	First-Citizens Bank & Trust Co., Raleigh, N.C.	2,025,548	1,867,992	8.43	1,033,303	913,894	13.07	283,331	283,505	-0.08	708,914	5.72	63.15	59.79	
61	Deposit Guaranty Bank, Jackson, Miss.	2,010,036	1,796,910	11.86	1,249,982	951,402	7.89	280,000	189,188	48.01	1,285,750	14.74	45.24	41.66	
62	Bank of Hawaii, Honolulu	1,990,072	1,826,463	8.96	1,034,185	882,010	17.25	329,055	317,368	-3.68	626,851	-0.04	32.43	31.37	
63	Branch Banking & Trust Co., Wilson, N.C.	1,961,217	1,486,019	32.00	1,295,084	995,631	29.98	553,000	342,000	61.70	1,108,217	47.52	45.39	39.53	
64	Central Bank of the South, Birmingham, Ala.	1,938,023	1,513,932	28.01	984,555	650,902	51.26	130,178	121,864	6.82	823,290	11.08	56.90	52.45	
65	Michigan National Bank, Farmington Hills	1,925,714	1,532,879	25.63	1,384,033	910,128	52.07	1,384,033	910,128	52.07	541,681	0.00	28.83	28.83	
66	First Bank of Minneapolis, Minneapolis	1,875,194	1,875,194	0.00	1,875,194	1,875,194	0.00	544,056	544,056	0.00	626,795	583,835	0.70	487,390	-0.67
67	Nationsbank of Georgia, NA, Atlanta	1,874,526	2,239,146	-16.28	430,282	705,991	-39.05	305,292	310,607	-1.71	1,138,952	-6.84	20.02	29.34	
68	Integra National Bank/Pittsburgh	1,868,387	1,724,576	8.34	1,118,817	616,717	81.52	127,326	98,140	29.75	622,244	0.00	0.00	0.00	
69	First USA Bank, Wilmington, Del.	1,860,119	1,572,054	18.32	---	---	---	---	---	---	1,860,119	18.32	99.89	99.90	
70	First Bank of Wisconsin, Madison	1,858,688	1,858,688	0.00	---	---	---	---	---	---	1,858,688	0.00	99.99	99.99	
71	Fifth Third Bank, Cincinnati	1,815,388	1,233,834	47.13	791,430	387,818	104.07	64,847	56,363	15.05	959,111	21.46	43.34	38.08	
72	First Interstate Bank of Washington NA, Seattle	1,788,136	1,533,000	16.65	1,788,471	444,388	12.04	1,788,471	444,388	12.04	1,245,948	24.36	37.31	29.00	
73	First Interstate Bank of Oregon, NA, Portland	1,734,272	1,586,895	9.29	599,711	487,538	23.01	74,776	79,279	-5.68	1,059,785	3.90	53.29	45.66	
74	First National Bank, Chicago	1,719,106	1,447,699	18.76	699,739	698,795	38.96	307,000	307,000	0.00	1,019,367	0.14	59.27	48.27	
75	First National Bank, Boston	1,713,972	1,849,554	-7.33	892,090	1,037,312	-14.00	154,440	265,420	-41.81	667,442	22.06	9.61	10.86	
76	Mellon Bank Delaware, Wilmington, Del.	1,655,434	1,532,130	8.05	---	---	---	---	---	---	1,655,434	82.84	34.36	34.36	
77	Norwest Bank Iowa, NA, Des Moines	1,650,140	1,494,351	10.43	90,87	635,171	173,310	266,476	0.83	3,641	86.24	1,008,188	46.63	64.40	52.78
78	Household Bank, NA, Salinas, Calif.	1,603,087	1,580,726	1.41	---	---	---	---	---	---	1,603,087	100.00	100.00	100.00	
79	First National Bank of Omaha	1,600,356	1,564,182	2.31	654,162	541,747	20.75	96,232	98,146	-1.95	850,021	-1.16	50.78	48.95	
80	Midlantic National Bank, Newark, N.J.	1,587,564	1,857,988	-14.55	585,105	532,356	9.91	303,083	346,980	-6.64	639,376	-34.67	23.56	24.45	
81	First Bank, NA, Hartford, Conn.	1,579,057	1,612,036	-2.05	947,223	958,746	-1.20	152,477	159,326	-4.30	479,357	-2.96	52.68	53.37	
82	Wilmington Trust Co., Del.	1,579,057	1,612,036	-2.05	947,223	958,746	-1.20	152,477	159,326	-4.30	479,357	-2.96	52.68	53.37	
83	Barnett Bank of Central Florida, NA, Orlando	1,575,796	1,547,000	1.86	450,149	393,348	55.18	28,503	28,503	0.00	1,089,273	-1.77	47.75	43.40	
84	Citibank (Maryland), NA, Towson	1,564,787	3,863,410	-59.81	11,028	21,720	-49.23	17,594	22,602	-22.16	1,536,165	-60.09	99.99	99.99	
85	Nationsbank Bank, Philadelphia	1,564,444	1,564,444	0.00	1,564,444	1,564,444	0.00	453,709	453,709	0.00	---	---	99.99	99.99	
86	First of America Bank-Southwest Michigan, NA, Royal Oak	1,556,166	1,373,501	13.30	515,307	451,546	14.12	79,124	63,432	24.74	961,735	12.02	63.58	60.01	
87	First Hawaiian Bank, Honolulu	1,553,493	1,454,905	6.77	1,553,493	1,454,905	6.77	1,553,493	1,454,905	6.77	514,153	0.00	33.10	33.10	
88	National Westminster Bank USA, New York	1,553,361	1,223,428	26.97	392,319	326,047	20.33	161,390	116,908	38.04	999,652	28.08	15.17	12.03	
89	First American National Bank, Nashville, Tenn.	1,546,400	1,488,996	3.99	667,023	557,147	19.72	109,570	109,440	0.12	770,474	5.66	28.88	26.97	
90	Liberty National Bank & Trust Co., Louisville, Ky.	1,540,280	1,540,280	0.00	1,540,280	1,540,280	0.00	1,540,280	1,540,280	0.00	1,540,280	0.00	100.00	100.00	
91	First Interstate Bank of Arizona NA, Phoenix	1,537,741	1,681,245	-8.54	421,085	430,699	-2.23	74,050	48,440	52.85	1,042,606	-14.75	27.18	29.34	
92	Bank of America Arizona, Phoenix	1,515,011	1,499,396	1.04	1,515,011	1,499,396	1.04	1,515,011	1,499,396	1.04	1,499,396	1.04	100.00	100.00	
93	Bankers Trust Co., Albany, N.Y.	1,513,263	1,491,780	1.44	803,077	865,011	-7.16	215,342	201,544	6.85	494,844	16.37	35.48	33.72	
94	Southern National Bank, St. Louis	1,502,299	1,503,894	-0.11	1,502,299	1,503,894	-0.11	1,502,299	1,503,894	-0.11	1,503,894	-0.11	100.00	100.00	
95	Bank of the West, Walnut Creek, Calif.	1,490,226	1,329,571	12.08	433,399	398,201	8.84	140,971	132,518	6.38	915,856	14.65	64.85	58.11	
96	First National Bank, Philadelphia	1,471,159	1,466,000	0.35	491,100	14,852	51.46	49,694	3,552	1298.65	27,161	47.25	43.60		
97	Chase Lincoln First Bank, NA, Rochester, N.Y.	1,468,692	1,580,840	-7.09	773,119	846,321	-8.65	82,693	41,965	97.05	612,880	-11.50	40.67	38.48	
98	Norwest Bank South Dakota, NA, Sioux Falls	1,447,209	1,372,702	26.50	1,170,944	111,475	53.35	14,606	5,456	-16.49	1,271,699	26.44	66.75	63.40	
99	Sanwa Bank California, San Francisco	1,418,783	1,332,633	6.46	863,175	799,588	7.95	136,045	102,013	33.36	419,563	-2.66	27.84	27.24	
100	Barnett Bank of South Florida, NA, Miami	1,415,011	2,469,458	-42.67	1,415,011	2,469,458	-42.67	29,609	29,709	-62.48	499,322	-46.55	58.07	54.41	
	Totals for the Top 100 (in billions)	$410.6	$382.2	7.26%	$166.7	$142.0	17.37%	$38.1	$33.0	12.89%	$205.8	-0.58%	41.40%	39.23%	

Data Source: Data provided by Sheshunoff Information Services Inc., Austin Texas, from its data base of the federal regulatory report of condition. Data for 1991 have been adjusted for subsequent bank acquisitions made on a pooling-of-interests basis. Total Consumer Loans are the sum of 1-4 family mortgage loans, home equity loans, credit card loans, and other consumer loans. 1-4 Family Mortgage loans are loans secured by 1-4 family residential properties. First and second mortgage loans are included, but home equity loans are excluded. Home equity loans are revolving, open-end loans secured by 1-4 family residential properties and extended under a credit line. All other consumer loans are loans to individuals for household, family, and other personal expenditures. Included in this category are credit card loans and other consumer loans. Credit card loans include all accepted extensions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans. Other consumer loans include single payment loans, installment loans, and all other consumer loans. Consumer Loans as the ratio of total consumer loans to total loans: Total loans are net of unearned income.

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Top 300 Banks in Lending to the Consumer

Includes loans secured by residential real estate, credit card loans, and all other consumer loans.
Dec. 31, 1992, compared with Dec. 31, 1991 (dollar amounts in thousands)

Rank, 12/92		Total Consumer Loans			1-4 Family Mortgage Loans			Home Equity Loans			All Other Consumer Loans			Consumer Loans As % of Total Loans	
		12/92	12/91	% Chg.	12/92	12/91	% Chg.	12/92	12/91	% Chg.	12/92	12/91	% Chg.	12/92	12/91
101	Bancnet Bank of Pinellas County, St. Petersburg, Fla.	1,414,175	1,503,183	-5.92	1,021,498	988,352	3.35	27,592	30,684	-10.08	365,085	-24.59	68.73	72.78	
102	Fidelity Bank, Philadelphia	1,408,999	1,291,814	9.07	644,715	575,454	46.79	165,500	183,749	-9.93	598,784	-1.55	29.62	26.02	
103	Northern Trust Co., Chicago	1,405,110	1,094,986	28.32	1,058,543	794,908	33.17	176,863	159,763	10.70	169,704	20.94	27.33	22.60	
104	First Deposit National Bank, Tilton, N.H.	1,397,493	1,320,695	5.81	1,397,493	1,320,695	5.81	1,397,493	1,320,695	5.81	1,320,695	5.81	93.39	93.39	
105	National City Bank, Cleveland	1,395,895	1,465,720	-4.77	330,470	380,717	-13.20	205,431	181,440	13.22	859,954	-4.83	33.03	31.71	
106	Rhode Island Hospital Trust National Bank, Providence	1,393,133	851,124	7.39	762,370	169,584	362.24	144,766	298,417	-51.48	486,197	48.01	57.997	13.31	56.65
107	Bank One, Dayton, NA, Ohio	1,356,112	1,280,091	5.89	129,524	131,021	-1.14	94,195	83,168	13.26	1,132,393	6.18	60.21	57.41	
108	Mid Bank, Omaha, Nebraska	1,353,000	1,353,000	0.00	1,353,000	1,353,000	0.00	1,353,000	1,353,000	0.00	1,353,000	0.00	100.00	100.00	
109	First Security Bank of Utah, NA, Salt Lake City	1,344,305	1,203,965	11.66	526,342	522,704	0.70	107,836	83,431	29.90	710,187	14.90	52.84	43.51	
110	First Virginia Bank, Falls Church	1,330,013	1,265,737	5.08	521,715	464,122	12.41	129,051	* 135,659	-4.87	679,247	2.00	84.11	85.71	
111	CoreStates Bank, NA, Philadelphia	1,318,477	1,267,282	4.04	1,318,477	1,267,282	4.04	538,217	547,435	-1.68	224,816	35.10	45.35	44.37	
112	Monogram Credit Card Bank, Roswell, Ga.	1,310,085	1,047,317	25.09	---	---	---	---	---	---	1,310,085	25.09	100.00	100.00	
113	Key Bank of Maine, Portland	1,301,010	1,155,482	12.59	649,577	158,736	309.19	73,134	18,700	290.91	577,900	5.15	49.92	13.73	
114	Liberty National Bank & Trust Co., Louisville, Ky.	1,290,093	1,106,137	16.63	754,920	230,653	10.52	56,915	52,538	8.33	978,258	-8.87	54.83	54.04	
115	Bank of Boston Corporation, Boston	1,285,512	1,308,000	-1.72	1,285,512	1,308,000	-1.72	526,326	711,511	-26.03	759,186	0.00	29.63	31.61	
116	First Security Bank of Idaho, NA, Boise	1,251,211	1,109,475	12.78	402,889	423,452	4.86	80,876	45,589	77.40	767,446	19.83	61.48	56.66	
117	Star Bank, NA, Cincinnati	1,247,581	1,161,117	7.44	1,247,581	1,161,117	7.44	1,247,581	1,161,117	7.44	1,161,117	7.44	89.550	89.96	88.55
118	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	1,240,561	1,281,283	-3.18	582,478	554,722	5.00	113,331	117,014	-3.15	544,752	-10.63	36.25	33.57	
119	Barnett Bank of Broward County, NA, Fort Lauderdale, Fla.	1,228,363	---	---	1,228,363	---	---	43,083	---	---	412,566	---	62.25	---	
120	Bank One, Indianapolis, NA	1,226,384	1,280,279	-4.21	278,917	313,550	-11.05	93,328	70,035	33.26	854,139	-4.75	43.57	45.11	
121	Bank of Boston, Rhode Island, NA	1,224,753	1,342,000	-10.09	549,161	535,746	2.50	395,103	410,746	-3.81	280,489	-19.65	39.69	41.55	
122	National Westminster Bank NJ, Jersey City	1,221,733	1,275,524	-4.22	426,087	413,643	3.01	330,700	323,063	0.73	374,546	-11.85	34.25	32.71	
123	Firstar Bank Milwaukee, NA	1,211,118	973,039	24.47	510,707	256,734	98.92	74,136	62,283	19.03	626,275	-2.24	37.22	33.57	
124	Marine Midland Bank, NA, New York	1,209,000	1,209,000	0.00	---	---	---	---	29,370	-53.29	1,014,630	9.06	30.93	28.14	13.93
125	Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.	1,206,219	1,175,625	2.60	690,157	607,603	13.59	97,771	36,444	3.64	478,291	-10.02	73.42	68.00	
126	CoreStates Bank, NA, New Jersey	1,199,338	1,175,997	1.99	1,199,338	1,175,997	1.99	331,901	331,901	0.00	331,901	1.99	41.28	41.28	
127	Integra Bank/North, Thiensville, Wis.	1,162,334	1,108,200	4.88	528,497	471,963	11.98	87,175	73,135	19.20	546,662	-2.92	64.98	64.53	
128	Mercantile Bank, NA, St. Louis	1,149,867	1,149,867	0.00	1,149,867	1,149,867	0.00	515,127	515,127	0.00	515,127	0.00	126,580	126,580	0.00
129	Bank of America, NA, Phoenix, Ariz.	1,145,762	1,319,412	-13.16	18	24	-25.00	---	---	---	---	---	1,145,744	-13.16	98.58
130	Bank One, Texas, NA, Dallas	1,145,341	1,198,088	-4.40	422,056	386,455	9.38	101,733	88,871	14.47	621,552	-4.45	34.04	34.12	
131	United Jersey Bank, Hackensack, N.J.	1,124,679	1,067,003	5.41	623,308	488,988	27.47	234,619	256,027	-8.58	295,752	-17.00	27.95	25.38	
132	South Carolina National Bank, Columbia	1,116,872	1,056,000	5.77	434,466	564,480	-25.66	203,066	208,495	-2.60	479,340	-3.10	27.47	27.53	
133	U.S. Bank of Washington, NA, Seattle	1,064,160	1,327,412	-19.81	395,545	511,940	-23.52	47,522	45,899	3.54	625,093	-18.77	25.97	32.07	
134	Bank of Commerce, Memphis	1,056,048	917,551	15.09	1,056,048	917,551	15.09	1,056,048	917,551	15.09	917,551	15.09	100.00	100.00	
135	Premier Bank, NA, Baton Rouge, La.	1,025,426	931,803	10.05	344,174	363,706	-5.37	23

Top 300 Banks in Lending to the Consumer

Includes loans secured by residential real estate, credit card loans, and all other consumer loans.
Dec. 31, 1992, compared with Dec. 31, 1991 (dollar amounts in thousands)

Rank 12/92	Name	Total Consumer Loans			1-4 Family Mortgage Loans			Home Equity Loans			All Other Consumer Loans			As % of Total Loans	
		12/31/92	12/31/91	% Chg.	12/31/92	12/31/91	% Chg.	12/31/92	12/31/91	% Chg.	12/31/92	12/31/91	% Chg.	12/31/92	12/31/91
1	Wells Fargo Natl. Bank, Washington, D.C.	717,201	585,629	22.5	429,974	400,473	30.14	195,920	231,263	-15.26	90,298	54,193	34.75	36.5	36.85
2	PNC Bank-Northeast, Scranton, Pa.	714,051	673,089	6.09	291,478	296,977	-1.85	83,100	65,075	27.70	339,473	9.14	62.76	50.81	
3	United States Trust Co., New York	708,537	582,666	21.60	480,768	362,145	32.76	32,513	29,445	10.42	195,256	1.66	61.31	52.26	
4	Texas Commerce Bank, Mt. Houston	698,331	604,317	15.56	258,251	219,773	17.51	0	0		440,080	14.44	11.28	10.05	
5	Merchants Bank, Mt. Allentown, Pa.	698,074	652,147	7.04	483,011	389,731	24.37	48,582	54,027	-11.10	166,041	20.47	55.76	51.63	
6	Banco Santander Puerto Rico, San Juy	691,651	496,077	39.50	525,255	334,964	56.81	1,501	1,995	24.76	168,895	4.44	37.96	26.36	
7	Key Bank of Oregon, Portland	692,561	560,857	23.48	240,033	140,446	70.91	62,183	65,789	-5.48	386,713	21.48	36.53	34.42	
8	Third National Bank, Nashville, Tenn.	687,618	624,599	10.09	238,723	240,471	-0.73	62,183	65,789	-5.48	386,713	21.48	36.53	34.42	
9	Union Planters National Bank, Memphis, Tenn.	686,401	481,820	42.46	425,348	208,818	103.69	74,705	45,719	63.40	186,348	5.60	50.84	47.29	
10	Chemical Bank N.A., New York	683,975	361,716	94.18	338,213	130,329	159.51	0	0		344,762	55.73	100.00	100.00	
11	Fifth Third Bank of Northwestern Ohio, NA, Toledo	681,631	654,051	4.22	251,834	208,304	20.95	47,324	48,513	-2.45	382,373	-3.74	60.20	60.35	
12	Liberty National, Lincoln	673,038	845,241	-20.35	401,646	574,634	-30.10	181,916	171,460	6.09	89,666	-0.53	44.06	44.06	
13	Bank of Boston Connecticut, Waterbury	669,025	789,007	-15.21	190,225	222,438	-14.48	391,077	452,353	-13.55	87,723	23.20	43.64	44.75	
14	PNC National Bank, Wilmington, Del.	659,229	639,546	3.08	1,043	709	47.11	28,157	29,447	-4.38	509,465	2.60	35.79	36.00	
15	Fifth Third Bank, Indiana, Indianapolis	655,499	720,147	-8.98	128,143	154,685	-17.16	21,537	25,542	-15.68	505,819	-6.32	38.27	36.06	
16	Chase Manhattan Bank Florida, N.A., Miami	653,517	448,087	45.86	463,011	256,304	80.65	1,980	1,571	26.03	188,526	11.16	59.75	51.63	
17	Sun Bank/North Florida, NA, Fort Lauderdale	646,098	677,509	-4.64	429,759	431,453	-0.39	23,859	26,534	-10.08	192,480	-12.32	48.72	51.41	
18	First National Bank of Ohio, Akron	638,700	606,716	5.27	323,808	303,960	6.52	36,616	36,868	-1.23	278,476	4.30	53.12	53.30	
19	Bank of Mississippi, Tupelo	621,398	608,612	2.10	341,941	330,352	5.03	15,706	14,964	4.96	363,751	3.68	54.79	56.08	
20	Massachusetts Co., Inc., Boston	612,529	678,494	-9.72	423,390	440,844	-3.96	185,272	230,065	-19.47	18,349	-49.02	99.75	99.16	
21	J.C. Penney National Bank, Wilmington, Del.	611,077	572,000	6.83	39,062	30,810	0.65	0	0		572,009	-0.38	97.28	99.65	
22	Commonwealth Bank, Williamsport, Pa.	610,760	577,085	5.84	407,420	379,023	7.49	39,132	28,836	35.71	164,208	2.97	53.85	53.52	
23	Commercial National Bank, Shreveport, La.	607,617	513,522	18.33	302,154	255,914	18.07	29,447	24,195	21.71	270,016	18.28	71.66	67.49	
24	Citizens First National Bank, Hidgewood, N.J.	597,453	598,214	-0.13	364,649	338,347	7.81	126,240	133,195	-5.22	106,564	-15.94	35.04	34.54	
25	First of America Bank-Mid Michigan, NA, Bay City	592,061	579,576	2.16	283,168	279,882	-1.18	16,071	14,312	12.29	292,842	2.60	67.22	66.98	
26	Natl. Bank NA, Gary, Ind.	589,501	726,576	-18.87	346,721	433,310	-19.98	29,853	31,636	-5.64	212,927	-18.62	37.24	38.35	
27	Society Bank & Trust Co., Toledo, Ohio	583,776	652,965	-10.53	190,465	200,722	-5.11	204,007	252,016	-19.05	183,695	-11.16	39.20	39.75	
28	National City Bank, Northeast, Akron, Ohio	583,736	607,117	-3.85	154,524	161,510	-4.33	86,226	75,265	14.56	342,986	-7.39	55.42	60.74	
29	Bennett Bank of Volusia County, De Land, Fla.	582,142	506,407	14.95	362,763	346,170	32.13	13,744	9,554	43.85	145,551	-0.67	68.25	62.48	
30	First of America-New Mexico, NA, Albuquerque	580,864	607,830	-16.76	568,142	693,088	-18.03	10,411	2,181	377.35	2,311	-9.76	99.99	82.37	
31	Colonial Bank, Montgomery, Ala.	564,633	510,800	10.54	410,350	339,419	20.90	39,597	12,936	43.85	114,686	-14.37	43.68	43.41	
32	Signet Bank-Maryland, Baltimore	564,348	522,364	8.04	1,752	9,985	-22.02	172,052	180,695	-4.78	384,644	15.66	28.59	24.57	
33	Barnett Bank of Pasco County, Holiday, Fla.	559,982	606,340	-7.65	355,343	345,286	2.91	6,324	6,770	-6.59	196,315	-22.01	74.40	74.94	
34	Wells Fargo Northwest National Bank, Chicago	555,435	565,669	-1.80	52,718	42,241	24.80	23,261	16,857	38.01	479,480	0.35	61.28	75.05	
35	New First City Texas-Houston NA (a)	554,692	622,203	-10.85	164,994	210,641	-21.67	0	0		389,698	-5.31	28.60	22.01	
36	Bank of New York, Charleston, W.Va.	550,217	565,358	-2.67	315,833	359,350	-12.11	42,587	27,851	53.02	191,852	-3.60	67.22	66.38	
37	NBD Bank NA, Gary, Ind.	541,693	516,220	4.93	256,663	245,406	4.59	13,050	11,243	16.07	271,980	4.78	62.62	61.40	
38	First Interstate Bank of Texas NA, Houston	531,919	633,218	-16.00	276,281	362,060	-23.69	0	1,260	-100.00	255,638	-20.90	23.91	23.97	
39	First Interstate Bank of Texas NA, Houston	528,231	485,773	8.76	220,445	185,735	18.69	67,237	68,043	-1.18	240,632	3.72	65.31	64.91	
40	Bank of Commerce & Trust Co., Memphis, S.C.	524,736	455,870	15.11	236,307	157,812	49.74	66,135	186,655	-64.56	122,294	9.78	41.81	40.79	
41	First Valley Bank, Bethlehem, Pa.	524,230	514,230	51.96	450,001	273,580	64.49	20,081	18,800	6.70	51,476	1.27	11.27	7.57	
42	First Interstate Bank of California, San Francisco	521,356	643,230	-18.95	190,465	200,722	-5.11	204,007	252,016	-19.05	183,695	-11.16	39.20	39.75	
43	Bank of America Nevada, Las Vegas	520,798	626,556	-16.88	128,214	117,828	8.81	155,039	169,896	-8.75	219,822	23.68	100.00	100.00	
44	Bancfirst National Bank USA, Wilmington, Del.	519,822	420,309	23.68	0	0		0	0		519,822	23.68	100.00	100.00	
45	J.P Morgan Delaware, Wilmington	517,995	469,547	10.32	257,966	162,117	59.12	28,316	29,576	-4.26	231,713	-16.61	1.38	12.64	
46	Bank of America Illinois, Chicago	515,862	385,045	34.00	37,392	43,724	311.775	36.68	37,392	30,074	24.35	441,078	43.35	51.74	39.34
47	Fifth Third Bank, Beverly Hills, Calif.	511,919	693,231	-26.15	76,480	125,561	-39.09	153,564	152,157	0.92	281,875	-32.16	24.50	26.07	
48	Bank of Delaware, Wilmington	508,434	512,089	-1.10	318,441	318,466	-0.01	75,414	80,867	-6.74	113,579	-0.16	59.33	59.66	
49	Delaware Trust Co., Wilmington	503,529	481,625	4.55	167,255	128,619	30.04	123,778	139,034	-10.97	212,496	-0.69	53.61	51.49	
50	Bank One, Youngstown, NA, Ohio	503,403	427,721	17.69	112,606	89,255	26.16	37,923	40,884	5.07	347,865	30.50	64.27	59.94	
51	Bank One, Youngstown, NA, Ohio	501,078	480,985	4.18	309,180	244,663	26.37	42,823	50,031	-14.41	149,075	-19.98	16.14	14.44	
52	Bank One, Columbus, NA, Ohio	501,060	443,000	13.73	2,000	34,000	-64.71	100,000	100,000	0.00	273,000	7.80	3.99	3.44	
53	Continental Bank NA, Chicago	500,817	570,466	-12.21	1,146	914	25.38	778	663	17.35	498,893	-12.30	100.00	100.00	
54	First Deal Bank NA, Wilmington, Del.	494,676	296,502	66.84	283,883	122,245	132.20	73,777	46,502	58.65	137,016	7.25	61.79	47.90	
55	Provident Bank of Maryland, Baltimore	494,144	409,232	20.76	331,568	331,568	13.72	20,482	15,715	30.33	87,294	40.77	62.79	62.12	
56	First of America Bank, Indianapolis	479,875	425,825	12.69	312,595	256,127	22.05	20,569	19,356	6.27	146,711	6.28	47.38		
57	Sanbank of Palm Beach County, Lakeland, Fla.	477,377	427,544	10.25	290,134	230,669	25.78	18,477	18,853	2.03	162,773	-8.57	76.28	72.06	
58	Sanbank of Palm Beach County, Lakeland, Fla.	477,377	427,544	10.25	290,134	230,669	25.78	18,477	18,853	2.03	162,773	-8.57	76.28	72.06	
59	Anbuy National Bank, Old Bridge, N.J.	470,868	471,231	-0.08	367,662	347,732	5.73	91,833	107,792	-14.81	11,373	-27.59	81.23	62.00	
60	Bank of Tampa, Tampa, Fla.	470,495	454,343	3.56	272,350	235,692	-1.42	13,877	13,386	3.67	184,268	5.26	53.43	53.90	
61	First of America Bank-Ann Arbor, Mich.	470,205	397,418	18.31	212,372	184,546	15.08	18,636	17,933	3.92	239,197	22.70	61.10	56.55	
62	Manufacturers Bank NA, Bethel, Calif.	465,165	410,737	13.25	76,127	23,595	10.73	23,723	16,801	41.20	415,315	12.14	66.76	71.86	
63	Bank One, Lafayette, Ind.	464,000	367,000	26.43	111,000	81,000	37.04	2,000	2,000	0.00	351,000	23.59	2.71	2.30	
64	Bank One, Columbus, NA, Ohio	463,993	430,823	7.72	3,990	100,420	-12.97	16,114	9,130	76.50	340,443	5.84	65.22	66.38	
65	First Bank First Montana NA, Billings	460,151	380,113	21.06	112,293	96,613	16.23	85,933	83,290	3.17	261,925	30.83	45.02	42.03	
66	First of America Bank-Commerce, Memphis, Tenn.	460,096	406,818	13.09	276,867	273,108	5.91	27,724	26,341	-2.25	155,505	20.19	80.50	75.24	
67	Bennett Bank of Atlanta	457,026	343,323	33.12	113,316	65,525	70.34	44,606	40,664	9.75	119,927	31.18	41.18	44.40	
68	First Union National Bank, Greenville, S.C.	455,528	472,393	-3.57	257,563	13.01	44,408	40,664	9.75	119,927	31.18	41.18	44.40		
69	Jefferson National Bank, Charlottesville, Va.	454,859	497,987	-8.66	250,204	280,770	-10.89	48,537	47,362	2.48	249,979	55.8*	71.70	63.66	
70	First of America Bank-Detroit, Mich.	452,484	321,370	40.80	62,439	59,985	4.09	100,953	38.74	249,979	55.8*	71.70	63.66		
71	Bank One, Dover, NA	449,162	371,132	21.02	80,985	79,774	1.52	6,734	8,171	-17.59	361,443	27.63	56.23		
72	Bank of the City Northwest, Toledo, Ohio	443,380	404,123	9.44	133,550	123,602	8.01	47,159	46,373	1.69	262,671	10.61	48.63	49.09	
73	AmSouth Bank Florida, Pensacola	441,994	391,207	12.98	331,699	293,898	12.86	19,330	14,446	33.81	90,965	9.78	62.21	59.89	
74	Premier Bank, Newark, Del.	441,723	384,708	14.82	5,051	0		0	0		436,672	13.51	100.00	100.00*	
75	Bank One, Akron, NA	430,722	401,724	7.22	343,720	317,810	8.43	7,940	5,860	35.49	79,062	0.26	85.04	81.72	
76	Bank One, Lima, NA, Ohio	430,185	421,761	99.48	219,070	84,710	157.43	42,599	23,837	78.67	168,516	90.69	69.10	64.20	
77	S&T Bank, Indiana, Pa.	418,517	382,052	9.54	261,626	218,964	19.48	24,416	18,543	31.67	132,475	-8.35	60.48	61.60	
78	Bankmer's Bank of Southern Missouri, Springfield	417,489	389,704	7.13	282,708	263,758	11.42	19,000	12,739	16.48	119,997	-2.88	51.40	52.90	
79	First National Bank, Columbia, Ohio	416,767	398,393	4.61	126,938	178,500	28.89	32,921	31,397	4.85	233,432	-11.09	44.92	47.07	
80	First of America Bank-Michigan NA, Kalamazoo	410,723	381,150	7.76	198,912	163,866	21.39	16,099	14,369	12.04	196,712	44.42	75.28	69.61	
81	Pennsylvania Bank NA, Bethel, Calif.	408,781	403,876	1.21	91,375	173,269	1.22	20,207	54,053	13.24	172,199	-2.47	52.98	51.37	
82	NBD Bank, Columbus, Ohio	406,200	258,219	57.33	62,821	37,819	66.11	764	0	905.26	342,675	-15.44	49.19	47.38	
83	Society Bank South-Central, Toledo, Ohio	403,539	379,006	6.22	230,603	182,780	26.16	92,965	102,571	-9.37	77,971	-15.44	49.19	47.38	
84	Summit Bank, Fort Wayne, Ind.	403,537	449,050	-10.14	163,306	164,050	-0.44	51,472	50,982	0.96	188,739	-19.35	37.81	40.17	
85	First of America Bank-Mid Michigan, Grand Rapids	402,796	406,618	-0.94	256,967	273,108	-5.91	24,725	23,183	7.34	121,104	-10.36	65.52	59.56	
86	Summit Bank of Albuquerque NA, N.M.	402,348	354,525	13.49	163,675	145,921	12.17	5,535	6,540	-15.37	253,138	15.38	47.62	42.32	
87	Bennett Bank of Naples, Fla.	401,734	388,826	17.27	348,010	281,002	23.85	14,994	12,553	5.89	38,730	11.03	71.09	63.31	
88	Mid Bankwell & Dairy Bank, Milwaukee	396,293	415,936	-4.72	221,001	239,349	-7.67	31,763	29,520	7.60	143,529	-2.41	24.39	25.92	
89	North Fork Bank, Mattituck, N.Y. (b)	396,426	506,655	-21.76	175,121	390,796	-21.93	20,199	28,863	-12.83	65,154	-25.91	37.72	41.43	
90	First National Bank of New York	393,088	439,658	-8.51	126,938	178,500	28.89	32,921	31,397	4.85	233,432	6.13	55.67	50.47	
91	Marquette Bank Minneapolis NA	390,328	420,915	-7.27	187,055	213,925	-12.56	47,738	53,305	-10.06	155,534	1.42	59.07	62.61	
92	CCNB Bank, NA, Camp Hill, Pa.	390,325	407,432	-10.80	277,235	292,891	-11.93	42,758	36,864	15.99	89,511	-16.87	61.66	60.08	
93	First National Bank, Gainesville, Ga.	389,627	386,129	0.91	195,291	221,297	-11.75	13,687	11,521	18.80	180,649	17.83	65.82	63.57	
94	Summit Bank of Manatee County NA, Bradenton, Fla.	389,126	421,400	-7.66	260,996	290,757	4.08	11,177	11,494	-2.16	116,953	-26.56	68.20	71.86	
95	Bank One, Lexington, NA, Ky.	383,550	394,277	-2.72	103,475	121,214	-14.63	65,782	68,725	-4.28	214,293	-4.87	41.70	37.48	
96	Bank One, Cleveland, NA, Ohio	383,047	360,788	6.17	181,467	181,262	2.13	0	0		201,580	10.25	58.23	47.27	
97	Bank of Oklahoma, Tulsa, Okla.	382,727	294,302	30.05	252,053	169,524	48.68	12,643	36,355	-65.22	118,031	33.48	28.06	26.33	
98	Bank of Oklahoma, Tulsa, Okla.	380,013	348,579	52.87	253,322	143,440	76.66	12,333	11,830	4.25	114,358	22.57	73.75	67.01	
99	Fifth Third Bank-Northern Ohio, NA, Piqua	377,824	361,330	4.57	110,999	103,224	7.44	12,316	13,652	-9.79	254,599	4.15	59.54	63.18	
100	First of America Bank-Illinois NA, Peoria	376,418	364,410	3.30	205,618	276,017	7.10	37,110	40,796	-9.04	43,690	-8.21	60.05	58.28	
101	Bank of New Hampshire, Manchester, New Hampshire	374,302	560,674	33.24	44,951	66,874	32.78	60,555	7,363	450.79	288,796	-40.63	50.59	66.96	
102	First South Savings Bank, Florence, S.C.	374,205	414,672	-9.76	193,915	203,464	-5.30	28,164	33,221	-15.22	153,166	-13.95	29.80	33.14	
103	Sun Bank Miami NA, Fla.	374,205	294,294	41.88	11,371	84,025	-15.06	4,900	4,267	14.83	297,655	69.12	93.44	87.24	
104	Mercantile Bank Illinois NA, Alton	368.2	426.7	6.36%	$230.0	$261.1	14.47%	$64.3	$49.2	16.23%	$277.8	-8.20%	40.63%	39.58%	

Totals for the Top 300 (in $ billions)

Data Sources: Data provided by **Shandwick Information Services Inc.**, Austin Texas, from its data base of the federal regulatory report of condition. Data for 1991 have been adjusted for subsequent bank acquisitions made on a pooling of interests basis. **Total Consumer Loans** are the sum of 1-4 family mortgage loans, home equity loans, credit card loans, and other consumer loans. **1-4 Family Mortgage loans** are loans secured by 1-4 family residential properties. First and second mortgage loans are included, home equity lines are excluded. **Home equity loans** are revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit. **All other consumer loans** are loans to individuals for household, family, and other personal expenditures. Included in this category are consumer loans to purchase autos, mobile homes, and recreational vehicles. Also included are all other extensions of credit to individuals for household, family, and other personal expenditures arising from bank credit card or check credit plans and other revolving credit plans. **Other Consumer Loans** are all other consumer installment loans and single payment consumer loans. **% of total loans** is the ratio of total consumer loans to total loans. **Total loans** are Loans and leases, net of unearned income. **(a)**—Bank was formed on Oct. 31, 1992, when the FDIC seized the former *First City Texas-Houston, NA*. The bank was then sold by the FDIC to *Texas Commerce Bank, NA, Houston*, on Jan. 27, 1993. The 1991 data are for the former *First City Texas-Houston, NA*. **(b)**—The 1991 data are for the former *North Fork Bank and Trust Co.* of Mattituck. **(c)**—The former *Southeast Savings Bank, Florence*, was converted from a savings bank to a commercial bank and changed its name and location. The 1991 data are combined data for both institutions.

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Card Loans Fell Last Year for First Time Since 1981

By STEPHEN KLEEGE

For the first time since 1981, commercial banks' credit card loans shrank last year as refinancing home-equity consumers moved to reduce their debt burdens.

Total card loans outstanding fell by 1.9% to $134.4 billion, according to *American Banker*'s annual survey of consumer lending.

Meanwhile, banks' total consumer loans, including mortgages, grew by 3.2%, to $849.3 billion. The growth rate was up from the 2.4% of 1991 but was still meager compared with the double-digit increases of the 1980s, which made the loans the major contributor to bank profitability.

The 1992 data showed mortgage loans grew by a respectable 8.2%, to $390.1 billion, and home equity loans rose 4.3% to $73.3 billion.

Consumer Thrift

But even those growth figures reflected consumer frugality. Bankers report that many customers were refinancing their homes and using the proceeds to pay down more expensive loans, or using home equity loans – with their tax-deductible interest – to replace other forms of borrowing.

"In 1992, the consumer market we just about flat," said Donald W. Grigsby, executive vice president at Shawmut National Corp., which sold its credit card business in 1991.

The people who borrowed money, he said, were generally drawing on lower-cost lines secured by homes.

In any event, the credit card decline was far less severe than in 1981, when an energy crisis and ballooning interest rates caused a collapse in outstandings to $11.45 billion from $29.9 billion.

In the wake of loan-loss declines in energy and commercial real estate, banks have shifted their commitment to consumer loans, which they continue to regard as a more profitable business line.

"The attractiveness of consumer lending is in its dispersion of risk within a wide base of customers, demographically and geographically," said David W. Glazer, president of statewide retail banking at Banc One, Texas.

Shift to Consumer Loans

Although the pace was glacial, the banks did manage to shift their weight toward consumer and away from commercial loans. While the ratio of total consumer portfolio grew 3.2%, total loans, including commercial, were declining by 1% to $2.03 trillion.

At Dec. 31, consumer loans accounted for 40.63% of total loans held by the top 300 banks, up from the 39.71% a year earlier.

The fastest-growing consumer portfolio, for example, at Corp.'s lead bank in Minneapolis, did not reflect a pure increase in loan demand. Norwest leapt to 10th place in the rankings, from 38th, as its portfolio bulged by 192% to $6.9 billion.

"The lion's share of the growth came from new family adjustable-rate mortgages," said Charles D. White, Norwest banking group treasurer.

Mr. White also said that some of the growth in Norwest's portfolio in Minnesota and at a credit card unit in Iowa came about because credit card and automobile loans that were sold as securities a few years ago were maturing and returning to the balance sheets.

Similarly, at Bank One, Texas, the 187% growth in the home



David W. Thomas
Risk is dispersed

equity portfolio represented purchases of loans from out-of-state lenders, not new lending by the bank. Mr. Thomas pointed out that home-equity lending is illegal in Texas.

The *American Banker* survey, based on data from regulatory reports, also showed continued consolidation in the bank consumer lending business.

Growth of consumer assets at the top 300 banks, at 6.4%, was double that of the industry at large. Consumer lending rose even faster – 7.26% – at the top 100 consumer-lending banks.

BankAmerica Corp.'s main unit in San Francisco again topped the lending rankings, with its lead over No. 2 Citibank of New York, partly as a result of its merger of Security Pacific Corp. Bank of America held $48.8 billion of consumer loans, up from $36.2 billion a year earlier. Citibank Citicorp's flagship grew less than 1%, to $28.9 billion.

Chemical Banking Corp.'s lead unit in New York jumped to third place, from eighth. A spokesman said the company's merger with Manufacturers Hanover Corp. was not a factor.

About $2 billion of the growth represented a growing mortgage business, he said, and a significant portion of the remaining increase was due to moving a credit card operation to New York from Delaware. □

OUR INTEREST IN THE ITALIAN MARKET STARTED 500 YEARS AGO.

We are a bank whose origins date back to 1459 and all assets are in good of our centuries of activity in Italy. But to be equal to our history and tradition, we are also aware of the continuous need for development and innovation.

Banco di Sicilia S.p.A. today operates as a diversified group, being in a position to offer a full range of financial services and capital complement, a wide range of banking products and financial services from mortgage loans to leasing, from factoring to unit trusts, from banking to consultancy transactions.

In particular, as already through our network of over 300 branches in Italy and four branches abroad - London, Paris, Frankfurt, New York - plus a representative office in Singapore and a subsidiary Banco di Sicilia International S.A., Luxembourg.

Through this network, as ever it gives confidence competitive services to the business activity of foreign companies in Italy, as well as of Italian companies abroad.

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BDS
BANCO di SICILIA

MORE EXPERIENCE IN ITALIAN BANKING.

The Top 100 Large Community Banks

Based on the return on average assets for 1992 (dollar amounts in thousands)

Rank 1992		Before-Tax Op. Inc. Avg. Assets 1992	Before-Tax Op. Inc. Avg. Assets 1991	Before-Tax Op. Inc. Avg. Assets 1990	Overhead Ratio 1992	Loans as a % of Assets 1992	Total Assets 12/31/92	3-Year Asset Growth 1989-92	Nonacc. Loans as a % of Loans 12/31/92	Net Income 1992	Full-Time Equiv. Staff 1992	Pre-tax Op. Inc. Per Empl. 1992	Pre-tax Op. Inc. Per Empl. 1991	Pre-tax Op. Inc. Per Empl. 1990
1	Kentucky Farmers Bank, Cattlettsburg	8.998	3.361	34.622	14.504	3.08	31.16	130,679	24.3	0.44	11,041	4,001	32	111	86
2	Tri-State Bank & Trust, Hagerstown, Md.	5.683	5.994	40.264	67.040	4.71	32.23	59,518	164.7	0.35	3,342	3,217	23	220	203
3	Bank of Hoven, S.D.	3.737	3.697	35.000	45.576	11.28	70.77	105,876	48.6	0.74	3,656	3,212	37	145	141
4	Citizens First Bank, Rusk, Tex.	3.549	2.089	40.718	23.302	1.56	37.21	184,664	247.6	0.62	6,500	2,985	46	201	79
5	Corpus Christi National Bank, Tex.	3.543	3.543	39.256	50.042	2.44	34.67	675,634	15.9	0.20	22,925	6,164	256	97	25
6	McDowell County National Bank, Welch, W.Va.	3.260	3.021	13.540	12.282	2.07	37.34	130,433	17.5	1.12	4,228	3,637	46	120	118
7	First National Bank, Kirksville, Mo.	3.256	3.117	47.619	19.629	2.07	64.32	217,311	106.6	1.24	6,413	1,851	87	45	45
8	Hanover Trust Bank NA, Salem, Ore.	3.172	2.760	22.489	20.112	2.23	21.87	126,164	35.0	0.00	3,777	2,957	51	111	87
9	First National Bank of Michigan, East Lansing †	3.100	2.256	37.389	28.766	3.46	77.72	103,911	25.9	1.03	3,227	2,450	41	92	96
10	Mercantile Bank NA, Edwardsville, Ill.	3.047	2.000	45.885	34.400	2.67	26.68	404,191	-10.5	0.29	12,135	8,201	193	64	40
11	Bank of the West, Austin, Tex. †	3.046	1.744	41.687	22.817	3.08	18.54	242,367	750.5	-0.18	6,314	1,936	110	30	30
12	First Bank of Oak Park, Ill. †	3.035	2.760	50.154	31.784	6.67	72.32	140,286	13.0	4.46	4,439	3,611	78	50	40
13	First Southern National Bank Garard County, Lancaster, Ky. †	3.016	1.810	42.058	22.323	3.30	66.57	56,807	38.2	0.21	1,594	738	77	111	50
14	Fidelity Bank, Fort Worth, Tex. †	2.972	1.960	41.165	28.040	6.21	70.62	1,348,348	174.4	0.69	3,275	1,304	37	54	59
15	Security State Bank, Pearsall, Tex. ‡	2.968	2.083	37.334	29.941	1.58	33.09	120,251	24.9	0.70	3,440	2,274	31	147	90
16	Bank of Wheaton, Minn. †	2.933	3.619	24.359	14.719	1.63	29.60	60,152	9.5	0.07	1,690	1,564	38	128	70
17	Army National Bank, Fort Leavenworth, Kan. †	2.926	1.343	42.409	18.777	5.29	63.50	194,360	60.1	0.88	5,400	2,141	202	42	13
18	Prudbank NA, The Woodlands, Tex.	2.893	1.499	42.950	40.428	4.44	43.43	61,528	101.6	0.05	1,591	523	34	47	19
19	Texas Bank, Odessa †	2.885	2.558	36.030	34.061	4.66	42.27	108,011	130.7	0.35	3,000	2,320	82	57	48
20	First State Bank, Columbus, Tex. †	2.830	2.830	31.117	30.975	2.17	14.44	80,492	21.0	0.05	2,098	1,976	17	152	153
21	Fort Hood National Bank, Tex. ‡	2.781	2.481	34.857	33.084	15.10	14.29	69,733	7.5	0.04	1,987	1,854	51	60	25
22	Peoples National Bank, Pasadena, Tex.	2.766	1.867	31.101	25.127	4.63	71.27	58,033	54.4	0.26	1,554	1,009	36	65	39
23	Bank of Inverness, Fla. †	2.746	1.105	32.994	20.514	1.59	16.18	252,269	6.5	0.25	7,017	2,837	69	133	51
24	First National Bank, Newton, Tex. †	2.711	2.096	35.366	29.544	3.49	63.89	61,202	106.3	0.26	1,550	919	37	62	41
25	Farmers Savings Bank, Spencer, Ohio	2.650	2.650	40.481	10.057	1.70	47.37	75,439	35.9	0.29	1,999	1,677	38	60	50
26	Broadway Bank, Chicago	2.639	1.363	29.970	17.493	2.88	64.53	68,398	29.1	0.78	1,745	790	24	117	49
27	West Bee Moore State Bank, Iowa †	2.639	2.344	23.717	16.425	1.26	68.98	335,362	26.1	0.29	8,422	4,000	50	109	109
28	First American Bank, Bryan, Tex. †	2.614	2.608	27.039	32.816	3.47	33.38	328,371	99.5	0.06	7,876	7,091	166	60	50
29	Northwest Trade, Oklahoma City, Okla. †	2.608	1.356	37.500	30.556	3.50	51.45	77,941	-2.7	0.50	2,138	1,440	54	72	73
30	First Bank & Trust Co. of Illinois, Palatine †	2.604	1.915	25.295	21.472	2.63	47.54	92,402	24.2	0.92	2,241	1,629	36	68	61
31	First National Bank, De Ridder, La.	2.596	1.661	17.343	12.348	1.73	19.96	108,288	10.1	0.15	2,813	2,534	34	116	65
32	First National Bank, Montrose, Colo. †	2.596	1.913	33.007	25.987	2.99	65.45	74,222	54.1	0.19	1,782	1,127	40	63	37
33	Citizens National Bank, Maryville, Mo. †	2.570	2.152	43.158	29.139	1.93	41.32	273,839	130.1	1.37	6,708	3,129	83	116	83
34	Commerce Bank, Cuero, Tex., Raymond, Tex. ‡	2.560	1.955	31.585	25.385	4.18	26.03	263,415	21.3	0.92	6,268	4,277	155	60	35
35	First National Bank, Henrietta, Tex. ‡	2.563	1.898	26.038	20.418	2.82	54.38	58,514	18.0	2.78	1,474	1,062	74	57	79
36	Mountain State Bank, Tex. †	2.546	1.967	16.738	13.359	1.46	27.12	51,890	33.0	0.12	1,289	1,078	30	163	128
37	Snyder National Bank, Tex.	2.517	1.772	19.873	14.542	2.45	30.14	101,436	29.8	3.75	2,486	1,557	40	74	45
38	Trimont Bank, Calif. †	2.512	1.974	30.562	20.557	6.22	79.24	304,343	34.5	0.42	7,499	4,888	61	77	109
39	Citizens Bank, Fayette, Ala. †	2.510	1.820	11.245	8.287	1.51	29.72	104,222	14.1	0.68	2,640	1,819	25	158	95
40	Citizens Bank & Trust Company, Eufaula, Tenn. †	2.507	2.507	29.676	20.000	2.56	43.06	85,881	22.6	0.22	2,063	1,450	41	72	66
41	First National Bank, Oksena, Okla.	2.505	2.374	10.959	10.692	1.51	27.70	58,734	25.2	0.39	1,331	1,163	15	118	113
42	Crystal River Bank, Fla. †	2.500	1.053	27.756	11.464	0.38	22.92	75,318	7.8	0.01	2,100	1,500	34	116	53
43	Midwest State Bank, Oskaloosa, Iowa †	2.499	2.061	29.373	24.950	3.47	56.16	125,421	17.4	0.77	3,004	2,328	68	63	51
44	La Grange State Bank, Tex.	2.496	1.361	29.566	20.505	2.57	30.83	107,162	16.1	0.79	2,576	1,776	41	95	38
45	Community Bank, Canon City, Nev.	2.492	1.758	31.244	23.019	14.62	59.64	58,738	87.2	0.86	1,293	643	47	41	20
46	Western National Bank, Odessa, Tex. †	2.491	2.628	24.749	31.866	3.75	47.53	149,554	35.8	0.56	3,871	2,744	54	59	59
47	Brighton National Bank, Salt Lake City, Utah †	2.473	2.595	25.013	21.500	5.90	62.44	66,760	40.8	0.21	1,515	1,282	50	47	40
48	Alliance National Bank & Trust Co., Neb. †	2.468	1.735	23.571	17.476	2.70	20.39	50,654	14.2	0.87	1,204	847	22	82	53
49	Bank Alma, Wis. †	2.461	2.461	27.104	20.557	6.22	79.24	304,343	34.5	0.42	7,499	4,888	61	77	109
50	Barnes Banking Co., Kaysville, Utah	2.453	1.973	17.653	13.899	2.03	40.79	133,284	49.8	0.14	3,039	2,092	58	73	53
51	Elsenhower National Bank, San Antonio, Tex. ‡	2.426	1.607	24.327	18.523	4.10	23.80	116,190	26.5	0.13	2,484	1,866	46	54	35
52	First Bank of Marietta, Ohio †	2.423	2.255	15.764	12.225	2.35	67.40	80,969	63.2	1.06	1,668	1,138	28	83	49
53	Marquette Bank, Mound, Minn. †	2.421	2.353	23.170	17.750	3.39	53.39	54,946	19.9	0.88	1,277	1,021	36	63	54
54	Farmers & Merchants State Bank, Pierz, Minn. †	2.404	2.404	27.209	20.561	2.45	61.57	53,195	28.1	0.27	1,233	802	23	79	51
55	Commerce Bank, Carthage, Tenn.	2.404	2.372	15.323	15.134	1.49	59.62	219,870	33.4	1.23	5,000	3,552	73	95	38
56	Delaware Trust Co., Wilmington	2.402	1.051	31.594	13.293	2.17	22.71	62,856	8.5	0.23	1,585	687	38	73	30
57	Farmers & Merchants State Bank, Derby, Kan. †	2.393	0.997	31.614	15.054	3.30	47.17	62,198	19.2	0.07	1,411	1,060	29	50	18
58	First Bank & Trust Co., Duncan, Okla.	2.393	1.913	30.099	25.369	3.04	57.64	70,824	41.5	1.01	1,566	1,083	40	90	70
59	First State Bank, Harrah, Okla. †	2.384	2.944	26.078	38.640	1.80	10.26	112,797	130.1	0.18	2,440	2,360	40	94	86
60	First Country Bank, Austin, Tex. †	2.381	2.381	25.369	19.111	4.02	62.96	90,062	234.5	0.39	1,221	1,221	46	91	91
61	Woodforest National Bank, Houston, Tex. †	2.357	2.371	37.226	37.913	3.71	19.90	104,674	52.0	0.00	2,560	2,300	53	61	40
62	First Bank & Trust Co., Cleveland, Tex. †	2.341	1.387	36.435	31.949	3.49	30.53	66,815	17.4	0.15	1,540	1,540	39	69	69
63	Bank of La Grange Park, Ill. †	2.321	1.756	27.828	21.469	2.47	35.80	66,499	-9.0	0.17	1,519	1,154	17	99	69
64	First National Bank, Vancouver, Wash. †	2.321	1.767	21.456	17.448	2.48	23.82	468,061	23.8	0.04	10,421	7,421	215	45	45
65	Marine Trust & Banking Co., Jasper, Tenn. †	2.317	2.278	27.217	26.784	4.74	58.21	53,339	8.5	0.29	1,219	1,186	45	38	38
66	First National Bank, Clifton Forge, Va.	2.313	2.014	14.076	12.490	1.99	47.82	68,135	12.7	0.09	1,953	1,220	20	107	93
67	Citizens State Bank, Tex.	2.311	1.592	13.382	9.569	2.34	15.54	61,540	14.4	0.09	1,376	886	17	119	81
68	First National Bank, Pryor, Okla.	2.304	1.597	13.825	10.020	3.22	29.50	80,901	16.7	0.44	1,754	1,529	29	97	56
69	First National Bank, Sky City, Tex.	2.295	1.915	19.441	15.776	2.90	58.21	53,339	8.5	0.29	1,219	1,186	45	38	38
70	First National Bank, Lincoln, Neb. †	2.292	1.707	10.477	8.300	2.38	10.97	175,376	28.8	0.06	3,938	2,848	97	77	61
71	Central National Bank, Alva, Okla.	2.287	2.287	25.369	19.111	4.02	62.96	90,062	234.5	0.39	1,221	1,221	46	91	91
72	Citizens Bank-Quad Cities, Silvis, Ill. †	2.287	1.415	28.366	22.364	3.36	42.25	109,161	-7.9	0.86	2,479	1,650	12	99	93
73	Bank of Granite, Granite Falls, N.C. †	2.286	2.112	17.444	17.543	2.08	63.56	361,514	24.1	0.23	7,914	6,953	151	75	66
74	Bank of Newton, Miss. †	2.284	1.977	16.274	15.924	2.52	45.67	103,574	14.7	0.41	2,289	1,996	37	72	71
75	First State Bank & Trust Co., Park Ridge, Ill. ‡	2.280	2.070	19.273	18.567	2.68	50.87	181,751	18.3	0.83	4,205	3,544	73	83	68
76	First State Bank, Troy, Tex.	2.271	1.707	25.369	22.175	2.29	62.69	108,662	23.5	0.23	2,479	1,650	43	82	64
77	Farmers & Merchants Bank, Dublin, Ga.	2.261	1.904	16.682	14.965	2.32	62.88	173,470	25.3	0.33	3,779	2,980	69	81	68
78	Wasatch Bank, Orem, Utah †	2.251	1.511	26.480	20.014	5.15	67.23	68,375	66.6	0.31	1,440	1,229	56	47	30
79	First Dakota National Bank, Yankton, S.D. ‡	2.249	1.391	24.833	15.188	3.50	61.58	180,257	36.1	0.48	3,769	2,101	92	55	31
80	Pacific Continental Bank, Eugene, Ore.	2.249	2.214	23.554	21.534	4.82	70.80	76,499	85.7	0.28	1,699	1,600	43	50	43
81	Ed Fogg Bank, Pa.	2.242	0.558	5.246	5.246	2.14	27.60	114,787	7.0	0.00	2,480	618	51	58	20
82	NB Bank & Trust Co., Weimar, Tex.	2.235	1.796	19.293	15.117	2.07	23.03	84,878	62.5	0.16	1,884	1,311	27	101	72
83	Chambers Bank, Tex.	2.228	1.383	17.563	13.563	3.80	54.42	108,661	34.1	0.43	2,479	1,650	43	82	64
84	First Bank of Immokalee, Fla.	2.226	2.273	17.824	17.326	3.93	76.14	50,124	61.9	3.32	1,001	891	33	46	42
85	First National Bank, Hamilton, Tex.	2.224	2.224	19.273	18.567	2.10	19.92	59,139	0.15	0.83	1,440	1,229	32	73	79
86	Bervyn National Bank, Md. ‡	2.208	0.051	15.067	0.385	3.03	12.66	75,438	11.2	0.00	1,611	36	23	90	2
87	Chambers Bank, Hebbronville, Tex.	2.208	2.179	19.166	Merchants Bank, Spelga, Ark.	1.82	38.33	121,746	10.2	0.32	2,756	2,240	40	86	85
88	Bank of Jena, La. †	2.204	0.857	30.644	13.907	3.97	49.27	50,007	-0.9	0.35	1,049	416	36	49	19
89	National Bank of Canton, Ill. †	2.195	1.631	20.783	16.560	2.69	29.02	136,273	9.0	0.05	2,999	2,500	61	64	54
90	First National Bank, Pampa, Tex.	2.195	1.355	15.196	9.866	1.62	16.10	196,196	6.7	0.43	4,187	2,518	49	126	76
91	Clovis Community Bank, Calif.	2.194	1.725	24.169	20.000	5.05	53.16	104,272	64.0	0.76	2,545	1,644	54	64	44
92	Nafto National Bank, Pa. †	2.187	1.736	18.396	13.723	1.37	50.50	50,000	37.2	0.23	1,855	1,346	17	133	96
93	Farmers Bank, Greenwood, Ark. †	2.186	1.535	17.391	13.629	2.41	42.71	94,660	62.5	0.41	2,010	1,397	37	125	73
94	Citizens Bank & Trust Co., Chillicothe, Mo. ‡	2.183	1.447	11.757	8.260	2.17	47.50	226,560	19.6	0.74	4,770	2,740	62	125	73
95	Bank of Commerce, Stilwell, Okla.	2.171	1.447	11.757	8.260	3.05	27.02	66,054	24.6	0.31	1,386	886	30	63	38
96	Oklahoma State Bank, Ada, Okla. †	2.171	1.447	11.757	8.260	2.10	19.02	93,139	0.15	0.83	1,440	1,229	32	73	79
97	Land Bank of Shamrock, Kib. †	2.171	1.691	22.369	18.644	2.68	68.36	122,060	29.4	0.20	2,591	1,990	49	83	60
98	First National Bank, Pampa, Tex.	2.170	1.422	13.546	9.109	2.61	40.30	72,290	19.1	0.43	1,554	1,554	40	45	26
99	Damascus Community Bank, Md.	2.161	1.565	13.204	11.220	2.35	58.13	74,640	93.9	0.53	1,519	915	32	75	50
100	Stadium Volume for Top 100 Banks	2.46	1.90	28.53	18.71	2.86	44.58	102,566	27.0	0.32	2,396	1,662	42	81	51
	Mean values for 100 banks	2.62	1.92	26.02	20.25	3.36	43.89	131,917	48.6	0.54	3,563	2,149	69	88	59
	Mean values all banks with assets between $50 mil.-$1 bil.*	1.69	0.78	12.69	9.75	3.51	53.90	107,444	33.7	0.90	1,989	1,014	29	61	35

Data source: All data provided by **Sheshunoff Information Services Inc.**, Austin Texas. A **large community bank** is an FDIC-insured commercial bank that accepts deposits and makes loans between **$50 million and $1 billion** on Dec. 31, 1992. The bank may be independently owned or owned by a holding company whose consolidated total assets are less than $1 billion on Dec. 31, 1992. The bank must be profitable in each of the last three years 1990-1992 U.S. bank subsidiaries of foreign banks are

excluded. **Return on Average Assets and Average Equity Capital** net income for the year before extraordinary items divided by average assets or average equity capital and pre-tax income per employee **Loans as a % of Assets** loans divided by total assets. **Asset Growth Rate** the percentage change in assets over the period Dec. 31, 1989, to Dec. 31, 1992. **Nonacc. Loans as a % of Assets** loans past due 90 or more days plus loans on a nonaccrual basis divided by total end-of-period assets. **Net income:** income after taxes but before extraordinary items **Full-time Equiv. Staff** the number of employees at the end of the year as reported by the bank. **Pre-tax Op. Inc. Per Empl.** each bank's net income for the year divided by the number of employees at the end of the year. **Overhead ratio** is overhead expense as a percentage of average total assets. **Overhead Ratio Rank** is bank's rank based on its overhead ratio.

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The Top 100 Most Profitable Large Community Banks

Based on the return on average assets for 1992. The banks are listed geographically in order of their ROA within states and have been ranked by their return on average equity capital and pre-tax income per employee (dollar amounts in thousands)

1992 ROA RANK		1992 ROE	1992 ROE RANK	Pre-tax Op. Inc. Per Empl.	Pre-tax Op. Inc. Per Empl. Rank
	ALABAMA				
39	Citizens Bank, Fayette †	11.245	96	158	6
59	First State Bank, Harrah †	13.548	88	94	86
	ARKANSAS				
86	Bank of Newton Vew	13.055	92	73	57
88	Arkansas State Bank, Siloam Springs	19.166	69	86	41
93	Farmers Bank, Greenwood †	17.391	75	109	24
	CALIFORNIA				
38	Trimont Bank, Calif. †	38.542	13	38	68
92	Clovis Community Bank	24.169	55	64	44
	COLORADO				
32	First National Bank, Montrose †	33.007	24	63	68
	FLORIDA				
23	Bank of Inverness †	32.304	26	133	13
42	Crystal River Bank †	27.756	40	84	44
56	Dunnellon State Bank †	31.594	29	73	56
85	First Bank of Immokalee	17.824	71	89	39
	GEORGIA				
78	Farmers & Merchants Bank, Dublin	16.682	79	81	50
84	Hinesville Bank †	19.383	66	43	90
	ILLINOIS				
12	First Bank of Oak Park †	35.371	19	50	85
26	Broadway Bank, Chicago	25.970	34	117	26
30	First Bank & Trust Co. of Illinois, Palatine †	25.295	50	88	40
63	Bank of La Grange Park †	27.828	39	99	32
72	Citizens Bank-Quad Cities, Silvis †	32.000	126	17	111
73	Pinnacle Bank-Quad Cities, Silvis †	26.818	46	86	42
75	First State Bank & Trust Co., Park Ridge †	19.273	83	83	45
87	Berwyn National Bank †	15.067	84	90	39
94	Citizens Bank & Trust Co., Chillicothe, Mo. †	20.578	63	64	56
	IOWA				
27	West Des Moines State Bank †	23.771	56	123	19
43	Mahaska State Bank, Oskaloosa †	29.373	36	63	67
	KANSAS				
17	Army National Bank, Fort Leavenworth †	42.409	5	42	91
57	Farmers & Merchants State Bank, Derby †	31.614	28	50	83
	KENTUCKY				
1	Kentucky Farmers Bank, Cattlettsburg	34.632	3	270	1
13	First Southern National Bank Garard County, Lancaster †	42.058	6	111	50
	LOUISIANA				
2	Tri-State Bank & Trust, Hagerstown	40.264	12	220	2
31	First National Bank, De Ridder	17.343	76	118	24
89	Bank of Jena †	30.644	33	29	96
	MARYLAND				
100	Delaware Community Bank	13.204	91	75	53
	MICHIGAN				
9	First National Bank of Michigan, East Lansing †	37.389	14	134	11
	MINNESOTA				
16	State Bank of Wheaton †	24.359	53	128	14
53	Marquette Bank, Mound †	12.170	94	67	64
54	Farmers & Merchants State Bank, Pierz †	27.029	45	79	51
	MISSISSIPPI				
7	First National Bank, Kirksville †	47.619	3	119	22
74	First National Bank, Meyrdale †	43.158	4	135	10
95	Citizens Bank & Trust Co., Chillicothe †	27.549	41	125	18
	MISSOURI				
48	Alliance National Bank & Trust Co. †	23.571	57	82	49
71	Union State & Trust, Union †	31.121	31	72	58
77	First State Bank, Scottsbluff †	25.769	49	82	48
	NEVADA				
45	Community Bank, Canon City	31.244	30	41	92
	NORTH CAROLINA				
74	Bank of Granite, Granite Falls †	17.444	74	75	52
	NORTH DAKOTA				
79	First Dakota National Bank †	22.369	62	83	47

1992 ROA RANK		1992 ROE	1992 ROE RANK	Pre-tax Op. Inc. Per Empl.	Pre-tax Op. Inc. Per Empl. Rank
	OHIO				
25	Farmers Savings Bank, Spencer	10.461	99	154	7
52	First Bank of Marietta †	15.764	81	83	45
	OKLAHOMA				
29	Northwest Trade, Oklahoma City †	36.583	47	67	61
41	First National Bank, Okeena	10.959	97	118	25
58	First Bank & Trust Co., Duncan	30.099	27	90	36
59	First State Bank, Harrah †	26.078	38	94	86
68	First National Bank, Pryor	13.825	87	97	33
71	Central National Bank, Alva	25.369	43	91	91
96	Bank of Commerce, Stilwell	11.757	95	63	69
96	Oklahoma State Bank, Ada †	11.757	95	73	54
	OREGON				
8	Hanover Trust Bank NA, Salem †	22.489	61	111	27
81	Pacific Continental Bank, Eugene	23.554	58	50	84
	PENNSYLVANIA				
82	Ed Fogg Bank	20.568	64	58	78
91	Nafto National Bank †	18.396	80	133	12
	SOUTH DAKOTA				
3	Bank of Hoven	35.005	21	145	9
80	First Dakota National Bank, Yankton ‡	24.833	51	55	80
	TENNESSEE				
46	Citizens Bank & Trust Co. of Granger County, Rutledge	19.076	70	71	60
55	Citizens Bank, Carthage †	15.323	82	119	21
65	Marine Trust & Banking Co., Jasper †	27.217	44	38	97
	TEXAS				
5	Corpus Christi National Bank †	40.718	11	201	3
6	Corpus Christi National Bank	61.256	2	97	34
10	Mercantile Bank NA, Edwardsville	41.685	8	64	65
11	Bank of the West, Austin †	41.687	7	59	76
14	Fidelity Bank, Fort Worth †	41.165	10	54	77
15	Security State Bank, Pearsall ‡	37.334	15	147	8
18	Prudbank NA, The Woodlands	42.950	9	47	87
19	Texas Bank, Odessa †	36.030	18	57	79
20	First State Bank, Columbus †	31.117	30	152	15
21	Fort Hood National Bank ‡	34.857	22	60	72
22	Peoples National Bank, Pasadena	31.101	32	65	63
24	First National Bank, Newton, Tex. †	35.366	20	62	70
28	First American Bank, Bryan †	27.039	44	60	74
34	Citizens Bank & Trust Co., Sulphur Springs †	29.676	35	72	59
35	First National Bank, Henrietta ‡	26.038	48	92	38
36	Mountain State Bank, Tex. †	16.738	85	163	5
37	Snyder National Bank	19.873	65	74	55
38	Trimont Bank, Calif. †	30.562	25	109	29
40	Western National Bank, Odessa †	24.749	52	59	75
44	La Grange State Bank, Tex.	29.566	37	95	38
47	Brighton National Bank, San Antonio †	34.327	23	54	81
48	NB Country Bank, Austin	41.491	9	47	86
61	Woodforest National Bank, Houston †	37.226	16	61	71
62	First Bank & Trust Co., Cleveland †	36.435	17	40	94
67	Colombus State Bank	13.382	90	119	23
70	First National Bank, Sky City	19.441	67	97	33
83	NB Bank & Trust Co., Weimar	19.293	67	101	31
97	First National Bank, Hamilton †	15.005	85	126	16
	UTAH				
47	Brighton Bank, Salt Lake City †	23.553	59	47	88
50	Barnes Banking Co., Kaysville	17.653	72	73	58
78	Wasatch Bank, Orem †	26.480	42	56	93
	VIRGINIA				
64	First National Bank, Clifton Forge	14.076	85	107	30
76	Tazewell National Bank †	17.104	77	72

The Top 100 Small Community Banks

Based on the return on average assets for 1992 (dollar amounts in thousands)

1992 Rank		Return On Avg. Assets 1992	Return On Avg. Assets 1991	Return On Avg. Assets 1990	Return On Avg. Assets 1989	Overhead as a % of Revenue 1992	Loans as a % of Total Deposits 12/31/92	3-Year Asset Growth 1989-92	Net Income 1992	Net Income Growth 1991-92	Full-Time Equivalent Staff 1992	Pre-tax Op. Inc. Per Empl. 1992	Pre-tax Op. Inc. Per Empl. 1991
1	Community Bank NA, Chillicothe, Ohio	3.229	64.221	43.006	3.022	72.19	37,716	17.0	1.10	1,903	1,057	19	165	96
2	Uinta County State Bank, Mountain View, Wy.	4.562	9.643	3.617	1.337	0.85	6,375	10.6	0.00	294	101	6	57	20
3	First National Bank, Geraldine, Mont.	4.311	1.491	31.537	15.040	4.01	38,776	11.989	-2.9	3.29	536	192	8	67	24
4	Wine State Bank & Trust Co., Wheatland, La.	3.882	1.555	49.356	24.619	4.61	60.89	31.239	54.3	1.10	1,066	352	20	54	19
5	Miami Valley Bank, Quincy, Ohio	3.786	3.782	3.752	3.660	7.92	70.89	42,816	193.1	0.34	1,355	555	69	30	17
6	Citizens National Bank, Shelbyville, Ohio	3.687	2.439	46.331	32.618	2.17	58.80	20,919	17.0	0.17	745	471	11	224	115
7	Traders State Bank, Glen Elder, Kan.	3.673	0.433	36.685	24.695	3.09	22.50	14,955	6.5	0.00	55	8	85	9	
8	Limestone National Bank, Sand Springs, Okla.	3.638	0.897	35.518	10.021	5.13	43.80	17,066	7.2	0.80	594	141	12	55	11
9	Bank of Commerce, McLoud, Okla.	3.463	2.093	1.662	28.584	3.62	44.03	17,930	4.3	0.63	582	390	12	81	53
10	American State Bank, Lawrenceburg, Ind.	3.444	0.541	50.010	7.850	5.34	43.98	32,710	30.9	0.28	1,021	137	38	26	4
11	First Delaware National Bank Association, Hicksville, Ky.	3.422	0.600	29.501	5.466	5.46	61.18	5,616	67.3	2.72	144	195	3	399	399
12	Avery County Bank, Newland, N.C.	3.230	3.270	13.388	13.816	2.12	39.17	41,041	21.2	0.17	1,268	1,217	13	136	116
13	Peoples State Bank, Rockagings, Tex.	3.148	2.188	25.395	17.381	1.89	16.60	29,044	35.4	0.03	913	594	13	146	134
14	First State Bank, Big Sandy, Tex.	3.128	1.492	23.851	11.966	3.72	36.54	20,658	19.3	0.28	626	292	13	60	32
15	Ho National Bank, McAllen, Tex.	3.123	0.843	40.140	25.000	2.56	15.85	29,405	15.6	0.66	816	208	25	95	54
16	Newton National Bank, Newton, Tex.	3.105	2.816	50.211	46.209	6.06	70.74	40,961	21.5	0.26	1,263	1,108	33	61	52
17	Lakeside Bank of Salina, Okla.	3.067	1.151	32.240	9.575	3.89	46.80	15,666	10.2	0.00	452	167	13	48	20
18	Northwest Missouri State Bank, Skidmore, Mo.	3.063	1.022	25.566	14.951	2.78	44.26	12,150	66.4	1.00	894	396	8	153	25
19	San Jose Tri County Bank, Ill.	3.062	0.389	50.833	7.316	4.22	72.18	6,028	17.2	0.43	177	85	3	133	
20	First National Bank, Wco, Tex.	3.058	1.177	54.109	29.330	3.20	27.74	19,949	4.8	0.03	560	226	13	45	17
21	First State Bank, Dime Box, Tex.	3.045	1.574	24.377	14.729	3.04	54.17	19,249	10.1	1.89	567	286	9	90	47
22	First Northern National Bank, Wilcox, Neb.	3.044	1.171	38.014	15.621	4.19	49.83	36,531	55.1	0.07	1,066	337	23	71	27
23	Peoples National Bank, Monument, Colo.	2.983	1.626	37.309	20.526	5.35	36.76	35,178	49.3	0.06	959	432	32	45	26
24	First National Bank, Tahoka, Tex.	2.861	1.677	24.888	15.417	2.17	21.04	49,888	4.6	0.14	1,232	783	18	62	39
25	First National Bank of Howard County, Dierks, Ark.	2.856	2.724	19.582	13.981	1.98	49.53	31,385	7.8	0.14	916	706	12	116	96
26	Security Bank of Holmen, N.D.	2.852	0.600	29.501	5.466	1.89	71.89	29,091	23.5	1.75	796	227	13	70	24
27	Citizens Bank & Trust Co., Ohio	2.828	1.584	24.728	15.488	2.97	49.53	41,007	-1.6	0.33	1,182	669	22	61	30
28	First National Bank, Appermont, Tex.	2.791	2.567	13.147	12.424	2.29	27.21	31,657	14.4	2.07	814	441	11	68	39
29	Bank of Holland, N.Y.	2.786	2.822	2.556	2.466	2.68	57.18	23,656	44.8	1.05	608	558	10	80	77
30	Jonesboro State Bank, La.	2.770	1.765	18.505	10.663	3.31	31.76	43,362	57.9	0.43	1,216	615	14	112	98
31	Magnolia Trust & Savings Bank, Mapleton, Iowa	2.769	2.207	16.887	14.606	2.55	52.71	38,603	0.1	0.00	1,062	916	14	112	98
32	Citizens Bank, Oregon, Mo.	2.761	2.104	18.621	14.639	3.01	33.56	16,190	16.9	0.00	417	296	6	112	97
33	Marshall Bank, Tex.	2.684	2.987	32.138	25.752	3.77	53.47	24,277	24.3	0.04	597	455	13	55	45
34	Bank of St. Edward, Neb.	2.679	2.195	14.376	13.352	3.23	49.57	23,953	14.8	0.03	620	503	6	140	113
35	First National Bank, Stratton, Colo.	2.669	2.433	15.664	11.710	3.46	40.65	40,601	2.5	2.59	1,080	427	26	42	17
36	First State Bank, Remsen, Iowa	2.627	1.461	17.427	10.633	2.42	26.41	28,107	33.6	0.62	726	396	9	108	56
37	Wilson State Bank, Tex.	2.620	1.467	17.313	10.663	3.18	30.94	38,412	17.2	0.37	906	440	18	72	38
38	Citizens National Bank, Acme, Colo.	2.619	2.068	18.186	14.694	2.96	33.24	46,082	5.3	0.92	1,176	914	19	91	71
39	American National Bank, Hamilton, Miss.	2.608	1.814	34.328	14.116	3.56	47.66	14,295	107.0	0.00	390	150	10	78	46
40	Guardian Parker Bond, Mineola, Tex.	2.602	2.293	28.030	21.919	4.74	43.49	29,186	58.	0.31	685	515	22	46	35
41	Security State Bank, Madison, S.D.	2.573	1.884	27.912	20.594	13.19	74.42	27,848	62.7	0.54	657	256	16	52	46
42	Farmers Bank of S.W. Missouri, Cassville	2.571	2.142	18.621	14.639	2.82	69.64	24,200	28.2	0.07	557	455	16	52	46
43	Security Bank, Flower Mound, Tex.	2.554	2.337	24.701	17.499	4.61	44.89	35,581	71.5	0.92	815	642	19	56	44
44	Hopkins State Bank, Okla.	2.536	2.118	18.015	14.639	3.28	63.72	42,854	30.4	0.25	1,204	1,042	46	117	79
45	Omnibank University Hills, Denver, Colo.	2.536	1.600	23.993	13.695	4.96	54.67	26,691	36.6	0.31	615	337	20	46	26
46	Security First National Bank, Nebraska, Ill.	2.533	1.672	22.788	14.606	3.40	37.06	41,104	22.0	0.00	1,222	1,014	9	94	81
47	Farmers & Merchants Bank, Des Arc, Ark.	2.527	2.246	10.950	9.030	2.49	50.19	35,449	1.1	0.15	936	843	19	67	56
48	Commercial Bank of Louisville, Colo.	2.526	1.640	27.677	19.708	3.03	37.06	23,104	6.5	0.06	905	420	12	72	48
49	Bank of Hamilton, Tex.	2.508	2.180	27.200	26.729	5.07	64.69	16,219	9.0	0.14	395	337	10	56	48
50	Home Credit Bank, Salt Lake City, Utah	2.501	1.256	30.000	14.135	3.84	87.66	14,295	57.0	0.00	390	150	10	78	46
51	Anchorage Bank, Glenwood Springs, Colo.	2.488	1.578	18.014	11.879	3.04	53.49	22,002	22.5	1.15	506	298	9	61	43
52	Bank of the Lakes, Langley, Okla.	2.483	1.655	24.782	17.945	2.95	21.93	19,450	41.1	1.10	503	283	11	69	44
53	Union Bank & Trust Co., Shelbyville, Tenn.	2.479	2.344	35.300	24.000	3.39	39.49	44,934	34.433	0.91	803	737	23	35	31
54	Stuarting Bank & Trust Co., Brantley, Ala.	2.459	1.676	16.325	11.736	2.26	48.64	30,345	13.7	0.38	742	490	12	92	59
55	Eagle Bank, Denver, Colo.	2.420	1.237	18.015	8.111	3.28	63.72	42,854	30.4	0.25	1,204	1,042	46	117	79
56	Grand National Bank of Colorado, Fresno	2.411	0.883	26.689	10.745	5.67	49.68	16,564	23.0	0.01	384	128	15	26	9
57	First National Bank, Shelby, Neb.	2.384	1.497	22.687	14.606	3.40	37.06	16,405	16.1	0.23	422	274	7	79	43
58	Skiby Island State, Ga.	2.384	1.802	12.231	10.888	3.09	39.39	12,314	7.6	0.24	302	245	5	75	60
59	Bank of Locust Grove, Okla.	2.363	2.306	23.956	21.434	4.68	53.77	20,007	29.3	0.00	497	227	9	67	30
60	Home Credit Bank-City Hts, Ill.	2.380	1.331	27.863	16.369	2.64	58.50	48,172	0.8	0.32	1,135	635	22	50	33
61	Exchange Bank, Gentner, Ill.	2.370	1.200	29.000	15.000	3.56	56.61	33,344	9.0	0.09	1,150	1,150	10	100	78
62	First State Bank, Fremont, Tex.	2.366	2.415	21.520	14.119	3.50	17.45	20,490	15.3	0.74	473	461	13	52	52
63	First & Citizens Bank, Monterey, Va.	2.359	1.432	15.397	9.601	1.91	54.31	37,339	27.1	0.69	956	498	8	117	56
64	American National Bank, Mt. Pleasant, Tex.	2.359	1.979	25.367	20.853	4.37	52.75	21,862	50.8	0.32	501	363	14	36	27
65	First Bank & Trust Co., Ft. Gibson, Okla.	2.358	2.139	28.917	28.292	3.96	69.87	18,144	19.6	0.02	433	379	13	54	48
66	Omnibank Mountain Shadows, Palmer, Tex.	2.354	1.600	23.866	30.094	5.67	56.01	27,027	75.1	0.25	446	446	16	45	32
67	Omnibank Arvada, Colo.	2.337	2.141	18.213	16.350	4.42	29.61	50,549	15.2	0.25	692	596	25	40	47
68	Peoples Bank & Trust Co. Ft. Pabtc Cooper, New Roads, La.	2.334	2.187	19.753	15.726	3.39	70.64	30,756	14.0	1.51	1,151	1,151	26	53	32
69	Bank of Milton, Ga.	2.326	2.010	18.577	15.271	2.58	56.31	36,389	12.5	1.35	851	707	17	65	56
70	Bank of Commerce, Greenville, Tenn.	2.324	1.096	25.000	12.597	3.21	65.63	17,581	50.0	0.00	446	446	16	45	32
71	Saxon State Bank, Wis.	2.323	2.345	11.630	11.498	1.21	56.24	16,872	37.7	0.01	360	331	5	88	94
72	Security State Bank, Pierce, Iowa	2.322	1.471	12.809	8.409	4.25	65.68	28,941	33.1	0.00	1,151	1,151	26	53	32
73	Crested Butte State Bank, Colo.	2.317	1.786	19.473	16.076	3.26	64.94	28,646	0.5	1.48	741	601	18	61	49
74	First Bank of Deer Park, Tex.	2.317	2.351	25.912	26.368	4.75	51.26	16,179	27.5	0.64	365	345	17	30	30
75	Bank of Commerce, Choctaw, Okla.	2.313	0.887	17.543	5.090	2.50	42.68	37,012	8.7	0.88	831	303	16	62	26
76	First Farmers National Bank of Waseka, Okla.	2.309	1.090	34.689	19.093	4.46	57.86	25,054	30.8	0.67	539	230	14	58	31
77	Farmers & Merchants State Bank, Knox, Tex.	2.309	1.090	34.689	19.093	4.46	57.86	25,054	30.8	0.67	539	230	14	58	31
78	Bank of Lucas, Crossville, Ala.	2.307	1.784	19.473	16.076	2.40	53.08	19,782	0.5	1.48	741	601	18	61	49
79	Seymour State, Tex.	2.284	1.846	21.314	16.960	2.46	55.55	47,004	31.2	0.18	1,058	795	21	66	47
80	Zook & Rossiter State Bank, Oregon, Mo.	2.282	1.842	27.813	23.664	2.64	35.39	11,647	14.8	0.00	265	202	5	77	60
81	Bank of Forkland, Ala.	2.279	2.225	13.502	14.340	3.50	58.88	12,793	19.0	0.01	278	257	12	36	35
82	First State Bank, Emmett, Ark.	2.273	1.778	28.960	18.788	3.77	73.34	23,934	56.3	1.50	717	319	19	28	17
83	Citizens State Bank, Cherry, Kan.	2.263	1.609	19.780	15.112	3.43	52.92	24,464	11.4	0.25	549	384	13	59	36
84	Bentlawn, Thornton, Colo.	2.263	1.609	19.780	15.112	3.41	63.89	6,103	33.1	2.67	136	73	6	24	18
85	Frontier Bank, Ellis, Kan.	2.257	1.273	25.187	15.988	2.10	44.94	37,596	34.6	1.34	843	454	12	97	48
86	First Bank, Ellis, Kan.	2.255	2.692	16.823	20.980	2.71	34.29	35,545	29.8	0.10	765	653	37	24	28
87	First Riley National Bank, Ian.	2.255	2.692	16.823	20.980	2.71	34.29	35,545	29.8	0.10	765	653	37	24	28
88	Farmers State Bank, Pierce, Iowa	2.252	1.582	3.411	9.894	3.41	8.96	15,976	2.3	0.00	361	125	9	64	16
89	First State Bank of De Beln, Ind.	2.254	2.571	10.790	10.394	3.23	16.25	4,599	69.0	0.24	99	77	4	79	43
90	Citizens State Bank, Raley, Tex.	2.248	1.778	28.960	18.788	3.77	73.34	23,934	56.3	0.00	423	222	7	75	43
91	Community Bank, Katy, Tex.	2.242	2.027	24.796	27.136	4.17	36.75	35,284	24.8	0.00	716	583	12	60	39
92	First Southern National Bank Wayne County, Monticello, Ky.	2.239	1.782	32.239	22.576	3.73	74.73	34,347	2.8	0.00	773	528	15	74	47
93	Stockman's National Bank, Nashville, Neb.	2.234	1.839	17.430	15.490	2.33	39.66	47,078	21.1	0.44	1,089	843	20	74	55
94	Omaha Bank, Jones, Iowa	2.233	1.763	16.887	12.061	2.38	16.59	26,115	14.6	0.05	435	441	8	87	83
95	First National Bank, Wheeler, Tex.	2.231	2.161	15.230	15.988	2.02	54.15	29,868	16.7	0.08	636	598	8	113	119
96	First National Bank of Cambridge, Somersville, Ga.	2.229	1.273	25.187	15.988	3.49	44.06	27,158	12.1	0.71	604	352	22	29	16
97	Ottoville Bank Co., Ohio	2.213	1.713	11.753	9.576	1.76	52.40	31,421	13.2	0.46	694	522	8	102	92
98	Liberty National Bank, Longwood, Fla.	2.212	1.538	14.993	13.692	5.10	72.04	34,349	38.6	0.84	725	455	27	43	33
99	New Richmond National Bank, Ohio	2.212	1.704	29.341	23.812	4.28	68.61	27,446	14.2	1.38	582	416	25	38	25
100	Victor State Bank, Iowa	2.210	1.803	18.082	14.606	2.21	36.43	34,376	40.0	0.62	525	387	15	75	28
	Stillman State Bank, Ala.	2.210	1.31	29.825	14.951	3.50	48.72	38,510	21.8	0.08	807	376	15	75	28
100	Duval County National Bank, Clear Lake, S.D.	2.208	0.269	23.807	3.179	3.53	60.27	41,648	18.6	2.76	894	106	24	38	6
	Median values for top 100 banks	2.49	1.80	24.76	15.38	3.32	49.88	27,302	18.3	0.31	634	410	14	65	42
	Mean values for top 100 banks	2.67	1.89	25.68	17.64	3.39	48.58	27,345	29.4	0.60	698	443	16	70	49
	Mean values all banks with assets less than $50 million*	0.97	0.79	10.37	7.18	4.11	49.77	26,940	22.4	0.82	365	181	7	27	20

Data source: **Sheshunoff Information Services Inc.**, Austin, Tex. **A small community bank** is an FDIC insured commercial bank that accepts deposits and makes loans and had assets **less than or equal to $50 million** on Dec. 31, 1992. The bank may be independently owned or owned by a holding company whose consolidated total assets are less than $1 billion on Dec. 31, 1992. The bank must be profitable in each of the last three years. 1990-1992 U.S. bank subsidiaries of foreign banks are excluded. **Return on Average Assets and Average Equity Capital:** net income for the year divided by the number of employees at the end of the year, respectively. **Overhead as a % of Assets:** overhead expense divided by average total assets. **Loans as a % of Assets:** total loans divided by total assets. **Asset Growth Rate:** the percentage change in assets over the period. **Net Income:** income after taxes but before extraordinary items. **Net Income Growth:** the percentage change in net income over the year divided by the number of employees at the end of the year. **Full-time Equivalent Staff:** the number of employees at the end of the year. **Pre-tax Operating Income Per Employee:** net operating income for the year divided by the number of employees at the end of the year. **(1)**— Owned by a multibank holding co. **(*)**— The 1992 data are for 5,509 banks with assets less than $50 million on Dec. 31, 1992, and the 1991 data are for 6,037 banks with assets less than $50 million on Dec. 31, 1991.

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The 100 Most Profitable Small Community Banks

Based on the return on average assets for 1992. The banks are listed geographically in order of their ROA within states and have been ranked by their return on average equity capital and pre-tax income per employee (dollar amounts in thousands)

1992 State Rank		1992 ROE	1992 ROA Rank	Pre-tax Op. Inc. Per Empl.	Inc. Rank
	ALABAMA				
54	Brantley Bank & Trust Co., Brantley	16.35%	79	92	21
77	Tekulk Bank, Crossville	26.61%	43	36	61
	ARKANSAS				
25	First National Bank of Howard County, Dierks	19.582	64	116	10
47	Farmers & Merchants Bank, Des Arc	10.950	96	67	44
51	First State Bank, Crossett	28.660	33	28	95
	COLORADO				
23	Peoples National Bank, Monument	37.309	13	45	76
38	Citizens National Bank, Akron	18.186	91	91	29
40	Omnibank Parker Road, Aurora	28.030	35	46	73
45	Omnibank University Hills, Denver	23.993	55	47	72
48	Commercial Bank of Louisville	27.677	39	72	39
55	Grand National Bank of Colorado, Fresno	26.689	42	26	96
67	Omnibank Arvada	18.213	69	40	80
72	Crested Butte State Bank	31.839	24	32	89
83	Bentlawn, Thornton	14.334	86	24	98
	FLORIDA				
96	Liberty National Bank, Longwood	14.993	82	43	77
	GEORGIA				
69	Bank of Milton	18.577	67	65	46
94	First National Bank of Chattooga County, Summerville	14.526	84	35	88
	ILLINOIS				
19	San Jose Tri County Bank	50.833	4	20	100
46	Security First National Bank, Nebraska	24.497	87	26	96
60	Allied Bank Coal City NA	27.863	37	50	69
61	Exchange Bank, Gentner	33.938	19	90	50
	INDIANA				
10	American State Bank, Lawrenceburg	50.010	6	28	94
	IOWA				
31	Magnolia Trust & Savings Bank, Mapleton	16.897	77	112	13
86	Farmers Savings Bank, Pierson	13.737	87	64	47
88	First State Bank, Remsen	10.783	98	57	57
98	Victor State Bank	18.082	71	95	19
	KANSAS				
7	Traders State Bank, Glen Elder	36.689	14	85	27
36	First State Bank, Remsen	17.427	75	108	15
52	Citizens State Bank, Cherry	19.780	63	59	56
85	Fort Riley National Bank	16.823	78	24	97
	KENTUCKY				
11	First Southern National Bank Jessamine, Nicholasville	9.089	100	41	79
84	Deposit Bank, Shelbyville	25.187	46	97	18
90	First Southern National Bank Wayne County, Monticello	32.370	21	69	42
	LOUISIANA				
4	Wine State Bank & Trust Co., Wheatland	49.356	7	54	64
30	Jonesboro State Bank, La.	18.505	88	107	14
58	Skiby Island State Bank	12.231	93	75	34
68	Peoples Bank & Trust Co. Pabtc Cooper, New Roads	28.783	34	53	66
99	New Richmond National Bank	26.825	41	75	35
	MINNESOTA				
39	American National Bank, Hamilton	34.308	18	78	31
	MISSOURI				
1	Community Bank NA, Chillicothe	64.221	1	165	1
6	Citizens National Bank, Shelbyville	46.331	8	224	2
18	Northwest Missouri State Bank, Skidmore	38.166	11	153	4
32	Citizens Bank, Oregon	18.621	66	112	13
42	Security Bank of S.W. Missouri, Cassville	33.056	20	52	67
78	Seymour Bank	21.314	62	66	45
79	Zook & Rossiter State Bank, Oregon	27.813	38	77	33
80	Bank of Forkland	13.502	88	36	85
	MONTANA				
3	First National Bank, Geraldine	31.537	25	67	43
	NEBRASKA				
33	Marshall State Bank	32.138	23	55	63
34	Bank of St. Edward	14.376	85	140	5
93	Stockman's National Bank, Nashville	17.430	74	55	65
	NEW MEXICO				
53	Union Bank & Trust, Shelbyville	35.300	17	35	87
	NEW YORK				
29	Bank of Holland	2.556	91	80	29
	NORTH CAROLINA				
12	Avery County Bank, Newland	13.388	89	136	6
	NORTH DAKOTA				
26	Security Bank of Holmen	29.501	28	58	57
	OHIO				
5	Miami Valley Bank, Quincy	55.510	2	30	92
95	Ottoville Bank Co.	11.753	94	102	17
97	First Richmond National Bank	29.341	30	38	82
	OKLAHOMA				
8	Limestone National Bank, Sand Springs	35.518	15	55	62
17	Lakeside Bank of Salina	45.285	9	81	28
37	Wilson State Bank	32.240	22	48	71
44	Hopkins State Bank	24.728	51	61	49
59	Bank of Locust Grove	23.956	59	42	78
62	First State Bank, Fremont	12.844	92	117	9
82	First State Bank, Emmett	24.782	50	69	41
87	Bank of Locust Grove	23.956	59	42	78
91	First State Bank & Trust Co., Ft. Gibson	28.917	32	54	65
96	First National Bank, Tahoka	25.912	44	30	91
100	First Farmers National Bank of Waseka	14.545	83	62	48
	PENNSYLVANIA				
65	East Prospect State Bank	18.015	72	124	7
	SOUTH DAKOTA				
41	Security State Bank, Madison	27.912	36	21	99
100	Duval County National Bank, Clear Lake	23.807	58	38	81
	TENNESSEE				
49	Bank of Hartford	27.200	40	56	60
53	Union Bank & Trust Co., Livingston	35.300	16	35	86
70	Farmers Bank, Cornersville	25.000	47	77	32
	TEXAS				
13	Peoples State Bank, Rockagings	25.395	45	245	1
14	First State Bank, Big Sandy	23.851	57	60	54
15	Ho National Bank, McAllen	40.148	10	35	87
16	Newton National Bank, Newton	50.211	5	61	49
20	First National Bank, Wco	54.196	3	45	75
21	First State Bank, Dime Box	24.377	52	90	30
24	First National Bank, Tahoka	24.888	48	96	17
27	First National Bank, Appermont	13.147	90	95	20
35	First State Bank, Tex.	17.313	76	38	81
43	Security Bank, Flower Mound	24.701	52	56	61
50	First State Bank, Pearsall	21.520	61	52	67
64	American National Bank, Mt. Pleasant	29.367	29	36	85
66	Commercial State Bank, Hebbronville	29.660	26	45	75
73	First Bank of Deer Park	19.473	65	61	51
74	Farmers & Merchants State Bank, Knox	34.689	17	58	58
89	Citizens State Bank, Raley	29.676	27	75	35
91	Community Bank, Katy	24.796	49	60	53
	UTAH				
56	Home Credit Bank, Salt Lake City	30.000	22	72	40
81	Home Credit Bank, Salt Lake City	29.095	31	49	70
	VIRGINIA				
63	First & Citizens Bank, Monterey	15.397	80	117	8
	WISCONSIN				
71	Saxon State Bank	11.630	95	88	24
	WYOMING				
2	Uinta County State Bank, Mountain View	9.643	99	57	59

Data source: **Sheshunoff Information Services Inc.**, Austin, Tex. **A small community bank** is an FDIC insured commercial bank that accepts deposits and makes loans and had assets **less than or equal to $50 million** on Dec. 31, 1992. The bank may be independently owned or owned by a holding company whose consolidated total assets are less than $1 billion on Dec. 31, 1992. The bank must be profitable in each of the last three years. 1990-1992 U.S. bank subsidiaries of foreign banks are excluded. **Return on Average Assets and Average Equity Capital:** net income for the year before extraordinary items divided by average assets and average equity, respectively, **by ROE Rank**. The return on average equity rank for the 100 most profitable banks in ROA. **Pre-tax Op. Inc. Per Empl.:** pre-tax operating income for the year divided by the number of employees at the end of the year. **Inc. P.E. Rank:** The 1992 pre-tax operating income per employee rank for the top 100 community banks in ROA.

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Top 100's Productivity Leaders

Based on pre-tax operating income per employee ($'000

Top 300 Thrifts in Assets and Deposits

Listed geographically in asset-size order within states with assets and asset rank (dollar amounts in thousands)

Asset Rank 12/92		Total Assets 12/31/92	Total Dep. 12/31/92	Dep. Rank 12/92
	ALABAMA			
97	Sonat Bank, FSB, Birmingham	2,005,151	1,522,508	100
262	Atlas Federal Savings Bank, Mobile•	698,811	643,649	240
	ARKANSAS			
234	Superior Federal Bank, FSB, Fort Smith	796,076	746,801	206
	CALIFORNIA			
1	Home Savings of America, FSB, Irwindale (c)	47,629,391	39,732,096	1
2	Great Western Bank, FSB, Chatsworth	36,636,103	30,414,922	2
3	World Savings & Loan Assn., Oakland	25,796,393	16,665,046	3
4	First Nationwide Bank, FSB, San Francisco	19,031,027	14,067,940	4
5	Great Federal Bank of California, Santa Monica	17,851,537	12,474,871	7
6	American Savings Bank, FA, Irvine	17,263,416	13,000,111	5
7	California Federal Bank, FSB, Los Angeles (c)	17,235,800	13,465,000	6
8	Citibank, FSB, San Francisco	10,734,751	8,621,035	8
9	Household Bank, FSB, Newport Beach	9,561,660	6,598,363	87
15	Coast Federal Bank, Los Angeles	6,303,136	6,168,498	16
16	HomeFed Bank, FA, San Diego•	5,718,849	2,029,710	49
20	Sears Savings Bank, Glendale	4,670,812	3,996,778	27
21	Fidelity Federal Bank, FSB, Glendale	4,666,963	3,402,112	36
41	Western Fed. Savings & Loan Assn., Marina Del Rey	4,011,486	2,826,050	46
50	Downey Savings & Loan Assn., Newport Beach	3,483,443	3,126,638	42
52	First Federal Bank of California, Santa Monica	3,453,005	1,963,804	70
53	San Francisco Federal Savings & Loan Assn.	3,450,382	2,273,782	58
57	Sacramento Savings Bank	2,832,561	2,590,671	52
69	Bay View Federal Bank, FSB, San Mateo	2,585,015	1,491,021	102
71	Western Financial Savings Bank, FSB, Irvine	2,482,407	1,694,963	87
80	Eurekabank, FSB, Foster City	2,361,506	1,736,435	81
85	Great American Federal Savings Assn., San Diego•	2,251,974	1,693,099	94
94	Southern California Federal S&L Assn., Beverly Hills	2,046,713	1,607,133	91
120	Fidelity Federal Bank, FSB, Irvine	1,693,698	702,488	218
126	Pomona First Fed. Savings & Loan Assn.	1,566,673	1,429,609	107
137	Union Federal Bank, FSB, Irvine	1,396,726	1,033,154	144
141	United Savings Bank, FSB, San Francisco	1,318,923	1,061,413	144
160	ConFed Bank, Pasadena	1,185,811	923,137	167
164	Commonwealth Federal Savings Assn., Millbrae•	1,172,094	1,102,110	139
174	Stockton Savings Bank, FSB	1,072,367	905,733	177
184	East West Federal Bank, FSB, Los Angeles	1,034,900	1,000,000	157
189	Independence One Bank of California, Mission Viejo	1,009,587	759,825	201
192	Northwest Savings & Loan Assn.	988,834	777,000	202
202	Redlands Federal Bank, FSB	934,732	829,445	185
210	Touchstone Bank, FSB, Orange	720,364	707,718	228
258	Home Federal Savings & Loan Assn. of San Francisco	705,749	585,960	258
277	California Savings & Loan Assn., FA, San Francisco	660,807	605,854	246
312	Imperial Federal Savings & Loan Assn.	566,663	498,925	298
315	El Dorado Savings Bank, Placerville	553,482	513,310	307
325	Pacific Savings Bank, Auburn	530,430	499,908	297
	COLORADO			
75	Bank Western, FSB, Denver	2,498,530	2,068,879	66
194	First Federal Savings Bank, Lakewood	975,197	842,214	179
	CONNECTICUT			
39	People's Bank, Bridgeport	5,700,175	4,980,016	23
43	Northeast Savings, FA, Hartford	3,909,129	3,509,352	30
66	Centerbank, Waterbury	2,669,804	2,325,512	56
74	Society for Savings, Hartford	2,499,393	1,635,042	97
92	Federal Savings Bank, FSB, Waterbury	2,064,045	1,713,615	83
105	New Haven Savings Bank	1,817,875	1,241,377	126
142	Gateway Bank, Norwalk	1,191,065	1,006,481	151
159	Derby Savings Bank	1,128,736	972,189	196
177	New England Savings Bank, New London	1,065,461	919,473	161
187	Liberty Bank, Middletown	1,019,999	881,988	163
242	Savings Bank of Manchester	748,559	639,019	243
248	Savings Bank, Wallingford	743,918	664,000	234
249	Mechanics Savings Bank, Hartford	742,470	662,858	232
280	Federal Savings & Loan Assn., East Hartford	646,732	508,876	295
	DELAWARE			
218	Wilmington Savings Fund Society, FSB	855,218	666,547	231
	FLORIDA			
35	Citizens Federal Bank, FSB, Miami	4,441,210	3,574,179	34
37	American Savings of Florida, FSB, Miami	2,962,219	2,263,463	59
68	Coral Gables Federal Savings & Loan Assn.	2,616,019	2,389,563	55
71	Fortune Bank, SB, Clearwater	2,546,837	2,022,635	71
84	Citibank, FSB, Miami	2,301,891	1,814,719	77
87	Sunbank/Florida, FSB, Naples	1,510,582	1,192,899	130
145	BankAtlantic, FSB, Fort Lauderdale	1,303,071	1,108,115	137
148	Coast Bank, FSB, Sarasota	1,287,573	947,354	156
161	Meritor Savings, FA, Winter Haven	1,181,865	1,096,022	140
167	First Federal Savings & Loan Assn., Fort Myers	1,142,058	1,020,812	147
169	Chase Federal Bank, FSB, Miami	1,134,331	934,434	159
175	Home Savings Bank, FSB, Hollywood	1,069,900	937,367	158
230	First Federal S & L Assn., West Palm Beach	811,805	727,416	211
243	Mid-State Federal Savings Bank, Ocala	747,013	655,134	235
247	Financial Fed. Savings & Loan Assn., Miami Lakes	743,934	692,087	221
253	Harbor Federal Savings & Loan Assn., Fort Pierce	724,193	657,793	233
283	Fidelity Federal Savings Bank, West Palm Beach	639,526	575,012	261
310	Hollywood Federal Savings Bank•	567,359	708,004	216
	Goldome Federal Savings Bank, St. Petersburg•	471,130	807,155	251
	GEORGIA			
36	Georgia Federal Bank, FSB, Atlanta	4,307,487	2,716,194	49
67	Decatur Federal Savings & Loan Assn.	2,664,228	1,952,733	72
213	Bankers First Savings Bank, FSB, Augusta	879,175	655,907	234
267	Liberty Savings Bank, FSB, Macon	687,860	533,936	283
279	Prime Bank, FSB, Decatur	649,708	490,338	300
	HAWAII			
77	American Savings Bank, FSB, Honolulu	2,467,993	2,034,970	68
220	First Federal Savings & Loan Assn., Honolulu	837,789	672,625	228
296	Pioneer Federal Savings Bank, Honolulu	594,589	416,045	
	ILLINOIS			
30	LaSalle Talman Bank, FSB, Chicago	5,384,221	3,934,752	28
48	St. Paul Federal Bank for Savings, Chicago	3,486,955	2,987,281	43
64	Cragin Federal Bank for Savings, Chicago	2,704,900	2,100,350	65
98	Chicago Federal Savings & Loan Assn., Bloomington	2,135,266	1,804,930	78
101	1st Federal Savings & Loan Assn., Chicago	1,959,552	1,686,173	86
139	Mid America Fed. Savings Bank, Downers Grove	1,546,612	1,307,570	119

(•)—In RTC conservatorship program at yearend 1992. (c)— Held by FDIC at yearend 1992. (c)— Consolidated to include thrift subsidiaries.

Top 300 Thrifts in Assets and Deposits

Listed geographically in asset-size order within states with assets and asset rank (dollar amounts in thousands)

Asset Rank 12/92		Total Assets 12/31/92	Total Dep. 12/31/92	Dep. Rank 12/92
132	**ILLINOIS (Continued)** Standard Federal Bank for Savings, Chicago	1,507,734	1,392,230	111
154	Northwestern Savings & Loan Assn., Chicago	1,237,241	834,119	182
171	Financial Fed. Trust & Savings Bank, Olympia Fields	1,067,073	986,105	152
183	Superior Bank, FSB, Oakbrook	981,079	762,760	199
193	Hamilton Federal Savings Bank, Joliet	875,736	764,204	198
225	United Federal Bank, FSB, Galesburg	820,337	694,036	220
232	Guardian Federal Savings & Loan Assn.	797,883	697,441	219
	INDIANA			
129	Union Federal Savings Bank, Indianapolis	1,536,711	1,093,554	141
146	First Indiana Bank, FSB, Indianapolis	1,322,273	1,042,318	146
275	Baltimore Federal Financial Savings & Loan Assn., Indianapolis	653,111	534,875	282
294	Indiana Federal Bank for Savings, Valparaiso	600,016	418,207	
	IOWA			
204	Bankers Trust Savings, FSB, Des Moines	874,609	544,271	279
	KANSAS			
42	Capitol Federal Savings & Loan Assn., Topeka	3,993,363	3,530,263	35
111	Franklin Federal Savings Assn., Ottawa•	1,784,044	1,049,586	145
270	Columbia Savings Assn., FA, Lenexa	653,111	534,875	282
282	Fidelity Savings Assn. of Kansas, Wichita	642,781	286,469	
	KENTUCKY			
130	Great Financial Federal S & L Assn., Louisville	1,543,593	1,127,520	135
152	Cumberland Federal Savings Bank, Louisville	1,175,036	918,536	162
	LOUISIANA			
118	One Team Federal Savings Assn., New Orleans•	1,696,549	712,987	215
293	Fidelity Homestead Assn., New Orleans	600,793	550,562	273
	MAINE			
102	Peoples Heritage Savings Bank, Portland	1,956,482	1,588,400	93
284	Bangor Savings Bank	636,478	563,880	267
	MARYLAND			
33	Chevy Chase Savings Bank, FSB	4,785,956	3,855,701	29
99	Standard Federal Savings Assn. Gaithersburg•	1,981,305	405,432	
112	Loyola Federal Savings Bank, Baltimore	1,774,932	1,466,275	104
133	Second National Federal Savings Assn., Salisbury•	1,494,741	1,022,057	149
231	Maryland Federal Savings & Loan Assn., Hyattsville	810,791	669,799	229
	MASSACHUSETTS			
81	New Bedford Institution for Savings	2,349,054	2,103,863	64
93	South Boston Savings Bank, Boston	2,062,158	1,429,711	106
114	Boston Five Cents Savings Bank, FSB	1,722,356	1,569,394	97
136	Worcester County Institution for Savings, Worcester	1,440,353	1,263,701	125
143	Eastern Bank, Lynn	1,280,041	1,147,554	132
171	Newton4 Bank, Boston	1,113,298	1,026,505	148
181	Cambridge Savings Bank, Cambridge	1,023,884	920,601	165
196	Sterling Bank, Waltham	964,252	672,867	227
197	Middlesex Savings Bank, Natick	952,928	883,767	173
199	Cambridge Savings Bank, Cambridge	908,176	867,943	176
205	Peoples Savings Bank, Worcester	918,239	831,485	184
214	Quincy Savings Bank	878,897	773,256	195
219	Massbank for Savings, Reading	843,716	766,208	197
222	Hingham Savings Bank	831,063	741,960	207
236	Andover Bank	784,354	540,274	276
237	Cooperative Bank for Savings, New Bedford	697,322	613,913	252
272	Pioneer Financial Co-op Bank, Malden	672,838	624,334	246
281	Salem Five Cents Savings Bank	644,414	595,536	264
285	Co-op Bank of Concord	635,769	547,236	275
287	Family Mutual Savings Bank, Haverhill	553,070	503,007	268
	MICHIGAN			
10	Standard Federal Bank, Troy	9,544,731	6,522,796	13
11	First Federal of Michigan, Detroit	9,382,895	3,455,351	37
12	Great Lakes Bancorp, FSB, Ann Arbor	2,798,345	1,879,156	88
24	Bank One, FSB, Howell	2,354,751	888,927	169
204	Heritage Federal Savings Bank, Taylor	930,129	665,000	226
208	Michael Savings Bank, FSB, Flint	754,250	506,483	293
288	Community First Bank, FSB, Lansing	632,878	560,959	269
	MINNESOTA			
39	TCF Bank Savings, FSB, Minneapolis	4,045,482	3,220,194	40
227	Investors Bank, FSB, Minnetonka	814,575	703,007	217
	MISSISSIPPI			
201	Magnolia Federal Bank for Savings, Hattiesburg	946,472	848,578	178
	MISSOURI			
46	Farm & Home Savings Assn., Nevada	3,614,506	2,656,009	50
60	Mercantile Bank, FSB, Chesterfield	2,581,198	1,573,897	95
147	United Postal Savings Assn., St. Louis	1,290,560	1,070,480	143
254	First Bank, SB, Clayton	715,873	566,858	265
	NEBRASKA			
32	Commercial Federal Bank, FSB, Omaha	4,788,602	2,284,301	57
170	First Federal Savings & Loan Assn., Lincoln	1,118,276	968,859	154
	NEVADA			
87	Pulitzer Bank, FSB, Las Vegas	2,242,708	1,627,426	90
206	First Western Bank, FSB, Las Vegas	890,656	645,743	238
266	American Federal Savings Bank, Reno	688,419	613,479	248
	NEW HAMPSHIRE			
51	First NH Bank, Manchester	3,465,536	2,811,440	47
113	New Dartmouth Bank, Hooksett, N.H.	1,735,974	1,507,823	101
	NEW JERSEY			
31	Carteret Federal Savings Bank, Morristown•	5,226,192	2,382,763	54
47	Ocean City Savings Bank, Paramus	3,614,506	2,785,986	31
63	Collective Federal Savings Bank, Egg Harbor City	2,713,787	2,167,224	62
76	Investors Savings Bank, Millburn	2,027,555	1,436,889	105
115	Provident Savings Bank, Jersey City	1,727,007	1,605,775	92
121	Sovereign Savings Bank, Parsippany	1,509,010	1,345,612	114
165	Columbia Savings Bank, SLA, Fair Lawn	1,166,002	1,019,473	150
166	Columbia Savings Bank, SLA, Vineland•	1,063,442	734,079	209
179	Crestmont Financial Corp., Edison	1,060,162	783,472	193
210	Ocean Federal Savings Bank, Brick Town	886,924	819,424	189
211	Spencer Savings Bank, SLA, Garfield	804,960	729,446	210
238	First Savings Bank, SLA, Perth Amboy	762,550	674,716	225
262	First Federal Savings Bank, Palisades Park	713,978	638,801	
269	Berkeley Federal Savings Bank, Montclair	704,234	669,220	230
275	Inter-Ocean Savings & Loan Assn., Cherry Hill	661,593	610,276	249
291	Kearny Federal Savings & Loan Assn.	610,109	511,025	292
292	Montclair Savings Bank	604,363	531,567	284
297	Center Federal Savings Bank, Princeton	595,407	316,941	
300	Penn Federal Savings Bank, Newark	587,182	535,730	281

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Asset Rank 12/92		Total Assets 12/31/92	Total Dep. 12/31/92	Dep. Rank 12/92
	NEW YORK			
14	Dime Savings Bank of New York, FSB	6,773,219	7,276,410	10
17	Anchor Savings Bank, FSB, Northport	7,941,499	6,307,338	14
21	Emigrant Savings Bank, New York	6,624,719	6,308,201	15
22	Crossland Federal Savings Bank, Brooklyn, New York• (c)	6,354,915	5,008,958	17
23	Green Point Savings Bank, Brooklyn, New York	6,305,116	5,485,733	18
24	Dreyfus Savings Bank, New York	6,163,997	5,241,309	20
27	Long Island Savings Bank, FSB, Melville (b)	5,711,062	4,705,215	22
29	First Federal Savings & Loan Assn., Rochester	5,663,893	3,619,008	33
40	Apple Bank for Savings, New York	4,027,391	3,791,934	26
45	Rochester Community Savings Bank (c)	3,829,312	2,759,745	48
54	Astoria Federal Savings & Loan Assn., Lake Success	3,440,370	2,879,460	44
65	Greater New York Savings Bank, New York	2,702,849	2,221,233	60
72	Dollar, Dollar, Dollar	2,511,112	1,332,845	115
78	Albany Savings Bank, FSB	2,428,028	2,116,779	63
79	Independence Savings Bank, Brooklyn, New York	2,386,217	2,192,988	61
96	Lincoln Savings Bank, FSB, New York	2,246,625	2,061,945	67
98	Nine Bank Savings, New York	1,999,999	1,796,716	79
106	Fidelity New York, FSB, Floral Park	1,871,438	1,306,044	121
110	Peoples Westchester Savings Bank, Hawthorne	1,797,273	1,566,893	91
119	East New York Savings Bank, New York	1,693,693	1,422,528	108
121	Ridgewood Savings Bank, Queens, New York	1,651,097	1,468,408	103
124	Jamaica Savings Bank, FSB, Lynbrook	1,621,813	1,290,150	122
125	Roosevelt Savings Bank, Garden City	1,605,493	1,277,092	123
134	Home Federal Savings Bank, New York	1,466,667	1,161,481	130
135	North Side Savings Bank, Bronx, New York	1,456,050	1,321,483	116
139	Staten Island Savings Bank, New York	1,327,266	1,206,058	117
144	Roslyn Savings Bank	1,312,089	1,145,049	133
153	Columbia Savings Bank, Queens, New York	1,172,999	968,836	153
155	Binghamton Savings Bank	1,025,602	824,380	187
156	Republic Federal Savings Bank, Jericho	1,005,749	898,880	174
200	Queens County Savings Bank, Queens, New York	947,631	834,197	181
209	Cohoes Savings and Federal Savings Assn., Rochester•	892,731	864,000	171
221	Lockport Savings Bank	834,764	754,349	208
228	Village Bank, Port Chester	813,093	567,275	264
240	Savings Bank of Utica	753,063	687,337	223
241	Richmond County Savings Bank, Staten Island, New York	750,253	690,929	222
244	Poughkeepsie Savings Bank, FSB	744,171	600,000	242
260	National Savings Bank of Albany	700,528	581,981	259
264	Goodwill Savings & Loan Assn., Brooklyn, New York	693,420	649,000	231
268	Nesquith Federal Savings & Loan Assn., Queens, New York	685,607	595,544	252
274	Independence Federal Savings Bank, Washington, D.C.	663,147	597,000	254
289	Dime Savings Bank of Williamsburgh, Brooklyn, New York	622,762	538,477	280
290	Pawling Savings Bank	611,436	562,000	255
295	Flushing Savings Bank, Queens, New York	597,267	554,158	271
298	Troy Savings Bank	574,792	518,357	288
	NORTH CAROLINA			
251	Raleigh Federal Savings Bank	734,709	639,205	242
270	First Union Savings & Loan Assn., Greensboro	676,031	579,243	253
296	Piedmont Federal Savings & Loan Assn., Winston-Salem	596,888	517,947	289
299	Home Federal Savings & Loan Assn., Charlotte	588,078	459,051	295
	NORTH DAKOTA			
25	Metropolitan Federal Bank, FSB, Fargo	6,136,075	5,217,718	21
231	Gate City Federal Savings Bank, Fargo	526,822	494,578	299
	OHIO			
26	Charter One Bank, FSB, Cleveland	4,253,653	3,648,117	32
44	Third Federal Savings & Loan Assn., Cleveland	3,870,591	3,458,036	38
91	Ohio Savings Bank, Cleveland (c)	2,070,681	1,717,473	82
103	Transohio Federal Savings Bank, Cleveland•	1,954,710	1,933,865	73
104	Cincinnati Federal, Cincinnati	1,734,326	1,290,743	112
123	State Savings Bank, Columbus	1,622,979	1,318,469	117
135	Home Savings & Loan Co., Youngstown	971,909	676,781	244
224	Women's Federal Savings Bank, Cleveland	822,432	714,523	213
250	Citizens Savings Bank, Canton	736,437	573,540	256
	OKLAHOMA			
69	Local Federal Bank, FSB, Oklahoma City (c)	2,128,002	1,310,088	118
173	MidFirst Bank, SSB, Oklahoma City	1,102,742	654,822	236
207	Northeast Federal Savings & Loan Assn., Ponca City	904,716	751,444	205
217	Cimarron Federal Savings Assn., Muskogee •	544,725	521,377	287
	OREGON			
73	Bank of America, FSB, Portland	2,500,099	1,735,505	80
314	Far West Federal Savings Bank, Portland•	560,780	888,796	170
	PENNSYLVANIA			
56	Sovereign Bank, FSB, Wyomissing	3,045,579	2,393,689	53
83	Dollar Bank, FSB, Pittsburgh	2,305,869	1,760,287	71
127	Germantown Savings Bank, Bala Cynwyd	1,555,429	1,418,864	109
131	Penncrest Savings Bank, Philadelphia	1,315,852	1,276,426	127
151	Northtown Savings Bank, Paoli, Warren	1,259,750	1,124,997	136
153	Commonwealth Federal Savings Bank, Norristown	1,254,277	884,655	172
188	Federal Savings Bank, Philadelphia	1,218,336	1,006,135	155
157	Franklin First Savings Bank, Wilkes-Barre	1,206,221	818,719	190
182	Harris Savings Bank, Harrisburg	1,061,740	962,362	155
183	Main Line Federal Savings Bank, Villanova	1,038,271	637,457	244
208	Parkvale Savings Bank, Pa/SA, Monroeville	897,809	794,907	192
217	York Federal Savings & Loan Assn.	856,940	784,184	194
228	United Federal Bank, State College	820,348	642,004	241
339	Home Unity Savings Bank, Pa/SA, Lafayette Hill•	516,513	529,707	285
	PUERTO RICO			
256	First Federal Savings Bank, Santurce	1,799,451	1,275,562	124
186	Ponce Federal Bank, FSB	1,020,439	858,902	177
	RHODE ISLAND			
54	Citizens Savings Bank, Providence	3,192,555	2,646,636	51
102	1st Union Bank, FSB, Providence	1,847,236	1,699,352	84
	SOUTH CAROLINA			
95	First Savings Bank, FSB, Greenville	2,038,144	1,535,739	99
181	American Federal Bank, FSB, Greenville	1,039,507	825,308	186
252	First Federal S&L Assn., Charleston	950,000	760,073	200
223	South Carolina Federal Savings Bank, Columbia	824,606	629,322	245
285	Carolina Federal Savings Bank, Aiken	745,709	516,543	290
	TENNESSEE			
107	Leader Federal Bank for Savings, Memphis	1,965,931	1,556,196	98
188	First Federal Bank, FSB, Chattanooga	1,017,149	871,493	175
191	First Federal Bank, FSB, Johnson City	884,794	757,731	202
	TEXAS			
13	First Gibraltar Bank, FSB, Dallas	8,809,598	7,781,832	9
28	Texas Federal Savings Bank, Dallas	7,673,693	5,795,275	16
49	Bank United of Texas, FSB, Houston	6,773,540	4,959,779	24
62	Guaranty Federal Savings Bank, San Antonio	3,690,478	2,704,120	45
88	Bankmont Savings Bank, FSB, Dallas	2,906,462	832,250	183
89	Amwest Savings Assn., Bryan	2,789,264	1,835,179	76
100	Guardian Savings & Loan Assn., Houston	1,976,972	1,693,465	81
104	First Federal Savings, Longview	1,932,169	1,606,116	129
117	American Federal Bank, FSB, Dallas	1,721,796	1,400,130	110
122	First Federal Savings Bank, Austin	1,647,555	734,553	208
150	Pacific Southwest Bank, FSB, Corpus Christi	1,276,405	757,098	203
172	Ponce Federal Savings Assn., Houston	1,111,419	590,133	257
	VERMONT			
273	Bank of Vermont, Burlington	663,333	569,465	262
	VIRGINIA			
82	Columbia First Bank, FSB, Arlington	2,311,714	1,363,164	113
90	Central Fidelity Bank, FSB, Alexandria	2,157,477	835,121	180
205	Continental Federal Savings Bank, Fairfax	929,021	713,792	214
235	Virginia Federal Savings Bank, Richmond	794,545	652,792	237
244	Charter Federal Savings Bank, Bristol	745,963	590,952	256
257	1st Savings Bank, FSB, Norfolk	710,481	523,468	286
261	Washington Federal Savings Bank, Herndon	699,834	463,361	318
286	Virginia Beach Federal Savings Bank	635,088	452,949	327
	WASHINGTON			
18	Washington Mutual Savings Bank, Seattle (c)	6,980,193	5,867,353	19
26	Pacific First Bank, FSB, Seattle	5,110,076	3,999,750	25
59	Washington Federal Savings, Seattle	2,876,371	1,840,157	75
61	Seattle Mutual Savings Bank, Seattle	1,258,761	987,241	265
182	University Savings Bank, Seattle	1,038,408	915,119	163
203	Peoples Bank, Bellingham	932,474	775,364	204
233	Interwest Savings Bank, Oak Harbor	800,537	642,651	241
269	Sterling Savings Assn., Spokane	681,992	545,318	278
303	Yakima Federal Savings & Loan Assn.	580,805	506,147	295
	WISCONSIN			
46	First Financial Bank, FSB, Stevens Point	3,803,541	3,150,545	41
95	Security Bank, SSB, Milwaukee	2,204,959	1,854,071	74
146	Anchorbank, SSB, Madison	1,297,042	1,103,873	138
158	Mutual Savings Bank of Wisconsin, SA, Milwaukee	1,197,348	1,071,141	142
212	First Federal Savings Bank, LaCrosse-Madison, LaCrosse	880,736	737,280	217
229	North Shore Bank, FSB, Brookfield	812,643	718,182	212
246	Republic Capital Bank, FSB, Milwaukee	745,594	581,479	260
271	St. Francis Bank, FSB	675,594	545,481	277

(•)- In RTC conservatorship program at yearend 1992 (b)— Held by FDIC at yearend 1992 (c)— Consolidated to include thrift subsidiaries. Crossland Savings, FSB, Brooklyn; The Dormeny Salt Lake City, Utah). Melville, and its division in Centereach, N.Y. Bay Consolidated to include

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Assets Fall at Thrifts as Consumers Shun Adjustables

By EDWARD KULKOSKY

Assets at the nation's major thrifts fell by 6% last year as consumers shunned the group's mainstay product – adjustable-rate mortgages.

The top 300 thrifts saw their assets drop to $768 billion from $817 billion in 1991, an *American Banker* survey has found.

Though the group's assets have been shrinking since 1988, the principal reason in earlier years was insolvencies.

Painful Adjustment

Now, with the industry getting back on its feet, the shrinkage is stemming more from problems in generating new loans, analysts say.

Many big thrifts specialize in adjustable-rate mortgages, but consumers have been flocking to fixed-rate models, eager to lock in the lowest rates in 20 years. Fixed-rate mortgages are the forte of mortgage companies.

"The problem is that a lot of people don't want ARMs," says Gary Gordon, a thrift analyst at PaineWebber Inc.

Mortgages made at adjustable rates fell to about 20% of total mortgages last year, continuing a long decline. In 1988, adjustables accounted for nearly 60% of all new home loans.

To be sure, the big thrifts are showing some clear signs of renewed health.

Capital Rose

Fat interest-rate spreads on their portfolios helped the top 300 thrifts build their total capital by about 14% last year, the survey said. The lack of asset growth, however, remains a source of concern.

H.F. Ahmanson, the nation's largest thrift company, and Great Western Financial Corp., the second largest, each have suffered substantial declines in their share of their mortgage market.

Ahmanson dropped from No. 2 among all mortgage originators in 1990 to No. 8 last year, according to the newsletter *Inside Mortgage Finance*. Over the same period, Great Western fell from No. 3 to No. 12.

The drop in interest rates was not the only culprit.

Competition Increasing

Thrifts' efforts to book adjustables are also being hampered by increased competition for the loans by mortgage banking companies like Countrywide Credit Industries. These players have been seeking to take advantage of an increasingly developed secondary market for adjustables.

To some extent, the lending slowdown at thrifts reflects tightened credit standards.

"A lot of the loan growth in the 1980s was a result of underwriting standards that the thrifts don't use anymore," says Mr. Gordon.

For example, many thrifts have stopped offering "low doc" adjustables, which required little documentation of a borrower's income. In addition, many have begun to require bigger down payments than in the past.

Richard Deihl, chairman of Irwindale, Calif.-based Ahmanson, appears to be content to let others write fixed-rate mortgages. Roughly 75% of the company's mortgage originations are adjustables, just the reverse of the industry-wide pattern.

"We're portfolio lenders and we don't want to hold fixed-rate loans at low rates," he says. "We've been through a cycle previously where the industry got caught in a squeeze and we don't want that to happen again."



Richard Deihl
Keeps marketing focused

Mr. Deihl says Ahmanson is managing to originate such a high percentage of adjustables because it kept its marketing efforts focused on the product and because the California market has a somewhat stronger appetite for adjustable loans than the country as a whole.

Some other key developments in the thrift industry last year:

- Core capital increased by more than 19% at the top 300 thrifts and by 12% for the industry as a whole.
- The total number of thrifts shrank to 2,350, from about 2,600 in 1991 and almost 3,000 in 1990.
- Thrifts controlled by Resolution Trust Corp. dropped to 81, from 91 and 179 in the two preceding years, and their assets declined sharply as well.
- The thrifts with the highest capital ratios were mostly smaller institutions, usually with conservative investment policies and low loan-to-deposit ratios.
- Of the 15 thrifts with the worst total-capital ratios, 13 were already in the hands of the RTC. Of the 50 thrifts with the worst total-capital ratios, the biggest was Glendale Federal Bank, No. 5 in assets. □



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U.S. Economy Seems Stuck In First Gear

By STEPHEN A. DAVIES
The Bond Buyer

WASHINGTON — What you see is what you get.

Increasingly, the economy under President Clinton is looking very much like the one inherited from President Bush. Economists say things are gradually getting better, but not quickly, and many are comfortable with forecasts of mild growth that continue through this year and 1994.

"There's very little sense of momentum building in most sectors right now," says Laurence H. Meyer, president of a forecasting firm in St. Louis.

ECONOMIC OUTLOOK

"This is still a very struggling economy."

The theme of slow growth is likely to be reinforced by two events this week. On Tuesday, the Commerce Department is slated to release a revised estimate for gross domestic product in the second quarter that some analysts expect could show growth as low as 1%, down from the unimpiring 1.6% reported last month.

The main reason for the revision is the merchandise trade deficit, which stunned financial markets and the Clinton administration by jumping to $12.1 billion in June. The 44% increase from $8.4 billion in May means the trade sector was weaker than expected.

Manufacturing Weak

The trade figures highlighted the ongoing weakness in manufacturing as exporters find that business is drying up in Europe, which is in recession, and in Japan, which is scraping bottom.

The second event that will underscore the sluggish nature of the recovery is the midyear budget review, now late, that is due to be issued by the administration.

While the report is expected to produce a smaller deficit estimate for this year than the forecast issued in February, the word is already out that the administration is now expecting growth of only 2.1% in 1993. That would be down a full percentage point from the 3.1% estimate released earlier.

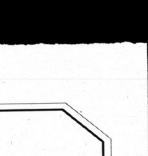
High Hopes

It is becoming increasingly apparent that Mr. Clinton's hopes for a reviving economy, while not being thwarted, are taking longer to achieve than the administration expected when it

See **SLOW GROWTH** *page* **22**

INSIDE NEWS

MANAGEMENT STRATEGIES



Oscar Williams

JACK M. ANTONINI, chief executive of USAA Federal Savings Bank, hopes to add a successful deposit and lending business to his national credit card franchise. *Page 1A*

WASHINGTON

REGULATORS hoped to gather constructive advice on reforming the Community Reinvestment Act, but at their second hearing, they got a lot of grief instead. *Page 2*

REGIONAL BANKING

FIRST FIDELITY Bancorp. said it will buy First Peoples National Bank, a closely held community banking company in northeastern Pennsylvania. *Page 5*

COMMUNITY BANKING

JUNE 4th CORP.'s name commemorates the standoff in Tienanmen Square. Its new stock fund also shows an interest in the less powerful. *Page 6*

MORTGAGES

A FEDERAL rule will reduce escrow payments for some borrowers, but it does not address whether interest should be paid on the accounts. *Page 10*

INVESTMENT PRODUCTS

LIBERTY FINANCIAL Corp., seeking more of the youth market, has launched a program to educate young people about investing. *Page 12*

CREDIT DEBIT ATMs

BANK ONE Arizona has joined the movement toward putting customers' photos on credit cards, and is raising the ante by adding photos to debit cards as well. *Page 14*

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Banks Lose A Bid to Block Credit Union Expansion

By JAMES B. ARNDORFER

A federal judge in Michigan has upheld a decision by the National Credit Union Administration last March to dramatically expand the membership base of a Michigan credit union.

Four Michigan banks had filed a suit to block the change in the 9,000-member credit union's field of membership from a geographic area of 16,000 people to one of between 47,000 and 48,000 in a county of about 75,000.

The decision appears to support a liberal interpretation of the common-bond definition used by the NCUA to determine who may belong to a credit union. Under the law, credit union members must share some common interest.

'A Subjective Concept'

"It's a significant case for credit unions and the agency in that the court recognizes a field of membership is a subjective concept," said James Engel, the NCUA's deputy general counsel. "It supports that the NCUA acted reasonably and our intention is to continue to interpret the field of membership the way we have."

Judge Wendell Miles of the U.S. District Court for the Western District of Michigan in Grand Rapids denied the banks'

See **COURT** *page* **22**

Fed Says Relief Plan Hasn't Loosened Credit

By CLAUDIA CUMMINS

WASHINGTON — The credit-crunch relief package put forth by President Clinton last March has failed to increase lending to small and medium-size businesses, according to a Federal Reserve report released Friday.

A majority of senior loan officers surveyed by the Fed said that not only has the new low-documentation basket of loans been ineffective, but the new appraisal, accounting, and exam provisions are expected to have little impact as well.

"The survey responses suggest that the [credit availability package] has not had a substantial effect on the supply of credit to small and medium-sized businesses, although many respondents expect it to do so in the future," the report said.

Few Implemented Programs

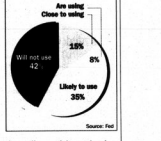
Only a handful of those surveyed said they have implemented low-documentation loan programs, the cornerstone of the President's initiative. And most of those that have taken advantage of the program said they probably would have made the loans anyway.

The Fed gathered the information from special questions included in its quarterly survey of 78 senior loan officers. In general, the survey found that banks have continued to ease terms and standards and have seen increased loan demand from businesses and consumers.

Last March, President Clinton called on the regulators to ease

A Tepid Response

Use of program permitting less documentation for some loans, based on survey of 48 eligible banks



the credit crunch by cutting documentation red tape on loans made to small and medium-size businesses.

Regulators said the plan would make it easier for bankers to make "character loans," freeing up billions of dollars in lending.

Appraisal Standards Eased

The plan allows healthy banks and thrifts to carry a basket of small-business loans with minimal documentation. In addition, it eases real estate appraisal standards, streamlines the agencies' appeals and exam procedures, and clarifies certain accounting rules.

Of the 48 lenders surveyed that were eligible for the minimal-documentation loan pro-

See **FED** *page* **22**

Don't Count Him Out

CRESTAR CEO Richard Tilghman presides over one of the nation's most coveted banking franchises. But the Virginia banker says he'll do the acquiring.

See story on page 4



Jason Grow

NEWS *briefs*

Wesbanco in Deal for First Fidelity of W.Va.

WHEELING, W.Va. — Wesbanco Inc. and First Fidelity Bancorp of West Virginia said they had agreed to merge in a transaction valued at $70 million.

The companies said the agreement called for Wesbanco to exchange 0.9 common share for each common share of First Fidelity with First Fidelity becoming a unit of WesBanco. The two companies said the merger would be accounted for on a pooling-of-interests basis.

They said as part of the agreement, holders of First Fidelity series A 8% cumulative preferred stock would be issued Wesbanco series A 8% cumulative preferred stock convertible into Wesbanco common stock.

First Fidelity has executed an option agreement giving Wesbanco the right to purchase up to 19.9% of First Fidelity's common shares outstanding.

First Fidelity, with $308 million of assets, operates four banks in north central West Virginia. Wesbanco, which has $1 billion in assets, runs 10 banks in West Virginia and one bank in Ohio.

Glenfed Completes Elements of Recap

GLENDALE, Calif. — Glendale Federal Bank said it had completed major elements of its recapitalization that would result in the issuance and sale of $451 million of new equity securities of the bank.

The Glenfed Inc. unit said the recapitalization steps included the previously-reported merger of Glenfed into a unit of Glendale Federal and the exchange offer for Glenfed debentures.

Glendale said it also had completed the reclassification of the bank's outstanding preferred stock and the issuance and sale of $201 million of the new series E preferred stock of the bank.

Wells, Insurer Revise Gottschalks Credit

FRESNO, Calif — Gottschalks Inc. said it finalized financing agreements with Wells Fargo Bank and Teachers Insurance and Annuity Association.

The retailer said Wells Fargo and Teachers Insurance will provide it with $85 million of revolving credit through June 30, 1994, and $30 million in term loans due in 1996.

Wells Fargo will increase the store's existing credit facility from $79 million to $104 million, and Gottschalks will restructure terms on $11 million of senior notes held by Teachers, the company said.

Citi to Redeem 8⅛% Notes Next Month

NEW YORK — Citicorp said it would redeem on Sept. 27 its 8⅛% notes due July 1, 2007, at 100.27% of par plus accrued interest.

Currently, $105.6 million is outstanding on the issue.

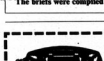
Keystone Purchase of WM Bancorp Advances

HARRISBURG, Pa. — Keystone Financial Inc. signed a definitive agreement to acquire all the outstanding stock of WM Bancorp of Cumberland, Md.

As reported, Keystone plans to issue 1.67 common shares for each of the approximately 1.4 million shares of WM Bancorp outstanding.

The transaction, subject to shareholder and regulatory approvals, is expected to be completed by the first quarter of 1994.

The briefs were compiled from staff and wire reports.



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Public Hearings on CRA Reform Open Floodgates of Dissension

By CLAUDIA CUMMINS

SAN ANTONIO — Bank regulators hoped to hold public hearings to gather constructive advice on reforming the Community Reinvestment Act. But at their second hearing last week, they got a lot of grief instead.

The four agencies asked community groups, public advocates and industry officials for specific recommendations on how to refocus the law on actual lending, on what new objective factors should be included, and on what consideration differences in bank size and community should be given.

What did they get? You didn't tell us soon enough you were holding this meeting. . . You haven't allotted us enough time to speak our minds. . . If you really wanted to make a difference you wouldn't have met in this upscale hotel. . . This just proves you aren't serious about reform.

Some Meaningful Suggestions

Surely, the regulators have heard some meaningful, informed, and substantive suggestions from many of the meeting participants.

But the harsh criticism and verbal attacks they have suffered left some regulators wondering whether they might have caught less flack if they had gone about their reform in a more private manner.

The second of seven CRA hearings was held Wednesday at the Wyndham Hotel, about twenty minutes outside of downtown San Antonio. A conference hall there was packed with several hundred onlookers, at least for the first few hours.

The agencies were represented by Fed governor Lawrence B. Lindsey, acting chairman of the FDIC Andrew C. Hove, special advisor to the Comptroller Konrad S. Alt, and deputy director for regional operations of OTS John Downer.

Cheers and Jeers

The four men sat together at a table directly facing the panelists, on a dais before long tables of spectators.

Throughout the meeting, community representatives cheered their panelists — and even occasionally jeered the regulators.

Many of the bankers — some who had just attended a Federal Reserve CRA conference in the same room — sat, arms crossed, stony-faced while the public advocates spoke, and enthusiastically applauded their own, when the bankers' turn came.

After being flooded with requests to testify, the agencies heard testimony from 44 people — only a quarter of them bankers — in just under four hours. Allowing time for the 14 panels to set up, that left only three to five minutes for most speakers.

Several of the panelists spent most of their allotted time chiding the regulators for their inaction and lack of concern. They complained about the location, saying that instead of meeting with "the elite" they should have met in the inner city.

They complained that the hearing was at 2 p.m., when most people were at working. And they groused that the regulators don't reach out to the inner-city groups.

Lou Miller, chairman of the African American Chamber of Commerce, even complained that the regulators were not looking interested enough in what he was saying – a tough task for anyone over the course of four long hours.

Short on Time

One banker, Michael L. Allen, wrote in from Carrizo Springs, Tex., saying he was too busy making loans to come to the hearing. After his statement was read by a stand-in, community activists complained that this was typical of bankers' not taking CRA seriously.

In response, during his allot-

See **PUBLIC** *page*

A No-Show Makes a Big Impression With Cautionary Note for Regulators

WASHINGTON — The regulators heard from 44 people in San Antonio last week, looking advice on reforming the Community Reinvestment Act. While they heard from a diverse group, bankers responded perhaps most enthusiastically to an absentee.

Michael L. Allen, president of Union State Bank in Carrizo Springs, Tex., was scheduled to testify during the second panel. He never showed up, but asked a fellow banker from Happy, Tex., to present his testimony, Mr. Allen wrote:

"I see from the tentative agenda that I am one of the very few bankers you have to listen to today. Also, I note that I represent the smallest bank.

"Please, Be Careful"

"Please take note that the vast majority of banks that you gentlemen regulate are small community banks. Community banks with only one bank and one community to succeed or fail with their respective community.

"Where are they? I am not with you, nor are all those other community bankers, because we are in our banks, making loans to the people of our communities.

"We do not have the time to come to your hearing during banking hours. We do not enjoy big staffs or specialized people to deal with your regulations.

"Your regulations [including CRA] are an increasing problem for today's community banker.

"So please, be careful – we community bankers are the scurrying mice and you regulators are the dancing elephants."

— Claudia Cummins

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Electronic Data Systems To Acquire Ampersand

By BARTON CROCKETT

Electronic Data Systems Corp. has agreed to buy a small but fast-growing supplier of personal computer software for bank branches.

By signing a letter of intent to acquire Ampersand Corp., of York, Pa., for an undisclosed sum, Plano, Tex.-based EDS – a unit of General Motors Corp. – hopes to boost its PC capabilities in the banking industry.

"Its strategically a very important purchase for us," said Tim Ryan, a vice president in EDS' large financial institutions' unit.

About an eighth of EDS' revenues of $8.2 billion last year came from computer services to banks, including running banks' mainframe computers and check sorting machines, managing their ATMs, managing their credit card systems, and doing consulting and systems integration work.

A Shift to PCs

EDS' traditional strength has been in mainframe technology. But as PC usage soars and mainframe usage flattens, EDS offi-

EDS hopes to boost its PC capabilities in the banking industry.

cials want to do more work with the desktop machines.

In banking, that means selling and installing PCs and software for branch automation, one of the hottest areas in bank technology.

According to the *American Banker/Bottomline* 1993 technology survey, about a third of all tellers, and more than half of all customer service representatives have PCs on their desks. In three years, nearly all tellers and customer service representatives are expected to have PCs.

Platform Systems

Ampersand sells PC software that helps tellers balance their cash drawers, and so-called platform software that helps customer service representatives open accounts and sell bank services.

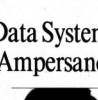
The company has more than 100 clients running Ampersand software in 14,000 branches.

Other leading suppliers of teller and platform software for PCs include Olivetti North America Inc., Argo Data Resource Corp., International Business Machines Corp., Systeme Corp., and Unisys Corp.

Ampersand's biggest customer is Keycorp, Albany, N.Y., which runs the vendor's teller and platform software in nearly 900 branches.

A Windows Opportunity

Other big customers include Boatmen's Bancshares Inc., St.



Dale Smith
Will continue to run unit

Louis, and U.S. Bancorp of Portland, Ore.

Ampersand is also one of the first branch automation vendors to develop software for Microsoft Corp.'s Windows operating system.

Ampersand's president, Dale Smith, said that last year his company had revenues of about $2.5 million and pretax profits of about 20% of revenues. He added that Ampersand's revenues have grown about 35% in each of the past three years.

Mr. Smith and Mr. Ryan said that no management changes or layoffs at Ampersand are planned.

Instead, Mr. Smith will become an EDS product manager, and will run the Ampersand business out of its current offices, with the same 24 employees who now work at the vendor.

Money for Expansion

EDS will provide capital to allow Ampersand to expand, and EDS will also help with support, and install Ampersand

Ampersand Corp. software is run in a total of 14,000 branches.

-software.

Ampersand customers welcomed the sale, as long as Ampersand's management stays in place.

"We've really had a good relationship" with Ampersand, said Robert Tucker, Keycorp's generation manager of technical operations. "We don't expect it to do anything but get better because of the additional resources available" to Ampersand. □

Bankline Launches Midrange Software To Help Small Banks Document Loans

By DEIDRE SULLIVAN
Special to the American Banker

Bankline MidAmerica Inc., a banking systems developer based in Lenexa, Kan., has introduced a loan documentation product for community banks. The new software is designed to run in coordination with Bankline's Solv family of community banking systems based on NCR Corp. midrange computers.

Bankline's president, John French, reported that six community banks that use Solv have recently installed the new loan documentation product.

The software provides prequalification, origination, document preparation, as well as the tracking and closing for all types of loans. The program also computes annual percentage rates, fees, insurance premiums, and payments, as well as producing amortization schedules.

Bankline uses forms provided by Bankers Systems Inc., a St. Cloud, Minn.-based provider of bank documents and forms. "Bankers Systems insures that the forms are in continual compliance with all laws and regulations. They give us the updates and we pass the information and the changes to the customers," said Mr. French.

Unlike personal-computer-based documentation products that reside in a single user's terminal, the Bankline system runs on a host computer, enabling multiple users to access it. With a host-based system, banks can reduce the number of steps involved in approving and then booking a loan, Mr. French said.

"With the system on the host the information gets keypunched once and then it's right there on the system," John Bourgeois, executive vice president of First American Bank and Trust, a community bank with $250 million in assets located in Vasherie, La.

Prior to installing Bankline's product, First American had been using a PC-based system to serve 13 branches.

Burning Up the Fax Machine

"There was a lot of faxing between the one person who did the key punching and the loan officers," said Mr. Bourgeois. Also, with the old system, after a loan was funded, the documents were routed to the loan operations office to be rekeyed into the system and then booked. He said that with the Bankline system, booking takes place automatically, as do updates to the bank's general ledger.

In addition to increased efficiency, Mr. Bourgeois reported that First American has reduced paper and mailing costs. "We don't have to reorder forms, because the forms are on the system," he said. "The whole process is a lot simpler now."

Ms. Sullivan is a freelance writer based in New York.

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Crestar Pumps Up Its Retail Muscle For Strength to Fend Off Predators

By KENNETH CLINE

RICHMOND — The words "Crestar" and "takeover" fit together as naturally as soup and sandwich in the minds of many bank analysts.

But Richard Tilghman, chairman and chief executive of the largest bank based in Virginia, thinks people have the formula backwards: Crestar Financial Corp. is going to do the acquiring.

In a recent interview, Mr. Tilghman showed no inclination to wave the white flag, even though his company has recently been overshadowed on its home state by intruders from North Carolina.

"We're going to keep on keeping on," Mr. Tilghman said in a recent interview.

Rallying the Troops

Nevertheless, the threat from giants such as NationsBank Corp., First Union Corp., and the quiescent but potentially dangerous Wachovia Corp. caused Mr. Tilghman to give a pep talk to employees late last month.

"These banks are not invincible," he said. "NationsBank and First Union may exceed Crestar in overall size and geographic scope, but where it matters to us, in our markets, we're right up there with them."

Indeed, Crestar, which has $12.2 billion of assets, has the potential to become so profitable that it would be extremely expensive to buy.

The bank has the potential to become too profitable to be acquired.

Its 307 branches in Virginia, the District of Columbia, and southern Maryland constitute the second-largest banking franchise in the region.

Loan Growth Seen as Key

"Their real challenge is to get out there and beat the bushes to grow some loans and increase their market share, primarily on the retail side," said Dean Witter analyst Anthony R. Davis.

Crestar's problem, however, is that it has been a sluggish earner and does not have much time to reverse its course. The company's push for profitability also faces a major handicap: a sluggish Virginia economy that continues to produce lackluster loan demand.

Mr. Tilghman, though, insists he has plenty of potential to exploit, even with the slow economy. His game plan: to invest nearly $30 million in branch automation equipment during the next two years as a means to increase loan production and sales of mutual funds and trust services from Crestar's widespread branch network.



David Brewer

RICHARD TILGHMAN, Crestar's CEO, plans to invest nearly $30 million in branch automation equipment during the next two years to boost loan production and sales of mutual funds and trust services.

He says that all customer service representatives and tellers will be equipped with personal computers. Crestar also intends to make major upgrades of its mortgage and consumer loan systems.

Customer Service Drive

Another key tool in the strategy is a back-to-basics customer service and marketing effort. The company has laid out the following goals for its consumer sales efforts:

- A one-day turnaround on all loan applications in its consumer finance area. It currently takes at least two days for a customer to learn if a loan has been approved.
- A new emphasis on telephone service. Telephone centers in Richmond and Norfolk will be expanded to 24 hour-a-day operation. Mr. Tilghman also said he will investigate telephone- and PC-based home banking.
- A push to sell mutual funds. In May, Crestar's securities subsidiary began selling its own family of funds, the CrestFunds, through its branches. The nine funds currently have $1.6 billion of assets, but are expected to grow rapidly.

Crestar also intends to maintain its traditional role as one of the biggest middle-market lenders in Virginia. But Mr. Tilghman is betting that retail banking is the key to competing against NationsBank and First Union.

"What we want to be is the bank to the household," Mr. Tilghman said, adding that he wants to push core checking, transaction, and savings accounts. "Our desire is to establish a basic business relationship with a family or business and take care of their core deposit and borrowing needs."

Disruption from Takeovers

Most analysts believe Crestar can make headway – precisely because of the new competition. NationsBank bulldozed its way into Virginia and Washington in 1992 with the acquisition of C&S/Sovran Corp., Virginia's largest bank. First Union followed this year with its purchase of Dominion Bancshares Corp.

The disruptions caused in local operations by those acquisitions could be useful to Crestar if it moves quickly, analysts said.

"There's a good opportunity for the indigenous Virginia banks to take market share in the wake of the moves by NationsBank and First Union," said Dean Witter's Mr. Davis. Crestar's target market for scoring gains lies in the relatively affluent greater Washington area – the District of Columbia, northern Virginia, and southern Maryland. Median household income in the region is $54,000, compared with $33,000 for the U.S. as a whole.

Business Goal Set

James Wells 3d, president of Crestar, is heading a task force aimed at bringing Crestar's share of loans, trust fees, and securities-related businesses in greater Washington up to the 9.4% level of its deposit share there. (Crestar's deposit market share is second only to NationsBank.)

The task is harder than it sounds. Although nearly half Crestar's branches are located in greater Washington, many were acquired from insolvent thrifts, which provided deposits but few assets.

Washington also has contributed the largest slice of Crestar's problems. Like most of its competitors, the bank got caught up in the overheated real estate market in the nation's capital in the mid-'80s.

Ahead of the Curve

By the third quarter of 1991, Crestar's nonperforming assets soared to $417 million, or 5.7% of loans and foreclosed realty.

In the past few years, credit problems have come under control. Nonperforming assets totaled $163 million at the end of this year's second quarter, representing 2.24% of loans and foreclosed real estate.

Profitability has improved too, though it's still not up to pre-recession levels. After posting a return on assets in 1992 of 0.67% – down from 0.97% in 1989 – Crestar has rebounded. In the second quarter of this year, it earned $33.7 million, for a 1.09% return on assets.

Throughout the crisis of the last few years, Mr. Tilghman, 52, a career Crestar employee, has maintained a steady hand on the bank's tiller. Analysts credit him with initiating a smart strategic shift in 1987, the year he became chief executive.

Shift to Retail

At that time, under its former name, United Virginia Bankshares Inc., Crestar was known as the leading commercial lender in the Old Dominion. Mr. Tilghman, unhappy with the company's reliance on wholesale funding, steered the company to the retail side.

He also pushed for more consumer loan production out of the bank's expanding branch network in Washington.

"The shift in strategy toward retail, and the diversification, was the correct thing to do," said Sandra J. Flannigan, an analyst at Merrill Lynch & Co.

"If they had stayed as com-

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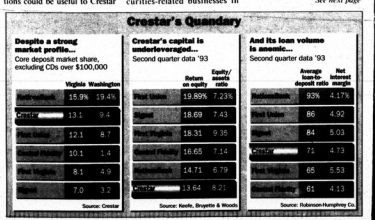

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mercially oriented as they were, given the current lack of business loan demand, they would not have been able to deal as effectively as they have with the commercial real estate problem."

Mr. Tilghman, who came up through the commercial lending ranks, imposed the shift in a typically cautious and deliberate manner, according to bankers and analysts. "He is very prudent and detailed in his analysis," said Mr. Davis, who followed Crestar for many years as a Richmond-based analyst.

The new strategy's success is demonstrable. Core deposits now fund 140% of Crestar's loan portfolio, compared with 86% in 1987. Consumer loans (including credit cards) as a percentage of the entire portfolio rose to 54% from 41%.

But Mr. Tilghman concedes that more work needs to be done. Consumer loans as a percentage of assets are only 10.7% (excluding credit cards), ranking the company in the third quartile of regional banks followed by Lehman Brothers.

Its average loan-to-deposit ratio remains a relatively low 71%. And its return on equity of 13.36% for the first six months lagged its regional peers.

Those numbers and the slow economic recovery in Virginia mean that Crestar cannot expect a soaring loan demand to pull it to new heights anytime soon. Instead, analysts said, Crestar's best protection against takeover may be making its own acquisitions.

Capital Raised

The company raised $97 million in new capital last October just for that purpose, boosting its equity-to-assets ratio to a sturdy 8.22%. Robinson-Humphrey estimates Crestar could support $2 billion in additional assets without having to raise any more capital.

Although Crestar was outbid by First Union for $4.6 billion of assets sold by Washington's First American Banks Inc. earlier this year, it continues to wage acquisition battles.

"We're in a target-rich environment," said C. Garland Hagen, executive vice president of the company's investment banking operations and its point man for acquisitions. He said there are 80 banks and thrifts controlling $15 billion in deposits in the greater Washington area alone.

In the meantime, Crestar must continue to dodge the inevitable takeover speculation, which most commonly pairs it with Wachovia, the only North Carolina superregional that has not yet entered Virginia.

Crestar, with its excellent branch network, "remains a logical entry vehicle into Virginia," said John Coffey, an analyst at Robinson-Humphrey in Atlanta.

Mr. Tilghman dismisses that kind of talk.

"I would think that people who speculate about us as a takeover target are basically analyzing the financial feasibility of such a transaction and not necessarily its desirability," he said. □

First Fidelity Moves to Expand in Pennsylvania

By KAREN GULLO

First Fidelity Bancorp. said it will buy First Peoples National Bank, a closely held community banking company in northeastern Pennsylvania, for $19.6 million in cash.

The New Jersey-based company said it also is buying Bank-Vest Inc., a privately held company that owns 70% of First Peoples.

The two-branch bank, which is located in Edwardsville, has $102 million in assets and $84 million in deposits.

Under terms of the agreement, BankVest's stockholders will receive $214 a share, or $13.8 million in total.

2.17 Times Book

Holders of the remaining 30% of First Peoples will receive 2.17 times BankVest's book value. a First Fidelity spokesman said.

Upon completion of the deal, the bank will be merged into First Fidelity Bank Pennsylvania, which operates 187 branches in eastern Pennsylvania.

The New Jersey company agreed to buy First Peoples, a two-branch bank in the northeastern sector of the state.

$465 for each common share, or a total of $5.8 million.

The purchase price represents

First Fidelity, New Jersey's biggest bank, has total assets of $32.2 billion. Its Pennsylvania unit controls $9.9 billion of assets and $7.6 billion of deposits.

Rapid Expansion

The company has been an aggressive acquirer in the past two years, expanding rapidly in New York, New Jersey, and, most recently, Connecticut.

In Pennsylvania, it has expanded primarily in the Philadelphia area. First Fidelity acquired the Pitcairn Private Bank in suburban Jenkintown in April. In 1991, it bought Atlantic Financial Corp., which has 29 branches in and around Philadelphia.

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Trust Vehicle Geared For Smaller Banks

By PHIL ZARODIAKIN

Finance

DAVID BERNARD, president of June 4th Corp., says the name of his financial firm commemorates the standoff in Tienanmen Square.

His newest offering, a hedged preferred stock fund, also shows an interest in the less powerful. It allows small-bank Davids to offer a proprietary investment vehicle ordinarily offered only by banking Goliaths.

The product is intended for trust departments seeking to beat the yields of certificates while maintaining liquidity and safety of principal. Moreover, it's set up to allow small banks to wrap their names around the fund – thus enhancing their image, says Mr. Bernard.

He adds that June 4th would offer geographic exclusivity to trust departments investing in the fund.

Double-Hedging Strategy

The fund buys preferred stock in utilities to capture its dividends, and double-hedges the portfolio with Treasury puts and a second set of utility preferreds purchased with the purpose of selling them before they shed their dividends.

"The strategy has been around forever," says Mr. Bernard. "What we're doing is taking a fund for institutional investors and turning it into a retail vehicle for small-bank trust departments.

"If big banks want to start a fund, they just go the 50th floor, start a new money management operation, give it a name, print a prospectus, and offer the fund. Small banks don't have that many floors, and starting a fund is out of the question for them."

A trust department would have to invest at least $2 million to $4 million in the June 4th fund, which is traded by the firm, but held, in the name of the bank, by PaineWebber Inc.

So far in 1993, says Mr. Bernard, the strategy has posted a 3.10% yield, or 125% more than comparable certificate rates.

Thomas M. Catteli, vice president and senior trust officer at $75 million-asset Maine Bank and Trust Co., Portland, says, "It seems like they have to work awfully hard for a modest increase in certificate yield, and we wouldn't be interested in any fund that turns over frequently and requires a management fee greater than 80 to 100 basis points."

An investing bank can put its name on the June 4th Corp. stock fund.

He adds that "a lot of banks are understandably worried about disintermediation, and there's a bit of desperation for attaining higher yields, but I think it's a passing fad – and I think I'd have trouble explaining this strategy to an elderly widow."

John Kautz, chief investment officer for $725 million-asset United National Bank, Plainfield, N.J., says the June 4th fund "is a great idea, but the preferreds don't have a mandatory sinking fund, and I don't think you could have a perfect hedge without paying, far too much of a premium."

Mr. Bernard says, "It's technically correct that the preferreds don't have a sinking fund, but we're trading them every 46 to 50 days, and as you're repurchasing, the preferreds are marked to the market yield." He agrees that a "perfect hedge" would be prohibitively expensive, but maintains that "in the last 10 years, investment managers haven't lost a penny of principal with the double-hedged strategy."

Heavier Regulation Predicted

Marshall Davidson, a managing director of Rothschild Inc., New York, warns that funds like June 4th's will be more heavily regulated in the future, and adds:

"In general, this results in capital fleeing to unregulated areas. This makes it harder for banks to break even with their services, so, small banks, in particular, have to find ways to trim their fixed costs and turn them into variable costs. I think you'll see a lot more products like this fund in the future."

The Office of the Comptroller of the Currency issued a July 19 warning against private labeling for uninsured retail products – requiring banks to "conspicuously disclose" the originator of the products, according to Lee Cross, a spokeswoman for the agency.

Mr. Bernard says June 4th "is not like a mutual fund company that offers a common fund and puts the name of different banks on it. The fund is managed by the trust department of the bank, and traded by June 4th in the name of the bank."

Q: How is your relationship with your board of directors?



CARROLL MARKLEY
Chief executive
Patriot National Bank of Reston
Reston, Va.

A lot of the problems people have with bank boards of directors are perception more than actuality.

If you have a board that is truly involved with a bank, then there should not be a concern, because they clearly understand what management is doing and aren't in the dark. If something happens, they should know what it is before it happens.

You'll always make some bad loans, but if management has the relationship set up properly, there won't be surprises.

The relationship has changed because of what's happened in banking in recent years. A lot of directors did not know the legal obligations that came with the job, and too many executives never thought of letting them know of the ramifications of their position. □



KEVIN GAGE
President
Bank of Darien
Darien, Conn.

We're a start-up bank, so for the first few years the board was very involved, even in the day-to-day management.

Now they are becoming less involved in the day-to-day stuff and leaving more of it up to me. I think that's as it should be.

They're like a group of consultants, with different business backgrounds. They hired me to do a job, and they look to me to tell them how to implement the strategies that we've come up with.

But they don't take everything I say and approve it. They are very detail-oriented and very involved, especially on the credit side.

We haven't had trouble attracting people from the community, and we have plenty of quality directors. I think that's extremely important. □



AL JONES
Chief executive
American National Bank
Corpus Christi, Tex.

I've had a consistently wonderful relationship with my board.

They are much more involved and participatory than they were five or six years ago. They became more involved at my prodding.

It's just imperative now that they are involved in the basic policy decisions of this bank.

They are a wonderful resource for this bank. They are most involved at the committee level, such as the loan, finance, and risk management committees.

I know that there's a perception out there that it's difficult to attract good directors, but for a community bank that is involved in its community, it's easy to attract very competent directors. They're willing to take the risk. □

Recruiting Directors May Be Getting Easier

By TERRENCE O'HARA

Bank directors have had a lot to be nervous about over the last four years, especially at community banks.

Experts in director and officer liability issues suggest, however, that the stigma of being a bank director has lessened as banks' fortunes have risen.

However, fears of being a director remain.

Mark Rosen, a former Federal Deposit Insurance Corp. lawyer now working for Aetna Life & Casualty Co. in its directors and officers insurance unit said that anecdotal evidence suggests banks are having more luck at attracting quality directors now than a year ago.

'Worse for Smaller Banks'

"It's still worse than it was five years ago," Mr. Rosen said. "And worse still for smaller banks. Depending, that is, on the condition of the institution."

An unscientific survey conducted by the American Bankers Association at February's Community Bankers Conference showed less banker angst over their ability to attract qualified directors.

About 30% of the 95 bankers that responded to the survey said they have had difficulty in finding directors in the last year. About 22 percent of the respondents said that at least one of their directors had resigned or not stood for reelection because of concerns over personal liability.

Earlier Survey

That differs with a survey by the *American Banker* done two years ago indicating three out of four banks with less than $1 billion in assets were having trouble finding qualified directors.

But Josiah Hatch, a lawyer with the Washington office of Gibson, Dunn & Crutcher, said fear of personal liability still pervades community bank board rooms. Concern over regulatory exemption provisions in directors and officers insurance policies and tough policy statements from regulatory agencies in recent months about director culpability are the main reasons.

"I haven't noticed directors' fears going away at the community bank level," Mr. Hatch said.

Weighty Tome

Mr. Hatch, along with fellow Gibson, Dunn lawyer John Olson, recently published an 800-page treatise on director and officer liability. Mr. Hatch said the pair felt a comprehensive text was needed for both lawyers and laymen who deal with the increasingly complex subject.

"People haven't been reassured by the policy decisions issued by the Office of Thrift Supervision and the Federal Deposit Insurance Corp. in recent months," Mr. Hatch said.

"The insurance ramifications of the strict liability propounded by the regulators is worrisome to people." □

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— John Totten, Senior Vice President and Chief Technology Officer, FirstCard

"Using CVV, we have blocked over 800 accounts, saving our institution millions in potential losses."
— Art Desloges, Director of Security Services, Citibank US Card Products

"Since CVV has been in place, we have significantly reduced our losses and are catching counterfeit card activity in less than a day."
— Michele Shalmon, Security Supervisor, Great Western Bank

"We have already experienced important savings since we implemented Visa's CVV Program."
— Rick Scully, Vice Chairman, First U.S.A. Bank

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AUG 30 1993



Set Goals Before Taking the Public-Relations Plunge

Community bankers often ask, "Should I hire a public relations consultant?"

The reason is simple: There are plenty of them around. In fact whenever you find someone who has left a job as a reporter on a newspaper or as a media newscaster or commentator there is a likelihood he or she will set up as a public relations consultant.

But before even thinking of hiring a consultant, the community bank's board and officers should ask them selves: What do we want a public relations program to do for us?

Weekly Adviser



By PAUL NADLER

This is an issue that affects larger as well as community-size banks. For often, PR professionals report that they have been hired, but they and their clients end up unsatisfied with the results of their work simply because they were not given specific marching orders.

First of all, public relations people state emphatically that PR is not marketing. It is less specific than that.

What are some of the goals that a PR program can try to achieve?

Blowing Their Own Horn

First, let's face it. In some organizations – both banks and nonbanks, large and small – the CEO's basic goal, whether he admits it or not, is to aggrandize himself and get his name in print.

If that is what you honestly want, then a PR professional can be of considerable help. For they know how to get stories picked up by the media, and how the CEO can do things that will get the media's attention.

But if your goals for PR are different, then maybe a public relations professional is not so important to success.

Touting the Stock

Some organizations look to PR as a way of hyping their stock. This is important to them because it both makes shareholders happy, including employees with option plans, and it helps keep the stock at a price that will facilitate mergers or acquisitions.

The higher the price-earnings ratio, the less you pay in dilution when acquiring another bank and the more you get for your own bank if you sell.

Here PR may not be as effective as sitting down with the market makers and pitching your stock to them. Sometimes the best PR approach is simple honesty.

The market maker has to put a lot of his own capital into making a market in your stock if you want any liquidity. And he doesn't want any "surprises" that wipe out consumer demand and thus reduce the value of his investment.

In small towns a PR firm can do a lot to burnish a bank's image.

Working with the market maker, developing a dividend reinvestment plan to create demand for your stock, and giving the market maker an opportunity to bid on equal terms with anyone else on your other investment business for the bank portfolio and trust operations are more valuable than any PR campaign could be in boosting the aggressiveness of the market maker in positioning and touting your stock.

What about generating a feeling of good will for your bank in the community? In smaller towns this is more important than in larger ones since everyone knows the bankers. And the ones who help the community are generally favored over those who take a more impersonal "business as usual" attitude.

Here a PR consultant can be of great value. But before spending money to hire one, the banker should grill the adviser about his ideas for helping improve the bank's image.

This is the key. PR people do not earn their keep by merely sending out press releases. And they are not needed if your goal in PR is just a higher stock price.

We would love to hear some of your ideas as to how PR has helped or not helped your bank. And I'll also give some of mine as to what I think public relations can do to help in image building and, yes, even boosting your personal image and stature in the community.

Mr. Nadler is a contributing editor of *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

Send Us Your Ideas

Weekly Adviser is a forum for community bankers to share their concerns, problems, and solutions. You can participate by writing to:

Paul S. Nadler
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Responses will be printed in the column.

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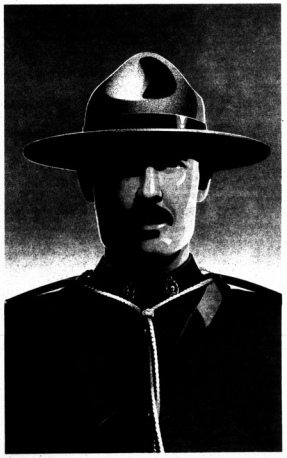

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AUG 30 1993

HUD Draft Rule Could Derail Tough Law on Escrow Interest

By SNIGDHA PRAKASH

WASHINGTON — A new rule drafted by the Department of Housing and Urban Development will reduce escrow payments for some borrowers.

But the rule will not address the hot issue that strikes fear in the hearts of mortgage lenders: whether interest should be paid on the accounts.

Mortgage servicers collect monthly payments to cover real estate taxes, insurance, and other expenses for which homeowners are liable. Presently, the servicers keep any interest earned.



Henry Cisneros
Hasn't signed off on rule

Would Slash Servicing Profits

A requirement to pay it out to borrowers would substantially reduce servicing profits.

Opinion is divided in Washington over whether HUD's action would help or hurt the chances for a tough new law requiring payment of interest.

The chairman of the House Banking Committee, Rep. Henry Gonzalez, D-Tex., introduced such a bill last year.

The industry hopes that HUD's rule will take the wind out of Rep. Gonzalez's sails.

'No Longer a Need'

"I would venture to say that if HUD takes the leadership it should take, there is no longer a need for the Gonzalez legislation," said Warren Lasko, executive vice president of the Mortgage Bankers Association.

One Republican House staffer suggested the industry's hopes may be realized. "Once the regulation comes out, if it plays well in Peoria, then I don't think Gonzalez is going to have a leg to stand on to push the legislation," he said.

But consumer advocates felt the rule would open the door for more reform.

'A Moving Target'

Mortgage servicers would be required to calculate escrow so that a prescribed low balance is reached each year. That balance could effectively be three months' payments.

However, HUD officials emphasized the draft rule was "a moving target," and the department's policymakers, including Secretary Henry Cisneros, have not signed off on it.

The proposed rule will be published in the *Federal Register* by late October, one official said.

Different Treatment

The rule treats existing and new escrow accounts differently, a HUD official said. Existing accounts would have to meet new requirements as well, the official added, declining to elaborate.

Major companies such as Pasadena, Calif.-based Countrywide Credit Industries are already complying with the more stringent accounting method servicers would have to adopt.

But for others, the change in accounting would incur new operational costs, said Mr. Lasko.

Might Increase Pricing

"We operate at a lower cost because of high volume," said Stanford Kurland, senior managing director of Countrywide.

"For a banker that has a smaller margin, [the change] might increase pricing up front. It makes them less competitive," Mr. Kurland said.

In addition to earning interest, servicers also use the escrow funds to get lower loan rates from banks that compete for the escrow accounts.

Large purchasers such as Countrywide drive the servicing market, and they will not be ment's policymakers, including

Existing-Home Sales Rise for 3d Straight Month

By CHRISTOPHER NOBLE

Sales of existing single-family homes in the United States rose 5.4% in July from the June level to a seasonally adjusted rate of 3.88 million, the National Association of Realtors said Wednesday.

The jump was much larger than expected and brings home sales to their highest annualized rate all year. The increase was the third straight monthly advance and followed a revised 1.7% gain in June. The rate is up 14.8% over a year ago.

The median price in July was $109,200, compared with $109,300 in June and $102,800 in July of 1992.

Falloff in Northeast

Sales gained in all parts of the country except the Northeast, where they fell 1.8%, to 560,000. In the West, sales leaped 9.5% to 810,000, while in the Midwest they rose to 1.05 million, an increase of 9.4%.

In the South, meanwhile, volume rose 3.5%, to 1.46 million.

"Summer generally is busy, but this is extraordinary," said William S. Chee, president of the Realtors' group. "More and more 'sold' signs are going up."

Officials of the Realtors' group attributed the jump to "extremely low mortgage rates," which have fallen to 25-year lows in recent weeks.

The ranks of first-time buyers have surged in recent months. Also, low home prices, low mortgage rates, and more aggressive marketing of Federal Housing Administration and VA loans have been factors.

Plaza Executives Kiss Big Bonuses Goodbye

People in the News

By CHRISTOPHER NOBLE

THEY SAY ALL GOOD THINGS must come to an end. Brenda Lynn, vice president of loan production at Plaza Home Mortgage Corp., knows exactly what they mean.

During 1991 and 1992, Ms. Lynn was paid annual bonuses by a simple formula tied to volume.

Since she works for one of the fastest-growing mortgage banks in the country, the result has been astonishingly fat pay envelopes.

In 1991, Ms. Lynn received a base salary of $115,000 and a bonus of $743,886. But that amount was a pittance compared to her 1992 compensation. Loan origination volume broke all the records around the country last year, and Ms. Lynn's pay merrily followed suit. Her base salary rose to $150,000 and her bonus climbed to a mind-numbing $876,264.

William E. Moffatt, head of secondary marketing, had compensation that mirrored Ms. Lynn's. In 1991 his salary was $96,000 and his bonus $540,000. Last year, while his salary remained unchanged, his bonus shot to a stratospheric $905,466.

Plaza's business took off when it went public a little over a year ago. Santa Ana, Calif.-based Plaza is now among the top 20 mortgage originators.



Brenda Lynn

For the first six months of 1993, the company wrote $3.4 billion in loans and had a servicing portfolio of $3.4 billion in June. The company expects to originate between $8 billion and $10 billion in loans this year and expects to retain about 50% of those loans for its servicing portfolio.

But the bonus bacchanal, at least for Ms. Lynn and Mr. Moffatt, appears to be coming to an end. Beginning this year, the two executives will receive bonuses to be decided by Jack French, Plaza's chief executive.

"Unfortunately, it's over," Ms. Lynn said with a rueful laugh during a recent telephone interview. "I expect to get a much smaller bonus this year."

Something of a Windfall

Ms. Lynn said she never expected to make as much money as she did in the last two years. She said she and Mr. Moffatt both viewed the massive bonuses as something of a windfall.

"We both kind of look at it as like we had a couple of really great years and we were real happy that that happened to us, but we were realistic. We didn't want to price ourselves out of the industry," Ms. Lynn said.

Ms. Lynn, who is unconcerned by the industry chatter over her astronomical earnings, pointed out that the compensation plan was not her idea and added she was not the only head of production paid on a commission basis. Other heads of production make more, but do not have to disclose their salaries since they work for privately held companies, she said.

Plaza is forging ahead. Analysts remains confident, and Ms. Lynn said the company was seeking to diversify out of California to lessen its vulnerability to the economic slump in that state. Today, 70% of Plaza's loans originate in California. Ms. Lynn said the company plans to bring that down to 50%.

There's no debate—new regs are coming. What's still at issue is whether you'll be ready for them.

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■ Mortgage Marketplace

Sadly for you, politicians in Washington agree on something.

Lawyers, legislators and lobbyists in Washington—people who've made careers out of being contrary—all are declaring the same thing these days: that government's relationship with the secondary mortgage market is going to change drastically.

They all know about HUD plans to toughen enforcement, new pressures on Fannie and Freddie, and the revival of Ginnie Mae as a major player in the market. And if you want more evidence, look to Capitol Hill, where Congress is toying with mortgage bankers subject to the same regs as commercial banks.

How should you react? You could wax nostalgic—and get clobbered by the government and your competitors. Or you could read *The Mortgage Marketplace*.

Every Monday, in less time than it takes to finish your morning coffee, *The Mortgage Marketplace* tells you about the new rules and ideas that could keelhaul your secondary operations. It names the biggest mortgage company participants in Ginnie, Fannie and Freddie issues. And it scans the horizon to determine what types of loans, and borrowers, that now are considered exotic could soon enter the pipeline of conforming loans.

Ginnie Adjustables Likely to Show Stable Prepayments

By ERROL MUSTAFA
Vice president, mortgage research
Prudential Securities Inc., New York

The following article is adapted from one that appeared in the Aug. 20 issue of Prudential Securities' "The Mortgage and Asset-Backed Market Review."

Many investors now fear that an increase in short-term rates, together with a flattening of the yield curve, could result in a significant rise in refinancing of adjustable-rate loans into fixed-rate mortgages.

In this event, there could be a significant increase in prepayments for conventional adjustable-rate mortgages.

Investors who are concerned about such a possibility should consider the slower-prepaying Ginnie Mae adjustables market. Within this market, prepayments are expected to remain relatively stable, even for newly originated, fully indexed 5.5% and 6% coupons.

Comment

Holding Steady

In contrast to the fixed-rate market, the last two years have seen relatively stable prepayments for most sectors of the ARM market.

Ginnies are particularly insensitive to long-term rates.

One of the factors that has kept ARM refinancing activity light over the last 2½ years has been the decline in primary-market mortgage rates for ARMs, which has closely tracked the decline in 30-year fixed rates.

In fact, the current spread between Freddie Mac's survey of 30-year fixed and one-year adjustables is currently more than 260 basis points, well above the three-year and five-year historical averages of 243 and 213 points.

Causes for Stability

If the spread between 30-year fixed and one-year adjustable rates remains at or close to current levels, we expect ARM prepayments to remain stable for the following reasons:

• *Many homeowners who take out ARMs are attracted by the low initial teaser rates that typically are offered for the first year.* They include first-time buyers and others who are unlikely to refinance into a higher-coupon fixed-rate product unless short-term mortgage rates are comparable to long-term rates.

• *The surge in ARM prepayments in the spring of 1991 satisfied much of the refinancing demand from those wanted to lock in fixed-rate loans below 10%.*

• *Much of the outstanding ARM securities come from mortgages that were originated from mid-1987 through early 1989, when the adjustables' share of primary-market originations was above 50%.* These loans currently have four to six years of seasoning and should show fairly stable prepayments.

Other Possibilities

If, however, the curve flattens significantly and short-term rates rise sharply, we would expect the following:

• *Prepayment speeds on both fully indexed convertible and nonconvertible one-year CMT ARMs would increase substantially.* However, for seasoned convertible ARMs, we would expect speeds to increase much more than nonconvertible speeds as the conversion option to a fixed-rate mortgage is exercised.

The agency's mortgagers are less likely than others to refinance.

• *Adjustables indexed off the six-month Treasury bill or CD rates should be among the first sectors of the market to experience a significant increase in prepayments.*

This is because, in a rising interest-rate environment, the semiannual coupon-reset feature of these ARMs would result in a more rapid adjustment to higher rates for borrowers with these mortgages compared to those with those that reset annually.

Conversely, those that reset every three or five years are likely to experience a more delayed increase in prepayment rates.

• *Prepayment speeds on adjustables indexed to the cost of funds and on Ginnie Mae ARMs would likely increase less than those on conventional CMT or CD ARMs.*

• Ginnie Mae mortgagers in general tend to be less sensitive to refinancing opportunities than conventional mortgagers.

As a result, their prepayments historically have been less volatile, as well as slower, than prepayments on conventional ARMs.



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Liberty, Chasing Youth Market, Goes to Class

By KALEN HOLLIDAY

In a bid to capture more of the youth market, Liberty Financial Corp. is going back to school.

The Boston-based mutual fund company, which manages $31 billion of assets, launched a program last week to educate young investors about money matters and increase awareness about investment options for children.

Coinciding with the introduction of its Young Investor Program, Liberty announced it was lowering account minimums for custodial accounts for the Stein-Roe family of no-load mutual funds to $500.

The funds are managed by Stein Roe & Farnham, a Chicago-based subsidiary of Liberty Financial Companies.

Lower Minimums

Liberty also eliminated minimums on custodial accounts for the Liberty Financial funds, allowing investors to open a custodial account for just $50.

"While the industry trend is to raise new account minimums, we have lowered our minimum to help kids invest," said William P. Rice, director of corporate communications for the Liberty Financial Cos.

And getting children to invest and save is central to the Young Investor Program.

Liberty is developing products, materials, and educational seminars to introduce young people to the basic principles of money, economics, and investing.

Teaching Them to Save

The program is geared toward teaching children about money early so that they will develop good savings and investing habits, Mr. Rice, who is in charge of the program, said.

Age 3 is not too soon to start, he added.

"The youth market is our future," said James M. Grant, senior vice president for marketing at First National Bank of Chicago.

"Banks have historically been very active in teaching kids about money," Mr. Rice said.

"We want to start teaching them about savings and investing. That is where we can make a difference."

Liberty officials have talked to both small banks and some large money center banks about offering the seminars in their branches. Banks have reacted very positively to the program, Mr. Rice said.

Several Benefits

Educating young investors "will increase mutual fund sales and raise Liberty's visibility," Mr. Rice said.

But there are big benefits for banks that target children, too. "It's not going to hurt their CRA requirements," Mr. Rice, said referring to banks' obligation to reinvest in their communities.

After evaluating results from a Harris/Scholastic Research survey, Liberty commissioned in May, the company found there was a need to improve children's understanding about financial issues.

The company is developing products, materials, and seminars to introduce young people to the basic principles of money, economics, and investing.

About 88% of the children surveyed said they had "learned everything they know about finance and investments from their parents," according to the poll.

Helping Hand for Parents

To help parents, Liberty has published the "Young Investor Parents Guide" which it plans to make available in bank branches.

The 50-page book covers topics such as the value of money, financial planning basics, saving and investing, financing college, and giving minors stocks and mutual funds.

Harris/Scholastic Research, a division of Louis Harris & Associates, interviewed 1,389 students in the eighth to twelfth grades at public, private and parochial schools in the United States.

The survey measured students' attitudes toward and experiences with money and investments.

Knowledge is Power

"It is no surprise to us that the more knowledgeable students are about money, the more likely they are to save and invest," said Kenneth R. Leibler, president of Liberty Financial Companies.

So, the theory goes, education can increase business for companies that sell investment products.

Based on survey results, however, Liberty may have a long way to go before teenagers flock to mutual funds.

Growth of Mutual Funds

While the survey found that 64% of the high school students polled understand stocks and 44% know about bonds, only 22% could define a mutual fund.

"It is interesting that students are least knowledgeable about mutual funds," said Porter P. Morgan, investment strategist at Liberty Financial.

Mutual funds have become "the investments of choice for millions of Americans in the last decade, particularly for first-time investors," he said.

"I think that mutual funds are a great way to introduce kids to the stock market and saving," said Neale S. Godfrey. Ms. Godfrey is the author of "Money Doesn't Grow On Trees: A Parents Guide To Raising Financially Responsible Kids," to be published next year, and "Kids Money Book."

Lack of Marketing

Banks are very interested in attracting families and are becoming much more sophisticated in their marketing, Ms. Godfrey said.

However, few banks have focused their marketing efforts on children.

Banks are not interested in attracting them "because young people are low-balance high-maintenance customers," said Dale Bradley, assistant to the president at Young Americans Bank in Denver.

The bank serves customers under age 22. Nearly 93% of their 16,000 customers maintain savings accounts, Mr. Bradley said. "Our customers, as a trend, are saving," he said.

Although mutual funds are not sold through the bank yet, "it is in the cards," Mr. Bradley said.

A Similar Course

Young Americans Bank, which manages about $9 million of assets, has also introduced a program to teach high school students about mutual funds.

"We would absolutely support this type of program" Liberty has launched, he said.

Some banks have developed savings programs for children, including First Chicago, the nation's 10th largest bank.

First Chicago's First Generation program, which has 64,000 customers, allows children to open a fee-free savings account with just $1.

Chemical Bank, New York, is also returning to the classroom. This fall, a Chemical employee will teach a course in financial planning at George Washington High School in New York.

The curriculum includes lessons on savings and investment alternatives. □



William P. Rice
Helping children invest

Fund Consultant Offers a Gauge For Cash Flow

By MICHAEL O'D. MOORE

A new tool is available to banks struggling to assess the affect of various mutual fund sales changes, including the newer back-end loads, on cash flows.

Strategic Insight, a New York-based mutual fund consulting firm, introduced the software program, "Evaluator," in April.

Banks and mutual fund companies have been using the program to identify how regulations, economic conditions, and business factors could affect their programs over long periods, said Philip L. Herzog, senior vice president at Strategic Insight.

What most scenarios of back-end loads have shown, he said, is that banks will often have to wait up to eight years to recoup fees paid to brokers up front.

Difficult Chore

Calculating the cash flows longhand can be a nightmare. Each investment has to be individually tracked as loads are levied over time. Then, the aggregates must be compiled. Making the task more difficult is the overlay of regulations and economic variables, he said.

Evaluator considers all those factors simultaneously. Bankers may enter as many as 170 variables into the program to see how various sales levels, and regulation requirements, will play out.

The program generates graphs to compare variations on the business plan. To develop the program, Strategic Insight had two to four people working for 14 months.

The company brought in bank and mutual fund CEOs to help determine the appropriate projection needs, he said.

To give customers more load options, more banks have been developing funds with back-end loads.

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ATM Habit Seen Hurting Sales to Younger Set

By KEITH DuBAY

Do-it-yourself electronic banking might aid the bottom line, but it may also be keeping potential investment products customers out of the bank, experts warn.

Now that the younger generation has been trained to use automatic teller machines, direct deposit, telephone balance inquiries, and other labor-saving devices, there's little reason for them to walk into a bank.

If bank investment departments want to sell them mutual funds and annuities, they've got to find a way to get them back in door, industry executives and consultants say.

Habits Formed

"The banks are doing the best they can to push customers out of the branches," said Paul Pasis, chairman and chief executive officer of Marketing One, a leading third-party marketer of bank investment products based in Portland, Ore.

"The banking industry, through the ATMs and '800' numbers, has given the customer the ability not to come into the bank," said David Nardozzi, director of Marinedge, the investment products division of Marine Midland Bank, Buffalo.

Some industry executives maintain that banks are still not perceived by the younger generation as a place to invest in equities, annuities, and other products more creative than a certificate of deposit.

"There is an apprehension that those are products and skills that banks don't have. And on the whole, banks have done a lot to dispel that," said Reichert, Marketing One's sales chief.

Cross-selling to absent customers isn't easy.

Follow-Up Calls

Marketing One has a follow-up program where a previous customer or person who has been in contact with a bank's investment products department receives a telephone call from a sales representative.

Marketing One also sends fliers to customers who have inquired about investing, notifying them that a salesperson will follow up by phone or in person.

Like most of its rival companies, Marketing One also promotes informational seminars for customers. Such seminars typically focus on investment basics, explaining, for instance, what annuities are or how fixed-income investments work.

The seminars can introduce customers to products or even to the brokerage's sales force in the hopes of turning a sale.

Typical Customer

Most in the industry agree that the typical bank investment-products customer is a longtime depositor, aged 53 to 65. By and large, they are inexperienced investors who look to a bank to provide a sense of security in an unfamiliar area.

Richard B. Ross, president of Investment Marketing Corporation of America in Northfield, Ill., estimates that banks aren't reaching the two-thirds of bank depositors who are younger and better educated.

Mr. Ross sees a clear demarcation between the younger group and the "scared, older" group of people who have not traditionally been investors.

So far, banks have done well selling mostly fixed investments to older customers because they trust banks more than brokerages. But that strategy won't be enough, Mr. Ross said.

A Harder Sell

"The banks have taken the cream off the market," Mr. Ross said. "They have taken the easy customers as interest rates have declined and people looked for higher returns.

But, he added, "the cream is gone, so now they have to look to the rest of the market."

Mr. Ross advises banks to adapt different approaches to different groups. If a bank is doing a seminar for younger people, "it's not based on estate planning. It's based on how you're going to fund your kids' educations," he said.

The way to approach yuppies is to get them interested in a specific offer, he said.

Customized Programs

For example, a direct mail campaign on education funding should include a promise to develop a special program for the individual customer. For the best customers, use a more direct approach over the telephone or in person.

"You can't talk about a hot stock, or investments in general. You have to develop a package. If you come in, I'll give you this, show you this alternative." □



Richard B. Ross
Says banks need new strategy

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What Is Your Best Weapon For Combatting Attrition?

By STEPHEN KLEGGE

Like most commercial banks that offer credit cards, Barnett Banks Inc. faced a serious problem with the advent of competition from national marketing powerhouses.

A Counteroffer Strategy

American Telephone and Telegraph Co.'s Universal card and Sears, Roebuck and Co.'s Discover card were luring away customers with rebate and discount offers, while highly efficient specialists such as MBNA Corp. and Advanta Corp. were targeting segments of the traditional banks' customer base with customized offers.

By September 1991, Barnett customers were canceling their card accounts at a rate of about 17% annually. The southeastern regional, based in Jacksonville, Fla., reasoned that the credit card was an important item on the menu of financial services offered through its branch system. It decided to fight back.

Barnett set out to find ways to discourage customers from switching to competitors' cards. Barnett's counteroffers could be customized, sources said, ranging from the waiver of a fee to a discount at a local restaurant.

At a time when the banking industry faced added competition from the likes of General Motors Corp. and General Electric Co., the bank's attrition rate has been dropping sharply. The most recent attrition rate is about 9.6%, said Dennis Cluley, senior vice president of customer service.

A Trend

Wary of divulging any secrets to competitors, Mr. Cluley declined to say what his most effective tools are. But he indicated that the bank decides what to do only after a review of the profitability of each account.

While few have created dedicated units to fight attrition, Barnett's move represents a trend, as seen in the comments below.



A. CHRISTIAN FREDRICK
Senior vice president
Fleet Financial Group
Providence, R.I.

Our most effective tool against attrition is to intercept people who call us and write us to cancel their card. We take a quick look at account profitability and, if appropriate, offer to waive the annual fee.

We've tried gift certificates and other promotional items, but all our research continues to show that the No. 1 reason for card cancellation is the annual fee. If it's an unprofitable account, we let it go. The calculation of profitability involves a grid of revolving debt and purchase volume. We've cut our attrition rate by about one third. □



MARILYN L. COOPER
Senior vice president
Keycorp
Albany, N.Y.

Excellent customer service. It's understanding what your customers want, responding in a timely fashion, and correcting any problems that might arise to their expectations. We call customers back to find out why they're closing their card.

If it's a problem, we correct it right away. We might explain other products we have that may be more to their liking. When we get customer complaints, we look into them all. We find out what caused the problem, and if it's a problem with infrastructure, we correct that. □



JAMES M. COSMAN
President
BayBanks Credit Corp.
Boston

We moved to a variable APR in spring 1993 of prime plus 7.9% for gold and prime plus 8.4% for classic. Many free benefits, typically available only to gold cardholders, are also extended to classic.

We find the personal touch goes a long way for customer retention. Since we issue credit cards primarily in our local market, Massachusetts, we are able to offer outstanding personalized service, both in-branch and 24 hours a day via telephone.

Next month, our customers will be able to link their credit cards with the cards that access ATMs, allowing them electronic payment capability. □



IT'S A SNAP: Customers can drop in unannounced to get photographed for Bank One Arizona's cards.

Banc One Unit Joins The Photo Card Trend

By LISA FICKENSCHER

Bank One Arizona has joined the handful of institutions printing customers' photographs on credit cards, and it is raising the ante by putting the photos on debit cards as well.

The program will begin Sept. 7, 17 months after Citibank became the first major bank card issuer to adopt the technique.

Fraud Seen Deterred

Citibank claims the photographs have deterred credit card fraud. Bank One Arizona is also emphasizing the anticrime and personal-identification aspects, though it is clearly seeking a marketing and public relations payoff as well.

The initiative is likely to spread to other units of Ohio-based Banc One Corp., which have issued a total of about eight million credit cards.

Bank One Arizona has more than a million credit card and checking customers eligible for the optional photo program.

The bank is putting both the customer's picture and a digitized signature on the front of each card. The customer's actual signature will still be written on the back of the card.

Using technology from Polaroid Corp. of Cambridge, Mass., and DataCard Corp. of Minneapolis, the bank will keep the photos and signatures in computer storage so that the cards can be reissued automatically.

Endorsed as ID

The Arizona bank said its photo card has been endorsed by the prosecutor's office of Maricopa County (Phoenix) as a substitute for drivers licenses when retail merchants verify checks.

Besides Bank One Arizona and Citibank, at least three other banks have come out with similar products.

In June, the lead bank of Citicorp moved the photos from the back to the front of its cards, making it easier for merchants

See next page

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Bank One Arizona Puts Photos on Credit, Debit Cards

Continued from page 14

to verify a customer's identity. Citibank also added the digitized signature on the front.

No Appointment Necessary

Unlike Citibank, which requires customers to mail their photographs, Bank One Arizona will take pictures during business hours in all its 205 branch offices. No appointments are necessary. Two photos will be produced, one of which will remain at the branch.

Sweepstakes Promotion

Virlea Mays, vice president and project director for Bank One Arizona, said that with both the signature and photo on the front, "our cards will actually be cobranded with our customers."

Bank One Arizona will promote the program with advertising and a sweepstakes. A customer who comes in for the picture-taking is automatically entered, and can win prizes ranging from Polaroid cameras to a Hollywood vacation.

More than a million customers are eligible for the option.

Bankers say photo cards give customers a greater sense of security. But some experts have raised questions about how effective they really are. "Photo cards are a sales gimmick. That is the number one reason banks offer them," said Donald D. Drummond, executive director of the International Association of Credit Card Investigators.

Merchants' Cooperation Vital

The card's effectiveness depends on how conscientious a merchant is about matching the photo with the cardholder.

Some store clerks do not even verify signatures carefully, so the photo is just another way to encourage scrutiny.

Citibank's advertising claim, "If you lose it, no one can use it," rings hollow if merchants don't cooperate.

John W. Westman, president of Bank One Arizona, said the personalization makes the cards "safer and easier."

"This is our opportunity to demonstrate how serious we are when we say we'll do whatever it takes to meet our customers' needs," Mr. Westman added.

'The Ultimate in Convenience'

"Our customers are getting the protection and recognition they want and deserve, and merchants are receiving immediate proof of identification," said Ms. Mays, the project director. "Secondly, with this new technology, we are able to provide our cardholders the ultimate in convenience and worldwide cash availability."

The program is likely to spread to other Banc One units.

The Polaroid-DataCard system, which Citibank and others also use, integrates the photo and signature into the card production process. Once the photos are scanned and converted to digital form on magnetic tape, DataCard's 9000 Series system produces 350 cards an hour. □

Christmas Surge Failed to Spur Consumer Debt

By STEPHEN KLEGGE

Last year's holiday spending surge is looking more and more like an abberation, according to economist Allen Sinai.

The American Express Consumer Debt Index, which Mr. Sinai introduced earlier this year, fell for the second straight quarter in the period ending June 30, reflecting continued belt-tightening by Americans.

Holiday Upturn

The index had ticked up in the fourth quarter, as consumers loaded holiday purchases onto their credit cards.

Mr. Sinai is chief executive of Economic Advisers Inc., the affiliate of Lehman Brothers that produces the index.

The index of eight measures of consumer indebtedness stood at 216 on June 30, 20% below its peak in the second quarter of 1992, but still 26 above its low point near the start of the 1980s economic expansion.

Signs of Health

Although a falling index indicates a declining appetite for credit, it also indicates a healing process in the marketplace, Mr. Sinai said.

"The creditworthiness of households is steadily improving.

"The risk of loan losses and delinquencies is becoming less and less."

But he estimated it may be two and a half years before consumers are ready to take on enough new debt to fuel a strong economic expansion.

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PEOPLE

Ludwig on Martha's Vineyard, but Not with the Chief

By JIM McTAGUE

He didn't appear in any of the photos of **President Clinton** from Martha's Vineyard, but Comptroller of the Currency Eugene A. **Ludwig** was vacationing on the island last week with other high-bracket Democrats.

Unlike the President, Mr. Ludwig was not a renter. He owns a house at the resort.

The comptroller is planning a big speech on Sept. 13 at a conference for the bank customers of Merrill Lynch. We're told it will be of major interest to the banking industry.

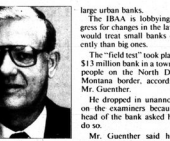
* * *

Only 199 more botched missions like the $980 million Mars Observer and NASA will approach the former Federal Home Loan Bank Board for incompetence.

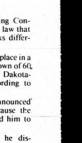
* * *

A rivalry is developing between two of the government's least impressive bureaucracies, the Resolution Trust Corp. and the Department of Housing and Urban Development.

Both surmise that **Vice President Al Gore** and his task force to reinvent government may recommend consolidating the country's multifarious property-



Eugene A. Ludwig
Planning big speech



Stanley G. Tate
Touring RTC offices

liquidation operations under one roof. Both are vying for the business.

The RTC has a leg up in that there is proposed legislation introduced by Senate Banking Committee Chairman **Donald Riegle,** D-Mich., that would create a demonstration program to sell 50 multifamily houses that have been repossessed by HUD.

Sources say the RTC's affordable housing employees need the project to justify their continued existence.

A HUD official said that his department has more experience liquidating properties and is much better suited to the job.

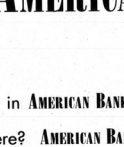
"The RTC has trouble getting their ducks in a row," he said.

* * *

Meanwhile, **Stanley G. Tate,** the man the President nominated to head the RTC, is out visiting the agency's field offices with little warning, surprising most employees.

He lets the office heads know just a day or two ahead of time that he's coming and wants to meet with the senior staff because he doesn't want them spinning their wheels on special preparations to impress him.

He showed up in Atlanta two weeks ago and in Dallas last week, and plans to visit all the offices before he's confirmed to get an overview of the RTC's operations.



Kenneth Guenther
CRA field tester

Los Angeles will remain off the visit list while its head, **H.A. Felton,** is recovering from an illness, an RTC spokesman said. Next stop? Mr. Tate doesn't want to advertise it.

* * *

Speaking of surprise visits, **Kenneth Guenther,** executive director of the Independent Bankers Association of America, recently conducted his own field test to see how bank examiners from the Federal Deposit Insurance Corp. were scoring small banks on compliance with the Community Reinvestment Act.

Mr. Guenther believes that small, rural banks should not be held to the same standards as large urban banks.

The IBAA is lobbying Congress for changes in the law that would treat small banks differently than big ones.

The "field test" took place in a $13 million bank in a town of 60, people on the North Dakota-Montana border, according to Mr. Guenther.

He dropped in unannounced on the examiners because the head of the bank asked him to do so.

Mr. Guenther said he discussed the 12 factors used by examiners to judge banks on CRA.

* * *

Timothy Ryan, former director of the Office of Thrift Supervision, will be among the speakers at the Savings and Community Bankers of America meeting in New Orleans in November. Mr. Ryan now works for J.P. Morgan , and has relocated his family from Virginia to the Upper East Side of Manhattan.

* * *

The IBAA has hired lawyer **Peter M. Kravitz** to lobby the Senate. Mr. Kravitz had been running his own law firm, and his clients included Savings and Community Bankers of America.

OTS Halts Imaginary Sports Leagues And Calls Foul Against Some Players

By ROBYN MEREDITH

Now that there are no more Charlie Keatings to torment, regulatory watchdogs at the Office of Thrift Supervision are turning inward.

After a rigorous six-month investigation, they've broken up an office pool on imaginary baseball and football games and punished six players.

The OTS employees were running fantasy football and baseball leagues off-premises and after hours. Occasionally, during work, they'd send each other E-mail messages about the previous day's results. The OTS said that constituted gambling and a misuse of government property.

Last week, David A. Sjogren, a manager in corporate securities, and Peter A. Hull, a paralegal in information services, were suspended for 14 days without pay for their activities.

Four other employees, including two lawyers, were issued permanent letters of reprimand.

A 'Witch Hunt'

In the course of the investigation, OTS interviewed 20 staff members for between 15 and 45 minutes each and held numerous meetings with senior management to discuss the matter, according to Chuck Smith, an attorney at Baltimore-based Ober, Kaler, Grimes & Shriver , which represents the OTS union and one staff member in appeals of the matter.

"They had two high-ranking lawyers conducting this witch hunt," Mr. Smith said. "I can't fathom the amount of money that has been wasted on this."

Mr. Smith says his fees have reached the $10,000 mark. OTS will have to pay them if he wins his case.

The OTS won't reveal its costs, but staff lawyers were on the case for six months, Mr. Smith said.

Agency Calls It Gambling

"The agency has determined that fantasy sports are gambling," Mr. Smith said. The staffers were told their crime was misusing OTS time, equipment, and supplies by sending the occasional electronic messages to discuss their off-premises sports action.

"We are not talking great expenditures of *time*, and we are not talking extensive use of equipment," said Mr. Smith.

A former banking regulator said the OTS action "just cuts to the issue of do you reprimand somebody for calling their wife every night to say they are on their way home and [accuse them of] using government property for personal use."

Winner Got $100

The OTS confirmed the internal investigation, but refused to provide more information. "I just don't want to get into the details about it," a spokesman said.

In fantasy leagues, players choose individual baseball or football players from professional teams to make up an imaginary team. They earn points when their players score touchdowns or hit home runs or rank among the leaders in fielding.

Each participant in the two OTS leagues paid $40 at the beginning of the season, and top finishers divided the proceeds, with the winner getting about $100, Mr. Smith said.

A Few Still in the Game

The OTS investigation centered on the 1992 season. This year, there are still a few diehard players left in the OTS leagues, Mr. Smith said some have quit and the rest are more careful.

"They make sure that they don't talk about it, they don't do anything about it – they don't even joke about it in the building," Mr. Smith said.

Gonzalez Sees CRA as Spur To Positive Action by Banks

House Banking Committee Chairman Henry B. Gonzalez was keynote speaker last week at a community reinvestment conference in his home town of San Antonio, Texas, hosted by the Federal Home Loan Bank of Dallas. Here are excerpts from his address.

Like the ancient Gaul of Caesar's "Commentaries," San Antonio has always been divided into three economic and racial parts. When the city received its first municipal charter in 1837 – the year following the Texas-American War – the city's first mayor was not named Garcia or Sanchez or Gonzalez.

He was John Smith. And not unlike other cities, the Anglo or Creole elite had the power to allocate development resources in a town largely of poor Mexicans.

For example, when former Mayor Bryan Callaghan 2d brought municipal progress to San Antonio, he paved and lighted the streets, brought water lines in, built the city's first jail . . . and set up a modern transit system.

Mayor Callaghan's improvements existed mainly to facilitate the interests of the elite crust.

I remember all to well arriving on the city council at a time when the water board didn't have the slightest concern about entire downtown neighborhoods with no water supply at all. Those in power simply did not find in necessary to serve everyone equally, and as a result, some were not served at all.

Many Policies Tried

Our banking system unfortunately works in much the same way. Like San Antonio's old elite, many institutions see the only sound "business decisions" as those that benefit . . . certain classes of people.

The Federal Government has tried many policies to reverse and arrest patterns of urban decline. However, none of these policies work unless there is private capital available to enable sustained growth to occur.

And that is where the Community Reinvestment Act comes in . . . It means making sure banks do all they can to serve their communities.

I'm not talking about credit allocation. I am not talking about using CRA to force banks to make bad loans, for a bad loan does nobody any good. I am, however, suggesting that CRA properly used will identify real opportunities with real benefits for everyone concerned.

Opinion

Comment

By Robert E. Braun

How to Bulletproof Compensation Programs

Four years after the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act, financial institutions continue to feel the backlash of the excessive practices of some bank and thrift owners.

In particular, federal legislation adopted over the past several years has given banking regulators increasing authority to take significant actions against financial institutions.

This is not limited to formal and informal agreements with an impact on the operations of the institution; it also includes the authority to revoke deposit insurance and close banks despite the apparent financial condition of the institution.

Another area of related and related area in which regulators have taken an increasingly active role is in the compensation of directors, officers and employees of financial institutions.

Unfortunate Timing

This emphasis comes at a time when more institutions are forced to merge and re-group, and to rely more heavily on the dedication of every level of personnel. Banks that are re-structuring also must attract and retain quality employees.

As the banking and thrift industries consolidate, every employee can be essential to the ultimate success of a bank or thrift.

This is particularly important for institutions that are carrying out restructuring programs, are subject to formal agreements or cease and desist orders, or are under other regulatory scrutiny.

Delay Entails Dangers

Recent regulatory proposals and cases brought by the Resolution Trust Corp. and the Federal Deposit Insurance Corp. make it essential to establish appropriate compensation plans before an institution becomes severely troubled.

There is probably no financial institution executive, accountant or lawyer that does not face, on a daily basis, some repercussions of the Federal Deposit Insurance Corporation Improvement Act of 1991.

While some provisions had immediate impact, others depend on enabling legislation or regulation and are only now challenging the banking industry.

'Golden Parachutes'

One provision gaining widespread recognition is section 18(k), which allows the FDIC to

Mr. Braun is a partner in the financial institutions department of Jeffer, Mangels, Butler & Marmaro, Los Angeles.

prohibit or limit any "golden parachute" payment or indemnification payment.

The act defines a golden parachute payment as:

"Any payment, or agreement to make any payment, in the nature of compensation" contingent on the termination of affiliation and received "on or after the date on which the institution is insolvent, a conservator or receiver is appointed for the institution, or the institution's appropriate federal agency determines that the depository institution is in troubled condition," has been assigned a rating of 4 or 5 under the Uniform Financial Institutions Rating System, or is subject to a proceeding initiated by the FDIC to terminate or suspend deposit insurance.

Other Considerations

The law also requires the FDIC to prescribe factors to consider in taking action to prohibit such payments. These factors include whether there is a reasonable likelihood that the payment is part of any abuse by an insider or whether there has been a violation of law.

On Sept. 24, 1991, the FDIC proposed regulations to implement section 18(k).

That regulation severely limits the ability of an institution to provide for compensation payments.

Permitted Cases

In essence, it limits them to the following conditions:

- Where an individual is hired for the specific purpose of "saving" the institution;
- Where it is part of a plan of downsizing; or
- Where the institution has adopted this as part of a nondiscriminatory ERISA-based defined benefits plan.

While each of these situations is understandable, none face the need of many institutions to attract and retain employees during troubled times.

For example, if an institution has already slimmed down its personnel significantly and believes that its senior management is able to carry out a plan of restructuring, it would be unable to provide those individuals the security that they could receive even modest severance compensation.

This, in turn, can lead to a high turnover of personnel just at the time that the institution needs it.

In the author's experience with the FDIC, the agency takes an extremely strict view of section 18(k) and the proposed regulation.

Court Frees FDIC

On Feb. 17 the United States Court of Appeals for the First Circuit held in Howell v. Federal Deposit Insurance Corp. that the FDIC was not required to honor the terms of employment agreements which provided for severance payments to two executives.

In that case, Eliot Savings Bank made agreements in 1988 with its executive vice president and other officers promising them severance pay in case of their termination by the institution, and reaffirmed that agreement in a letter agreement in 1989.

While the agreements did not alter the "at will" nature of the employment relationship, they specifically provided severance payments in consideration of the officers' "willingness to remain" in the bank's employ.

Eliot Savings Bank failed and was closed on June 29, 1990, with the FDIC appointed as receiver. Within two months, the officers were terminated, and then made administrative claims for their severance benefits, which the FDIC disallowed.

The district court and the court of appeals determined that, notwithstanding the plain intent of the contracts entered into by the executives, the 1989 reform act prevents an employee from collecting severance benefits since they do not constitute direct compensatory damages.

Parallel Ruling

In a strikingly similar decision, the United States District Court for the District of Columbia held in Office and Professional Employees International Union, Local 2 v. FDIC that employees fired by the FDIC after receivership of a bank were not entitled to severance pay under a collective bargaining agreement, even though the FDIC had not exercised its statutory power to repudiate the collective bargaining agreement.

The court relied, in large part, on the theory that the 1989 law requires damages to be measured when the receiver is appointed, and not when the agreement is repudiated.

The courts held that the employees' severance claims were contingent at the time of insolvency, since they could mature only on an action by the bank or the receiver of the bank.

This case is particularly significant because, on its face, it appears to be the sort of agreement that the FDIC Improvement Act validates – a nondiscriminatory, broad-based benefits agreement.

Since the individuals who were to benefit from these provisions – tellers, receptionists and other line personnel – are essential to the operation of a bank, the FDIC's determination can have a chilling effect on the ability of a bank to attract and retain people to serve in these positions.

Stemming the Tide

The trend established by the Howell and Office Professionals cases may have been stemmed by the recent decision of the United District Court for the District of New Jersey in Malcom Maras v. Metrobank for Savings and Metrobank Financial Group.

In the Maras case, the district court faced a claim by a former officer of Metrobank under a settlement agreement and release which terminated Mr. Maras's employment with Metrobank and provided for yearly payments through 1994.

Thirteen months after entering into the settlement agreement, the Office of Thrift Supervision appointed the Resolution Trust Corp. as receiver for Metrobank and, shortly after that, disaffirmed the settlement agreement.

Mr. Marsa sought to recover the remaining payments owed

See next page

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Comment

By Robert E. Braun

Bulletproofing Bank Compensation Programs

Continued from page 18

him under the settlement agreement, and his fees and costs in the case.

The district court made several important findings in deciding that the RTC was liable for damages equal to Mr. Marsa's accrued benefits under the agreement.

Rights Were Vested

First, the court found that "Marsa's rights to payment under the settlement agreement were vested at the time the RTC was appointed receiver and therefore could not be impaired by any purported disaffirmance."

The court held that the rights under the agreement were vested because they were not subject to a condition precedent.

Even more strikingly, the court rejected the RTC's argument that it was entitled to disaffirm the contract under the receiver's avoidance powers under the 1989 law and regulations. Importantly, the disaffirmance did not prevent Mr. Marsa from obtaining damages.

Citing the Howell case, the court said that repudiation would be treated as a breach of contract giving rise to an ordinary contract claim. Since Mr. Marsa's claims were not contingent, he could recover payments owed to him.

As can be seen from the cases outlined above, federal laws and regulations affect not only the overreaching plans which characterized abuses in the 1980s, but also those which appear to compensate employees and management officials on a modest but meaningful basis.

These limitations can ultimately thwart the institution's ability to attract and retain its most important asset – the individuals who protect shareholder and depositor values.

The first thing a bank can do is to consider its employment, compensation and severance plans as early as possible. Because of the potential problems facing nearly all financial institutions, no bank or thrift is immune from the possibility of regulatory action.

Early Action Advisable

An undercapitalized or troubled bank will have significantly greater ability to develop appropriate compensation programs than an adequately capitalized bank or thrift. As a result, taking action now may be the only proper step.

Boards of directors must consider who at the institution is essential for the continued growth and success of the institution.

The board should then develop appropriate compensation plans that contemplate the actions that regulators may take involving an institution's internal activities.

Under current economic conditions, employment security and severance compensation may be appropriate incentives to attract and retain personnel, and adopting programs before a deterioration in financial condition may be key in ensuring the enforceability of the plan.

All these may make it possible to adopt effective programs.

To enhance the type of plan adopted, a board should consider REGULATORS *have taken an increasingly active role in compensation.*

or placing the initial decision-making in the hands of an independent board committee with the authority to call upon their own experts and counsel to avoid even the appearance of self-dealing.

These experts will provide valuable advice in crafting plans that are effective from the point of view of employees and professional management, and meet the rigors of regulatory scrutiny.

Finally, management and boards of director must pay more thought to the type of plan adopted.

As is clear from the Office and Professional Employees case, an essential factor may ultimately be the extent to which benefits under employment plans vest before any receivership or conservatorship action.

While initially more expensive, creating a fully funded, ERISA-qualifying plan may provide a more attractive and more effective employment incentive. The approach of creating fully vested benefits, as seen in the Marsa case, should also be considered to ensure that benefits are provided.

Each of these steps will send a clear message to management and regulators that the institution is prepared to approach today's challenges with all of the tools available to them. □

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Lien Sale 9/6/93 9:00AM 1515 Utica Ave Bklyn 87 Nissan #JNHT21570HT028283 Re: A. Grant. Published 8/23 & 8/30.

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L. Cardillo Auctioneer License #34 Auct'rs Sell on Sept. 7, 1993 at 8 AM at 129 Hempstead Tpke Elmont, 1984 Ford 4dr #2FABP22B8EB233043 Acct. M. Messmore. 1979 Jeep 2dr #9A4TRHH28-473 Acct. C.M. Fagan. 1981 Pontiac 4dr #1G2AY68X8B1726257 Acct. J. Vaglianos. 1985 Chev 2dr #1G1GZ37Z2-FR191671 Acct. J. Morales. 1985 Ford P/U #2FTEF14Y3FCA88022 Acct. A.J. Lewerenz. 1985 Ford P/U #2FTHF3-5GHFCA47006 Acct. Town of Babylon. 1983 Datsun 4dr #JN1HU01S9DT090500-89 Acct. Double Tel. Inc.. 1986 Merc 4Dr #2MEBP95F3GX624494 Acct. Calabra Auto Lease Inc.. 1985 Chev 4dr #1G1AW-19X0FG144813 Acct. C.M. Pennotopolo. 1985 Dodge Van #2B7FB31N5FK271170 Acct. Pride Heating and A/C Corp. Published Aug. 23 & Aug. 30, 1993.

D. McKenna DCA#8600954 sells on 9-8-93 at 10:00AM at 1 East 233rd St. Bronx, NY. '89 Ponti LeMans #6L1T95167KB-300191 Re: Car Connection; at 11:00AM at 408 W. 57 St. New York, NY. '75 Dodge Van #B11AB5X079135 Re: A & D Transport Co.; '81 Linco 4dsd #1LNBP94F-9BY628713 Re: M. Lunas; '83 Buick Regal #1G4AJ47A1DH918690 Re: F. Cordero; '80 Olds Sedn #3X69RAM171598 Re: Ordonez-Diaz, B.; '79 Linco 4dsd #9W-84F631877 Re: J. Perkins; at 1:00PM at 1309 Jerome Ave Bronx, NY. '87 Ponti Bonneville #1G2HZ51B0HW225342. Re: H. Murphy; '86 Volks Wagen Jetta GL #WVWGA0184GW435166 Re: L.M. Feltes-Gutierrez; '82 Olds 98 #1G3AX6-9NXCM257671 Re: Salvia, Contreras. PUBLISHED 8-23-93 & 8-30-93.

C Laudio & Assocs. Inc. DCA#0696634 auct'rs sell Sept. 7, 1993 at 12:30 PM at 70-11 50 Ave., Qns. 1988 Ford Subn. #1FMDU15Y3JUB73030. Acct. D. Medina. 1988 Nissan 4 dr. #JN1HJ72J6JT129529 Acct. A.A. Alharbi. 1984 Chevy 4 dr. #1G1AW19X9EG160765 Acct. J.M. Hurtado. 1:30 PM at 94-14 Northern Blvd. Qns. 1988 Merc 4 dr. #3MABM-12S2JR633127 Acct. C.A. Mennell. 1986 Hyundai 4 dr. #KMHJG01GJGU037212 Acct. D.A. Hetzel and/or I. Tejada. 1991 Nissan 2 dr. #1N6HB32AMC320456 Acct. E.R. Macasaet. Published Aug. 23rd & Aug. 30th. 1993.

DEFAULT In Security Agreement Made by Ramon Rivera & Pepino of Brooklyn Corp. to Sea Crest Trading of Connecticut, Inc. I Will Sell On 8/31/93 At 12 Noon At 66 Hendrix St., Bklyn, N.Y. All Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. FRANK E. SEIPP, Auct'r Lic #732234 of F.E.S. AUCTIONS INC. As Agents.

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J.A. HUNT, Auct'r Lic #865879, sells on Sep 15th, 1993 at 2:00 pm at 619 Hancock St., Bklyn, NY 1982 Mercedes Benz #123 123 33395 Acct., Barbara Trotter (Napoli Akimendi & French Bank of Calif. Pub. 8/30/93 & 9/8/93. (JCON# 2642).



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Small Investors Pay $335 Million To RTC for Nonperforming Loans

By ROBYN MEREDITH

WASHINGTON — The Resolution Trust Corp. last week auctioned 11,200 nonperforming loans to small investors for $335 million.

The loans had a book value of $672 million.

The two-day auction, held in Kansas City, Mo., was the first under the RTC's small investor program, designed for purchases of $1 million or less to spend. About 750 people attended.

On the first day, the RTC sold $211 million, mostly in residential loans. On day two, the agency sold $124 million in packages of mostly commercial real estate and consumer loans, the RTC said.

Small Investors 'Have a Place'

"This auction shows that small investors definitely have a place at the RTC's table of investment opportunities," Lamar C. Kelly, RTC senior vice president for asset management and sales said in a statement.

"We are also pleased that this auction achieved the highest single dollar amount that we have recovered in a nonperforming loan auction to date."

The RTC said it recovered an average of 50% of the outstanding principal balance for all the loans at last week's auction. It has auctioned about $2.3 billion in nonperforming loans since June 1991.

Action at OTS

Separately, the Office of Thrift Supervision on Thursday announced that a Los Angeles court had appointed a receiver to manage the assets of a former S&L executive the OTS believes violated banking regulations.

The OTS seeks $40 million in restitution from Thomas Spiegel, the former chief executive officer of failed Columbia Savings and Loan Association in Beverly Hills, Calif. The agency also seeks to ban Mr. Spiegel from banking.

The OTS argued that a receiver was needed because Mr. Spiegel was dissipating his assets by spending as much as twice the monthly $17,000 in living expenses he was allowed.

Public Hearings on Reform of CRA

Continued from page 2

ted five minutes. J. Pat Hickman, president of Happy Banc-shares, Inc., said he was proud that the industry cared: he had spent $400 on airfare and $1,500 on charts just for the meeting.

Even those with constructive advice had problems. As John Hennenberger, director of the Texas Low-Income Housing Information Service learned, three to five minutes only leaves enough time to get through about four of your 12 recommendations without being cutoff.

A Weighty Question

The regulators painstakingly enforced the time limits, relying on a timekeeper in flash sweeping signs to the participants ("two minutes remaining." . . . "one minute remaining."). They were so concerned about keeping the meeting moving, in fact, they asked almost no questions.

The first substantive question wasn't asked until the 13th panel. And that came after the panelist chastised the regulators for not asking any.

When they started, the agencies thought the tough part of planning the seven hearings would be picking the dates and the cities, and coordinating the top regulators' busy schedules. But with two meetings down and five to go, that may have turned out to be the easy part. □

Court Upholds Credit Union Regulator on Expansion

Continued from page 3

claims that the NCUA didn't follow its own rules in approving a charter that would have expanded the membership base of Portland Federal Credit Union.

The institution is a federally chartered community credit union based in the city of Portland in Iowa County. On March 1, 1993 NCUA approved a charter that expanded its membership base in Iowa County.

'Wasn't a Common Bond'

Michigan bankers cried foul.

"We showed that there wasn't a common bond [for the expansion]" by pointing out that, among other things, there were different area codes and political jurisdictions in the affected area, said Michael Magee, president of Independent Bank in Ionia, one of the four plaintiffs.

Helped by marketing data and surveys, the NCUA prevailed by arguing that the roughly 75,000 people of the rural Michigan county did view themselves as a distinct community.

Four Michigan banks had sued to block a change.

Michael Crotty, deputy general counsel for litigation for the American Bankers Association, which assisted the banks in the case, remains unconvinced.

"The requirement is is that the community is well defined," he said. "Just because they draw a map [of the common bond expansion] that's well defined? You can draw a map of the Milky Way and call it well defined."

The original suit named the NCUA and Portland Federal as defendants, but in June Judge Williams dismissed the credit union as a defendant at the same time he ruled that the banks had standing to bring suit. □

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Slow Growth Appears To Be Order of the Day

Continued from page 1

took office in January.

The powerful forces retarding growth are the same ones that dogged the Bush administration. They include slow growth abroad that depresses demand for U.S.-made goods and services, defense cutbacks, overbuilt commercial real estate

ECONOMIC OUTLOOK

and corporate restructurings that continue to put people out of work.

On top of that, businesses in general are fighting fierce global competition and using advances in computers and communications to become more efficient.

Once bright spot is that consumer spending has held up as well as it has. John Silvia, chief economist for Kemper Financial Services Inc. in Chicago, notes that retail sales are up a respectable 6.1% compared with a year ago.

Modest Growth at Best

The flood of mortgage refinancings is helping to put cash in people's pockets even though personal income has not been going up much, he says.

Still, prospects for growth through the end of 1994 are not very impressive. Economists belonging to the Public Securities Association recently estimated that GDP will rise 2.6% this year and 2.9% next year.

At NationsBank Corp., analysts figure that job growth will pick up slightly to about 200,000 a month and bring down the jobless rate from the current 6.9% to 6.5% by the end of the year.

Next year, they calculate slightly slower job creation of 150,000 per month, enough to bring the jobless rate down another notch to 6%.

Inflation in Check

This is not an inspiring outlook, but it has its good side. The prospect of slow but steady growth should keep inflation low, which in turn should keep interest rates low.

Low rates in turn have been a powerful tonic for the booming stock market and help to support long-term growth by keeping down costs for businesses and households.

It may not be the best of all worlds, but it seems to be the best we can get. And it may not be a bad thing, after all.

The Bond Buyer is a sister publication of the *American Banker*.

Fed Says Credit-Crunch Plan Hasn't Boosted Lending Yet

Continued from page 1

gram, only four – 8% – have taken advantage of the plan, extending about $140 million in loans.

Each of the banks told the Fed. though, that they would have made most or all of these loans even without the new program.

Another 15% of those eligible said they are in the process of implementing the low-docs documentation program, and 35% told the Fed they may do so in the future.

'Great Confusion'

"The small-business basket has not been working," said Kenneth Guenther, president of the Independent Bankers Association of America. "Every report we have received from our bankers is that there is great confusion out there."

The administration says there hasn't been enough time to see the full impact of the change.

"It's going to take some time," said Lee Cross, a spokesman at the Comptroller's office. "It's not surprising we haven't seen a big impact yet."

While most of the provisions have been in place since June, the new appraisal rule – a key element of the package – has not yet been finalized. The final appraisal rule is not expected for at least several more weeks.

About 60% of those surveyed said they expect the higher appraisal thresholds for both real estate and small businesses to leave loan standards and terms unchanged.

Some 40% said the new thresholds would allow lenders to ease standards; about 25% said it would allow them to ease terms.

But some in Washington are more optimistic that the appraisal rule, once implemented, will increase lending.

"What they've done on the appraisal front does help," Mr. Guenther said.

The Fed survey also found that:

❖ 93% expect changes in appeals and complaint procedures to have little or no effect on lending.

❖ 84% expect clarification of "other assets especially mentioned" to have little or no effect.

❖ 73% believe changes in "other real estate owned" financing rules will have negligible impact.

❖ 71% said improved exam procedures would have little or no effect on lending. □

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Bank and Thrift Stocks

Highlights for Friday, August 27

TOP 10 GAINERS %

Independence Bancorp	9.8
Southwest National Corporation	8.0
CBT Corporation	5.3
Bank South Corporation	4.1
Associated Bancorp	3.5
BT Financial Corporation	3.3
AMCORE Financial, Inc.	3.2
Trans Financial Bancorp, Inc.	2.9
Union Bank	2.9
Imperial Bancorp	2.7

TOP 10 LOSERS %

Shoreline Financial Corp.	-6.7
CPB Inc.	-5.6
Hancock Holding Company	-4.0
Seacoast Banking Corp Florida	-4.0
Allied Bankshares, Inc.	-3.6
1st Source Corporation	-3.0
First Commerce Corporation	-2.6
National Penn Bancshares, Inc.	-2.4
WesBanco, Inc.	-2.2
Signet Banking Corporation	-2.2

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Banc One Corp.	536400
Norwest Corporation	528700

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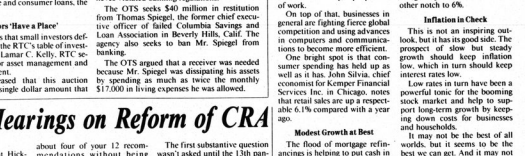
Park National Corp.	523.4
WesBanco, Inc.	519.5

** figures are based on 4.00 prices*

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts 1/3/89=100

Percentage Changes

Computed from the most recent business reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Bank Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.21	0.70	2.05	0.42	1.16	0.08	0.05	1.04	2.03

TOP 225 BANKS (4 PM PRICES)

52 Wk. Hi	Lo	Name	PE	Mkt to bk	Last	Chg.
36¾	28	1stSource/Ser.Pfd.	11.3	153.8	24½	-¼
27¼	18¾	AllfirstBkshs.Cl.A	15.0	290.2	18¾	-¼
17¾	8½	AlliedBkshs.Cl.A	15.9	390.2	16¾	-¼
20¾	15¾	AmSouthBancorp.	13.0	167.2	19¾	-¼
27¼	20¾	AmericanBkr.Inc.	11.6	197.6	27¼	¼
35¾	25¾	BB&T FinCorp.NC	13.6	187.9	34¾	-¼
37½	12	BOKFCorp.Okla.	11.5	140.9	31½	1
33	21¾	BT FinCorp.PA	11.5	140.9	31½	1
12	7	BalboaBancorp.MD	8.9	146.6	8	-½
24¾	24¾	BanPonceCorp.PR	9.4	118.5	24¾	-¼
61	42¾	BancFlorida Corp.	14.1	225.5	52¾	-3¼
42¾	30¾	BancorpHawaii Inc	9.2	135.8	42¾	-¼
24¾	18¾	BankAtlantic Cl.A	9.3	123.3	24¾	-¼
54¾	41	BankAmerica Corp.CA	9.8	123.3	48¾	-¼
31½	26	BankBoston Corp.MA	9.2	265.1	31½	-¼
19¾	9¾	BankSouth Corp.GA	12.8	186.7	16	-¾
30¾	22	BankersTrust NY	8.6	172.7	28¾	-¾
19¾	12½	BanknorthGroup.VT	26.4	103.5	19½	-¼
28¾	18¾	BayBanksInc.Boston	11.4	170.4	22¾	-¼
41¾	40¾	BenchMrk.NY	10.5	131.6	52¾	-¼
50¾	34¾	BostonPrivate.MA	18.1	174.4	40¾	-¼
42¾	32¾	CBT Corp.Conn.	12.3	138.8	40¾	-¼
42¾	32¼	CCB FinCorp.NC	12.4	146.3	36¼	-¾
34¾	23¾	CNB BancsharesIN	11.3	190.0	33	-¼
29¾	22¼	CPB Inc.HI	8.5	123.4	25¾	-5¼
24¾	17¾	CRA Realty Corp.	8.9	146.6	22¾	-¼
14	9¾	CalifornaBnkCo.CA	13.9	105.9	12¾	—
24¾	18¾	CalifornaFed.Bk.CA	11.6	138.4	14¼	—
38¾	19¾	CentraBcshs.KS	11.4	181.0	25¾	-¼
36¾	25¾	CentralBcpCo.GA	11.6	175.5	29	-¼
34¾	27¾	CentraCorp.NJ	15.0	161.6	23¾	-¼
26¾	18¾	CentralFed.Corp.FL	11.6	159.5	22¾	-¼
37¾	21	CheeveAshamNat.NY	9.3	105.0	34½	-¼
44	30¾	CitizensBkg.Mich.	12.4	170.2	41¾	-¼
47¾	35¾	CitizensFstCorp.MD	14.3	180.2	47¾	-¼
31¾	24¾	CitizensFstFin.PA	12.4	145.3	30¾	-¼
31¾	14¾	CitizensHldg.GA	13.1	140.9	31¾	-¼
39¾	29¼	CitizensBancorp.MD	15.0	139.4	39¾	-¼
39¾	29¼	CitizensBkg.Flint MI	15.0	139.4	39¾	-¼
7¾	2¾	CitizensFstCp.IN	15.4	171.6	6¾	—
31	17¾	CityBancorp.Inc.NH	15.3	192.3	29¾	-¼
11¾	4¾	CityNtlCorp.CA	NM	106.8	6¾	—
25¾	17½	CoastalBancorp.TX	9.2	151.3	25¾	-¼
34¾	27¾	CommerceBc-NE	10.3	159.5	28¾	-¼
34¾	27¾	CommerceBc-NJ	10.3	159.5	28¾	-¼
17½	11¼	CommercialBancp.NJ	11.0	154.1	17	-¼
25¾	20¾	CommercialFed.NE	10.4	147.2	24¾	-¼
40¾	25¾	CommunityFst.MD	10.4	147.2	24	-¼
15¾	11¾	CommunityFst.SD	10.4	147.2	14	-¼
15¾	11¾	CommunityTr.SC	10.4	147.2	14	-¼
29¾	19¾	CommunityBk.PA	11.4	180.2	27¾	-¼
29¾	19¾	CommunityBk.PA	11.4	180.2	27¾	-¼
46¾	25¾	CoreStatesFin.PA	11.4	180.2	27¾	-¼
46¾	25¾	CoreStatesFin.PA	11.4	180.2	27¾	-¼
40

Rise in Banking Prices Beats a Record Week For Dow Industrials

By GORDON MATTHEWS

Bank stocks outperformed the Dow Jones industrials last week, though the blue-chip average hit record highs.

In a turnaround from the previous week, banking issues improved 1.63% in the five trading days ending last Thursday, besting the 1% gain in the Dow during the same period.

Three of the stronger performers in the period were Signet Banking Corp., up 6.3%; Mellon Bank Corp., up 4%; and BayBanks Inc., up 3.1%. Late Friday, Signet shares were at $33; Mellon's at $57.75, and BayBanks' at $49.75.

Bank stocks were down on Friday in line with the broad market in sluggish late-summer trading.

Commenting on the gain for the week, Lawrence R. Vitale of Bear, Stearns & Co. said: "As the long bond kept falling and people decided the stock market would probably keep going up, the banks started to look like bargains again."

Despite their strength over the past two years, almost all banking shares still trade at a discount to stocks in general on a price-to-earnings basis.

When the latest downdraft in interest rates began three months ago, banking stocks initially weakened on investor fears about the impact on earnings. But they were later pulled along by a strong overall market and now seem to have resumed a market leadership position.

'We've Been Very Busy'

"There's a lot of interest and we've been very busy," with clients, Mr. Vitale said. "You

Two of the stronger performers in the period were Signet, up 6.3%, and Mellon, up 4%.

would think people would be on vacation, but our morning meetings have been full."

Another analyst, Gerard S. Cassidy of Tucker Anthony Inc., said bank earnings appear secure in contrast with profits at technology and pharmaceutical companies.

"In talking with institutional investors, they say they are comfortable with their holdings of bank stocks and view them as a safe haven," he said.

Coming Employment Report

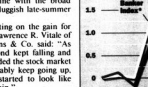
But Mr. Cassidy said these investors are not adding to positions, except during periods like the recent price weakness.

This week, stock trading will be dominated by anticipation of the government's August employment report, due Friday, which will be a fresh indicator of the economy's strength and direction.

Despite their rebound last week, bank stocks still face dangers ahead if rates remain low and the economy stays weak, Mr. Cassidy said.

"I think the political risk factor is rising," said the analyst. "How long is it going to escape

Widening Gap
Percent change in stock prices



*Weighted average of top 225 banks as ranked by market capitalization
Source: SNL Securities

attention that the banks' prime rate is still 6% when you have the 30-year [U.S. Treasury] bond rate nearly at that level?"

Pressure on Loan Rates

"And look at the prime rate in relation to the federal funds rate," he said.

"Historically, the spread between those rates is 175 basis points, but it is now 300 basis point," he said. The Federal Reserve's target for the fund rate is currently 3%.

Banks have not cut the prime rate because previous cuts did not spur fresh loan demand, he said. But they can probably expect jawboning from the Federal Reserve and others for another prime-rate cut soon, he said.

A prime-rate cut would accelerate a downward repricing of bank assets.

For the past two years, banks have thrived in an environment in which their liabilities were repricing downward.

Banks' cost of funds, especially for deposits, has fallen far faster than returns on their assets.

That trend caused net interest margins to widen to highly profitable levels.

The wide margins, together with falling costs for problem loans, have been the impetus behind record earnings and surging stock prices for banks over the past two years. □

Roundup of Credit Rating Changes

The rating agencies took the following actions last week:

Commerzbank: Moody's may downgrade the Aa1 senior debt rating of this German bank.

"The review will primarily focus on the effects of the current German recession on the bank's domestic asset quality as well as on the sustainability of current core earnings," Moody's said.

First Bank: Thomson Bank-Watch assigned TBW-1 short-term and A-plus subordinated debt ratings to this Minneapolis bank unit of First Bank System.

The rating applies to a recent $100 million issue of 12-year subordinated notes.

BankWatch said the rating is a full notch higher than the subordinated debt rating of the holding company. It said First Bank provides the majority of income earned by the holding company.

A recent change in Minnesota law should enhance the bank's earning power. The change allows First Bank System to consolidate eight banks located outside of Minnesota into the Minneapolis unit.

Glendale Federal Bank: Standard & Poor's assigned a CCC rating to the thrift's $175 million issue of noncumulative convertible preferred stock.

"Ratings reflect the anticipated successful completion of a corporate restructuring plan that will raise $425 million in new equity for the savings bank and return the bank to regulatory capital compliance," Standard & Poor's said.

A recent change in Minnesota law should enhance First Bank's earning power.

It added that the rating also reflect Glendale's high level of nonperforming assets.

Shawmut National Corp.: Fitch upgraded senior debt to BBB-minus from BB-plus, citing improving credit trends. Fitch said nonperforming assets declined $862 million in the 12 months ended June 30, lowering its nonperforming asset ratio to 3.84% from 10.35%.

Capital remains below peer levels, but improved during the past 18 months, Fitch said. High overhead is one concern. Another is the bank's increasing reliance on wholesale funding.

"While this practice is not uncommon, the extent to which Shawmut has inflated its balance sheet through such activity raises some concern, particularly when most regional banks are building capital and aggressively pursuing more stable core deposits," Fitch said.

Washington Mutual Savings Bank: Moody's upgraded longterm deposits to Baa1 from Baa2 and preferred stock to Ba3 from Ba1.

"The upgrades are based on [Washington Mutual's] demonstrated good profitability, strong capital and reserves, and good asset quality," Moody's said.

It added that the recent acquisition of Pacific First Federal Savings Bank enhances Washington Mutual's consumer banking operations in Washington and Oregon.

Moody's said that an element of risk is an interest-rate mismatch related to the bank's strategy of retaining fixed-rate mortgages, its exposure to multifamily real estate, and the outlook for weaker economic growth in Washington.

— **Bart Fraust**

Bond Prices Fall in Sluggish Trading After Rally

Government bond prices declined on Friday, as the market took a breather after rallying much of last week.

Market analysts called the decline a minor correction.

"Given the thinness of trading, the credit market was vulnerable to being in an overbought position," John Lonski, senior economist at Moody's Investors Service, said.

At 4 p.m. Friday, the price of the Treasury's 30-year bond was down ¾, raising the yield to 6.13% from 6.09% on Thursday. The yield, though, is down from 6.21% at the start of the week.

Other Treasury coupon issues also moved lower. The 10-year note lost more than ½, increasing the yield to 5.50% from 5.41%. Five-year notes lost ¼, to yield 4.86%, up from 4.77%. And two-year notes fell ⅛, raising the yield to 3.91% from 3.82%.

The bond-equivalent yield on the three-month Treasury bill rose to 3.10% from 3.05%.

Several reports on the economy are due out this week. The most important will come Friday, with the release of the August employment report. Economists are expecting moderate growth between 120,000 and 150,000 nonfarm jobs.

"If the jobs report provides additional evidence of mediocre economic expansion, the yield on the 30-year Treasury bond could easily move below 6.10%," Mr. Lonski said.

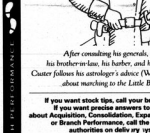
Other major reports due out this week include: new-home sales, scheduled for release today; and second-quarter gross domestic product and consumer confidence, scheduled for Tuesday.

The rise in bond yields hurt the stock market. The Dow Jones industrial average lost 7.55 points to 3,640.63. The Standard & Poor's 500 index fell 0.5 to 460.54. But the Nasdaq composite index gained 2.69 to 734.08.

The dollar fell to 103.70 yen from 104.35 and to 1.6635 marks from 1.6675. □

— **Bart Fraust**

Footnotes in History



After consulting his generals, his wife, his brother-in-law, his barber, and his soothsayer, Custer follows his astrologer's advice (What could it hurt?) about marching to the Little Big Horn.

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August 30, 1993

MANAGEMENT STRATEGIES

USING INFORMATION TO INCREASE PROFITS

Affinity and Efficiency Drive USAA Federal's Banking Business

BY BRIAN HELLAUER



Oscar Williams

TAKING AIM: In keeping with USAA's military-officer base, bank CEO Jack M. Antonini has a strategy – "to focus on the services our members need the most and request the most."

ALTHOUGH IT HAS $4 billion of assets and 2.1 million customer accounts, USAA Federal Savings Bank keeps such a low profile it could be called the Stealth Bank.

The banking subsidiary of the San Antonio-based insurance and financial services concern maintains only a single branch. USAA built its banking franchise upon the loyalty of its more than 2.4 million regular and associate members, primarily active-duty or retired U.S. military officers and their families. As an association, USAA distributes profits to regular members in the form of insurance policy dividends and other allocations.

THE BACK OFFICE: SYSTEMS

Members conduct the bulk of their business with the association by mail or over the telephone. Since its 1983 startup, USAA's banking operation has taken advantage of improvements in retail delivery systems and supporting technology to broaden its horizons.

USAA's credit cards, which carry a low interest rate – currently 12.5% – and no annual fee, remain its stock-in-trade. It has more than 1.8 million cards issued and more than $2.3 billion in outstanding balances. But the company now offers a full range of other lending and deposit products as well.

"Part of our long-term goal is to be the focal point of financial transactions within" the company, said Jack M. Antonini, president and chief executive officer of the bank. "Customers having some sort of banking relationship with us helps us to facilitate that goal."

Careful, deliberate planning has been the hallmark of USAA since Robert F. McDermott, a retired Air Force general, took the controls of the privately held company in 1969. Under Gen. McDermott, who stepped down as chief executive in 1992, USAA has grown from $200 million of assets under management to $28 billion.

Gen. McDermott focused on improving USAA's customer service, employee productivity, and product offerings. By most accounts, he has been extremely successful on all fronts. USAA is frequently cited by consultants and the business media for its superior use of technology, and in a recent edition of "The 100 Best Companies to Work for in America," it placed in the top 10.

"There's a tremendous amount of true long-term planning that goes on in this company," explained Mr. Antonini, a veteran banker who joined USAA in 1985. "Most public companies don't have that luxury."

The bank's performance has

Continued on page 8A

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15 NEW PRODUCTS

16 CONTRACTS



Profit Program Provides Signet a Better Read on Its Customers

BY JULIE MONAHAN

A NEW AUTOMATION tool is letting Signet Banking Corp. see its customers in a new light.

Since January of this year, the $12 billion-asset company has been using a profitability analysis program that gives marketing and sales executives a more intimate transaction-by-transaction history of every customer. The system, called Harvest, can also measure the performance of individual products and lines of business.

Having the system has paid off for Signet, which reported a 50% second-quarter gain of $40.4 million. Net interest income rose 22% to $129.8 million in the second quarter of this year.

While the Richmond, Va.-based company could measure profitability before, the analyses were time-consuming and restricted to individual products and business areas.

"We wanted to make our management information system more actionable," said David Knellinger, Signet's vice president of management information systems. "Our old system produced good report cards that showed historically what was going on, but we couldn't relate it to the customers who were causing the effects."

Signet's credit card division had been using a customer-driven system similar to Harvest for several years. After observing how that business was thriving, Signet realized that much could be gained from migrating a similar system across all businesses.

But such a step would be complicated for the bank, which has about 240 branches in Virginia, Maryland, and the District of Columbia.

Nevertheless, Signet took a giant step forward in 1989, deciding to outsource its data processing. The bank believed that by replacing existing International Business Machines Corp. and Unisys mainframe applications with an integrated banking system supported by an outsourcer, it would save money and stay on top of emerging technologies.

In 1991, Signet signed a contract with Electronic Data Systems Inc. to install and maintain Software Alliance's Reliance 2000 Integrated Banking System.

After hearing Signet's idea for the cross-business profitability product, EDS enlisted the aid of Software Alliance, and the three parties went to work.

The challenge in creating Harvest lay in the bank's diverse systems applications.

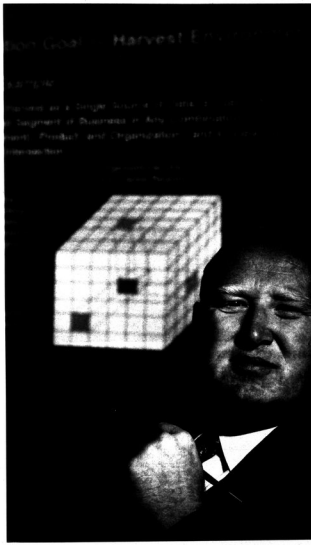
"Reliance 2000 is the cornerstone of most of our customer information," Mr. Knellinger said, "but we also had to pull data from our homegrown systems for commercial loans, leasing, and general ledger."

It took about a year of standardizing data files and creating data access paths to get the system up and running.

Here's how it works today: Harvest creates a customer information warehouse – structured on IBM'S DB2 relational data base – which helps tie together information from Signet's various applications systems. Before the data is available for analysis, it's reconciled against the general ledger to insure accuracy.

From there, the bank's 40 business analysts, each representing a particular line of business, use a stand-alone companion product called a data dictionary to write queries from their PCs for the information they want. Copies of the reports are then passed along for further analysis in spreadsheet form to marketing, sales, or product management staff.

"Harvest has done a good job of looking at revenues, expenses, and returns on an internal basis," said Anthony Davis, an analyst with Dean Witter. "It's showing where they're making money and where they're not making money."



Jay Paul

MEASURING UP: **"Now we can examine a customer from three months ago to what he's doing today," says Signet Banking Corp. VP David Knellinger.**

Signet can now measure and influence change

Software Alliance is now marketing a generic form of Harvest, called Insight, to other banks.

Mr. Knellinger said that Harvest takes customer analysis beyond the limits of a standard customer information file.

"In the customer information file, we can see a customer's account and what other accounts are in the household," he said. "But Harvest can be used for trending purposes. Now we can examine a customer from three months ago to what he's doing today. We can measure change as well as influence change."

Harvest also increases productivity. Producing the less comprehensive profitability analysis reports of the past required manual input of data into spreadsheets – a process that could take three months. With Harvest, better information is available faster: usually within a week, sometimes within hours.

Having a bankwide view of a customer's total relationship also increases operating efficiency. Previously, a product manager may have looked at a customer's file and wondered why service charges were not being paid. With Harvest, managers can quickly see if a customer has multiple accounts that make him eligible for a fee waiver.

Of course, the system also helps ensure that Signet collects the fees it's entitled to.

Karin Harrison, cash management product manager, says this has already helped Signet increase revenues, though specific figures are unavailable.

"In cash management, we found that there were cases where we were doing work for a customer, but the service was not passed on to our billing system," she said.

Now it takes 15 minutes to pull the information together and ensure that customers are accurately billed.

The cash management area has also used Harvest to track volume and revenue for individual products and develop highly targeted prospect lists for cross-selling.

Taking it one step further, Signet uses Harvest to determine how well promotions work. After a targeted mailing, Signet's marketers track how many customers sign up for the service.

"We can go in and segment customers by age, maturity dates, transaction type, and account type," said Deborah May, a business analyst. "This helps us monitor product profitability and gives us the ability to measure change month by month."

Harvest also has potential to help the bank develop new products. The system, for example, can generate a report showing what businesses a particular branch's commercial customers are involved in. If the report shows the branch is top-heavy with retailing accounts but the region is predominantly a manufacturing base, Harvest can help management identify the need for new products that specifically target the untapped market.

With a system like Harvest, Signet should continue to reap good fortune. □

At a Glance

Signet Banking Corp.

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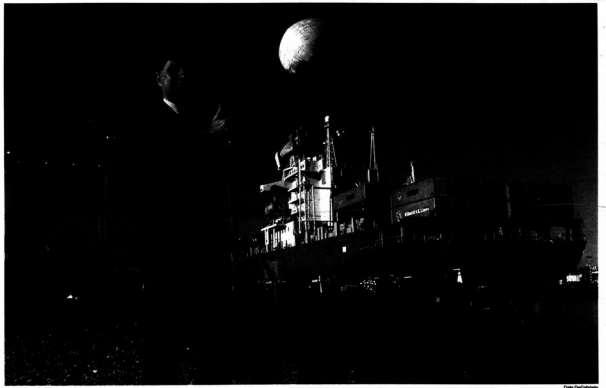
Corporate Banking: Trade Finance



Dale DeGabriele

ON THE BALL: **Technology helped Bill Glassford set up a successful international banking shop at West One's Seattle unit.**

Boise Noise: How West One Worked Its Way to the World Stage

BY PATRICIA A. MURPHY

BILL GLASSFORD IS A man who enjoys a good challenge. And now he's got one.

In June 1992, West One Bancorp asked Mr. Glassford to create an international banking unit from branches and assets the Boise, Idaho-based bank holding company acquired from Security Pacific Bank of Washington.

The assignment seemed daunting for a number of reasons. Not only did West One have little recognition in the international business community, it had no systems or procedures to support international operations.

In its 125-year-old history, West One maintained the stance of most bank holding companies, purposely avoiding foreign assets and operations.

Mr. Glassford took only three months, however, to lay the groundwork for a successful international banking shop, based at West One's Seattle affiliate.

"We were very, very lucky," said Mr. Glassford, senior vice president and manager of West One's international division.

The unit, he said, was profitable in its first month of operation, September 1992. Within three months, it was handling an average of 1,000 documentary transactions a month and receiving 2,000 international wire transfers a month.

It took more than luck, however, to create a successful international banking unit from scratch. Technology helped.

International trade finance, by its nature, is a paper-intensive operation. Issuing a letter of credit, for example, requires a constant shuffling of paper, as well as checking and double-checking documentation and other forms for accuracy. A single, small mistake can result in significant financial liability for the issuing bank. By automating the process, banks eliminate the potential for errors.

"You could not run anything other than the smallest international banking department without the computer systems to back it up," said Bernard Lunn, senior vice president of Kapiti, a New York-based supplier of banking software.

When Mr. Glassford set to work staffing and procuring hardware and software to support West One's new operation, he didn't have to look very far. The staffers he picked were mostly former colleagues, either from Security Pacific, where he had worked prior to joining West One, or from Rainier Bank, for which he worked prior to its 1989 takeover by Security Pacific.

The software that was chosen consisted of two Kapiti systems Mr. Glassford and his colleagues had used in the past. One automated the letter of credit process while the other automated foreign exchange operations. West One runs both systems on an IBM AS/400 midrange computer.

"We knew [the software] worked well and we liked it," said Mr. Glassford.

And, Mr. Glassford suggested, had the bank's staff been forced to learn the nuances of both new hardware and new software systems, it never would have been able to accomplish a seamless transition of customers from a Security Pacific to a West One shop.

"When West One bought the Security Pacific portfolio we had to convince customers that business would continue as usual. We didn't want them to see a diminution of service," explained Mr. Glassford.

The total cost of setting up West One's international shop – hardware and software combined – was about $1 million.

But the return on investment is considerable. In addition to being in a position to better meet its customers' foreign trade needs, West One also gains an opportunity to better manage its capital.

Take letters of credit. Although these instruments are a form of lending, they are considered more secure than traditional loans because they are backed by specific import or export products. Consequently, the capital allocation required by regulators is less for letters of credit than if the same money were lent outright to a company for a domestic project.

"It's a selling point to senior management," said Bob Frank, a former international banker who is senior vice president at the New York consulting firm New Alliance Corp.

To increase revenue from the international trade business, Mr. Glassford has begun actively pursuing correspondent relationships with banks in the Far East. "I can't do enough of that," he said.

The process of building correspondent relationships was particularly difficult at first because of West One's Boise home base, Mr. Glassford conceded.

"It doesn't create a lot of comfort for someone in Bangkok," he said.

Nevertheless, the effort has met with success; at last count West One had correspondent relationships with about 1,000 overseas bank offices.

West One currently focuses on four lines of business with its international division: letters of credit, foreign exchange trading, international business banking, and international services. Two of those business lines are geared toward generating profits: FX trading and international business banking. The other two lines of business are designed more as support functions, Mr. Glassford said.

Today, the lion's share of West One's international business is handled out of the $1.5 billion-asset West One Bank Washington. But plans already are in the works to extend international capabilities to units in Idaho, Oregon, and Utah.

"We're hoping to give them more tools with which to go after their markets," said Mr. Glassford.

As for the Washington bank, Mr. Glassford is eager to expand its international product offerings. Plans now on the drawing board include foreign-student banking services and Vietnamese remittances.

"I've got 100 ideas, I just don't have the time to go after them all," he said.

But given the opportunity, Mr. Glassford likely will implement many of the ideas he now has percolating.

"In this job I've been able to shape the direction of the bank," he said. □

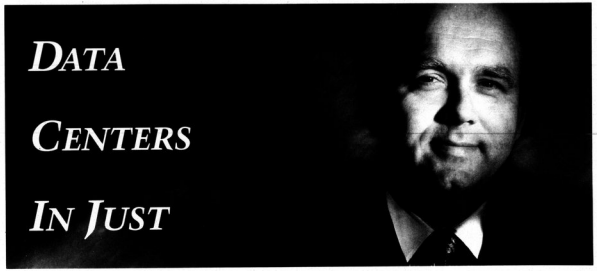
At a Glance

West One Bancorp

[illegible] AS/400 midrange computer

Software:
Kapiti Eximbills
Kapiti Equation

"We Merged Four Data Centers In Just Ninety Days!"



Robert P. Keller
President, CEO
New Dartmouth Bank of New Hampshire

"Most consolidations of this size take, at bare minimum, four months, sometimes as long as a year. With Systematics' help, we were able to do it in less than three months.

"For us to hold on to customers from three different institutions, it was critical to present the image of a unified bank quickly. This could not have been accomplished without first taking care of the data centers.

"We don't have all the numbers yet, but we conservatively estimate that, since the conversion, total non-interest expenses, compared to non-interest expenses of the predecessor institutions, have been decreased by approximately 50%."

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The Back Office: Consolidation

In Merger Traffic, Bank One Rockford Believes Slower Is Better

BY DEIDRE SULLIVAN

NOWADAYS, THE success of a merger is often measured by how quickly it took place. But a bank in Rockford, Ill., has taken an alternative approach.

"I guess you could say that we've created our own assimilation model, one that's a lot slower that most," said R. Richard Bastian 3d, chief executive officer of what is now Bank One Rockford. "We purposely violated the rules that say slam everything together; take all the damage up front and then do the cleanup later."

The slow pace of mergers has worked well for the bank – first as it merged four separate banks within one bank holding company and then when it became part of the Banc One family.

The story behind Bank One Rockford is set within the context of Illinois, one of the last states in the country to permit multibank holding companies and full-scale branch banking as it's known in states like New York and California.

More than 90% of the customers polled said that they were extremely happy with how the assimilation was handled

In 1990, when regulations were loosened and banks were permitted to expand their mandates, executives at Bank One Rockford – known then as First Community Bancorp – took a careful look at their franchise. What they saw was Rockford, the second largest city in Illinois, and their institution – a $650 million holding company operating four separate banks. Because of the onerous banking law, those banks had different names and performed different functions.

For example, operating just a few miles away from the $500 million-asset flagship, First National Bank and Trust, was a sister institution, the First Community National Bank of Rockford, a community bank with $100 million dollars of assets.

Executives at the holding company made a decision to merge the two institutions.

"We were really dealing with one market and it didn't make sense to offer one customer base community banking services and then offer another set of customers something else," said Mr. Bastian. "In terms of maximizing market dollars and improving our service, combining the banks made sense."

Senior management at First National Bank and Trust decided that they would take 18 months to consolidate the two banks.

Technology integration was not the key challenge; the systems issues were minimal because both banks had outsourced their back office processing to M&I Data Services Inc. Management's chief concerns were customer acceptance and employee participation.

"Eighteen months may seem agonizingly long but in a service business when you've got customers coming in and validating or invalidating the affiliation, we felt that it was appropriate to take our time," said Mr. Bastian.

Key to his approach was developing a communications program that supported decision-making from the bottom up.

"We communicated to the press, to our directors, to frontline personnel, to customers, so that each group would be equipped with information," explained Mr. Bastian. "Tellers, for example, were briefed in advance so that they could answer customer questions and help customers with their concerns. Managers were briefed to answer employee questions as well."

Communications also played an important role in implementing changes at the consolidated bank. Frontline employees, for example, were vested with responsibility for improving the way they did their jobs.

"When we knew a teller system change was going to be implemented, a committee of tellers got together to decide what the best method would be," said John Murphy, senior vice president and director of communications at First National and now at Bank One Rockford.

Mr. Murphy also reported that after the assimilation, account loss was minimal. In a bank survey, more than 90% of the customers polled said that they were extremely happy with how the assimilation was handled and would continue their banking relationship as usual.

Six months after this intrabank assimilation was finished, the remaining two institutions were merged into the fold and First Community decided the time was right to find a merger partner, a larger bank with a wide range of products and services that could be leveraged into the Rockford community.

"The same reasons that drove us to consolidate also brought us to the altar, so to speak," Mr. Bastian said. "To serve our shareholders and customers and to provide our employees with ongoing opportunity, we thought we should really begin looking at affiliating with a larger company."

It just so happened that with the loosening of the state banking laws, Banc One had moved into Illinois in 1992. Both parties were interested in becoming partners, so yet another merger began.

"Although Banc One was clearly the larger partner, both institutions learned from each other as we went on," said Mr. Bastian.

A chief concern was customer acceptance of the merger

Again, a formal communications program was orchestrated and information was provided to the press, senior management, line employees, and others. Banc One distributed a 41-page conversion booklet to all First Community customers to let them know what was going to take place. Employees worked together in committees to study and make recommendations on issues such as pricing policies.

"The program that First National had in place and the care they show their people is perfectly in sync with our approach," said Tom Cartwright, chief financial officer of Banc One Illinois Corp., Banc One's Springfield-based holding company for its Illinois banks.

Since the merger was formalized in May, the newly named Bank One Rockford has introduced mutual funds and brought in Banc One's corporate finance and capital market group services. Banc One Illinois Corp., on the other hand, is modeling its real estate mortgage program on Bank One Rockford's procedures. The Rockford unit boasts the highest mortgage penetration in the region.

"This share and compare philosophy is the strength of the Banc One merger strategy," said Francis X. Suozzo, a bank analyst at S.G. Warburg & Co., New York. "One of the key reasons why Banc One's profitability goes up after mergers is that the acquiring bank implements the best practices of the bank that has been acquired and vice versa."

Mr. Murphy said that in the coming months, Bank One Rockford would slowly introduce additional Banc One products and services.

"The timing may be a little long, but Banc One is always careful about making sure that a smooth integration takes place," said Mr. Suozzo, the analyst.

"Now we are offering the standard Banc One product line," said Mr. Murphy. "But we won't offer anything new until our house is completely in order. The wait is longer, but we've learned that the results are better. The customer is happier." □

BREAKING THE MOLD:
Under sculpture collector R. Richard Bastian 3d, Bank One Rockford created its "own assimilation model."


Greg Baker



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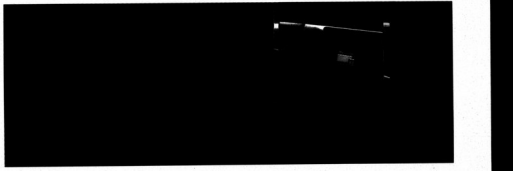

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The Back Office: Systems

Affinity and Efficiency Drive USAA Federal's Banking Business

Continued from page 1A

been stellar, with a 1992 return on assets of 2.6% and a 24.2% return on equity. The bank consistently receives ratings of "A+" and "Superior" from Sheshunoff Information Services Inc. and IDC Financial Publishing Inc., respectively.

Mr. Antonini said value and service are the keys. "To be able to offer a good price you have to have low costs," he said. "Direct mail and serving customers from a single location has worked great for USAA. So we decided to use that same philosophy."

Part of that success also can be attributed to quick membership acceptance of new USAA offerings. "We try to focus on the services our members need the most and request the most," said Mr. Antonini.

For example, in 1984 the bank sent out 240,000 preapproved credit card applications in an effort to get the program off the ground. Within weeks, it had opened more than 120,000 accounts – an astounding 52% response rate. Such direct mail efforts usually aim for a 5% to 10% response.

The company's use of technology, said Mr. Antonini, is integral to such efforts.

Once the company decided to enter the banking business, management didn't spend a lot of time developing basic applications. USAA's credit card processing and mortgage servicing operations are handled by outsourcing firms. The bank also will move its core deposit and lending functions to a third-party arrangement later in the year.

The bank's data processing staff is augmented by an information services division that supports all of USAA's business units.

As the technology backbone of USAA, the division has amassed a formidable amount of computing and telecommunications power, which is managed and measured with drill-sergeant precision. On the whole, the corporation processes an average of 12 million transactions and 318,000 phone calls each day.

USAA was the first company to implement a large-scale image processing system. The system, used in the company's property and casualty division since 1988, eventually became the basis of International Business Machines Corp.'s ImagePlus product for storage of electronic documents. However, the bank currently does not use this system, employing image only for signature verification and archival storage.

While new technologies play an important role, the heart of USAA's information systems consists of two mainframe-based applications – a customer information file and a corporate-product data base.

"Everybody at USAA adheres to a number of guidelines associated with those files," said Harry H. Richardson, a bank assistant vice president. "Those are the two key elements to help us give a common look and feel to the customer."

When a customer calls any USAA division, the customer service representative first validates and updates the information residing in those files.

This bit of housekeeping also provides USAA with more accurate data to use for its frequent cross-selling forays.

Regulations prohibit USAA's business units from sharing financial data. "The walls that need to be erected are erected. At this point, we use what we're allowed to use," said Keith L. Myers, senior vice president, operations, at the bank.

Instead, the company taps the customer and product data bases for prospects. Members with insurance policies covering older cars may receive a mailing promoting auto loans. A customer with a big-ticket homeowner's policy is probably a candidate for a home equity line of credit.

USAA also used its easy access to customer information to fine-tune lending operations. According to Mr. Antonini, about one million members are preapproved for auto loans, based on their history with the company. Another source of leads is USAA's vehicle information service, which provides members with detailed data about late-model cars.

"They're telling us they're in the market for a car loan when they tell us they're in the market for a car," said Mr. Antonini. "When we send them this package, it also includes the notice that they're preapproved for a car loan from us. That's a level of service they really enjoy. They don't even have to go through the hassle of giving us basic information for an application."

Customers who aren't preapproved can still obtain a car loan in less than 10 minutes with a single phone call. USAA developed a system with an automatic interface to the various credit bureaus.

"As soon as we enter the member's number, the system goes out and does the credit bureau screen," Mr. Antonini explained.

Still, Mr. Richardson said USAA is still "trying to get down and really understand" what it can and can't do with its data. "We'd like to break down some barriers," he said, in order to get a better overall financial view of USAA members.

Cross-selling is not the only task assigned to USAA's data bases, though. "We empower our employees so that they're more intelligent and able to answer customer's questions more quickly and conveniently," said Mr. Antonini.

Since most customer service is handled over the phone, USAA places great emphasis on making queries as painless as possible for both parties. Incoming phone calls are typically answered in three rings or less. On-line computer transactions have a response time of less than two seconds.

"The objective is to have all the information readily available to that rep to be able to service the customer," said Mr. Myers. "With what we've developed internally we're able to do that."

USAA continually fine-tunes such so-called legacy systems, but it is also preparing for the next generation. All of the business units within the company are in the midst of a three-year program to develop a blueprint for the future.

"You don't go into hundreds of millions of dollars of legacy systems and start taking them apart," said Mr. Richardson. But, he adds, future development efforts will use the client/server model, supported by IBM's OS/2 operating system and fourth-generation programming languages.

To date, bank management has used the USAA philosophy and infrastructure to develop a successful lending business, much of which is funded by commercial paper. To keep that business growing, and maintain a balance in funding, management is now focused on building its deposit base, which currently stands at $1.3 billion.

Although USAA does not market to the general public, except on a limited basis in the San Antonio area, its banking and brokerage services are available to consumers at large. More than 25% of its deposit customers are nonmembers.

"Every time there was a name change on one of the institutions in San Antonio, you couldn't get into our lobby for the next week," said Mr. Antonini.

Bankers in the San Antonio area, though, characterize USAA's impact on the local market as minimal.

Getting USAA members to move their deposit business to the bank is another matter. "It took a while to develop the reputation and the rapport that already existed within USAA," Mr. Antonini said.

Deposits from members have been growing slowly for the past several years, but early in 1992 USAA stepped up its efforts to attract deposits.

Part of that effort involved updating its delivery systems. In May, the bank introduced its Check and Cash Card, the first ATM card with both on-line and off-line debit capabilities.

The standard card is tied to MasterCard International's Maestro on-line debit program. It can currently be used at about 18,000 merchant locations worldwide.

For customers with overdraft protection tied to their checking accounts, the card also carries a MasterCard logo and can be used anywhere MasterCard is accepted. Currently, roughly half of USAA's 60,000 ATM cards have debit capabilities.

The debit card access, said Mr. Antonini, is part of a bigger package. By the end of the year, USAA customers also will have access to electronic bill payment and improved voice response systems, as well as consolidated statements using image technology. "We've rolled it out kind of cautiously, but it's all part of a larger package that we'll market fairly aggressively once we have each of these elements in place," Mr. Antonini said.

Mr. Antonini also foresees a closer relationship with USAA's investment management company. "The goal is to be able to marry the two together and being able to present a [Merrill Lynch] cash management account-type of a product with the various USAA products that are available," Mr. Antonini said.

For the time being, USAA is finding that its stealthy presence and untraditional banking structure is not a hindrance. "The bank is saying, 'there's no reason we can't offer products and services to my customers just like any other bank,'" said Mr. Richardson. "What makes us think we can't be a virtual bank?"

In the age of virtual corporation, USAA looks like the type of institution that may give its more traditional brethren a very noticeable headache. □

At a Glance

USAA Federal Savings Bank

[illegible]

Return on average assets:
1992: 2.6%
1991: 1.5%
1990: 1.2%

Return on average equity:
1992: 24.2%
1991: 19.2%
1990: 12.7%

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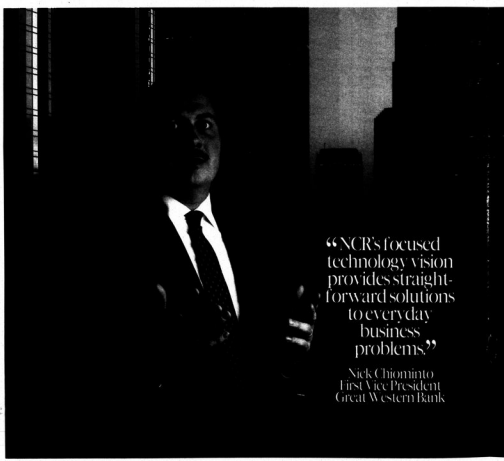

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Why Image Hasn't Become a Part of the Process at Most Banks

EXECUTIVE VIEW

By Diogo Teixeira

PAPER PLAYS AN overwhelming role in banking. Banks' externally originated correspondence, files, reports, and payment documents probably total some 60 billion to 70 billion pieces of paper each year.

Although the value of these many bits of paper is high, the cost is also high and the interest in converting to the "paperless office" is almost eternal.

Mr. Teixeira is president of the Tower Group, a consulting firm in Dover, Mass.

Image processing is the only technology that can replace this stream of paper on a one-to-one basis. By scanning paper documents, processing interactions can be transferred to the computerized images.

This technology is unique because encoded data is not generally created or, in many cases, even wanted. Once indexed and filed, the images exist primarily to be read or accessed by bank workers.

Image technology is not new. In the late 1970s, it was used in remittance processing. By 1982, Banc One was experimenting with the capture of payee information to be returned on Merrill Lynch cash management account statements. Today, checking statements returned with images are not even leading edge.

It is accepted that image technology has the potential to cut the cost of item processing data entry.

For example, Ohio's Huntington Bancshares Inc. uses Unisys' check courtesy amount read algorithm to read 41% of its checks without manual data entry with an error rate of only 0.9%.

Image technology is also used relatively routinely in wholesale lockbox, customer correspondence, consumer credit application processing, signature verification, and mortgage custody applications.

It will soon be incorporated in automated teller machines, to help customers see what they have deposited. And it may even capture signatures at point-of-sale terminals to help stem the rising tide of chargebacks.

Yet, many doubts remain. The fact remains that image technology is far from prevalent. Most industry desks do not have image-equipped terminals or access to software applications that process images.

The cost benefits have really not been proven and the amount of paper flowing in and out of banks continues to increase. No industry-specific application packages yet employ image technology. No third-party processors offer image services.

As this year's *American Banker*/Ernst & Young technology survey showed, implementations of image technology consistently lag expectations.

Three factors have contributed to slower levels of image implementation.

First, extensive reengineering or redesign of today's workflows is often not anticipated, so the conversion period is longer, slower, and less beneficial than planned.

Second, banks have looked for value-added applications to make images produce customer revenues in addition to cutting back-office costs. Yet, success has been rare.

And finally, generally unforeseen implementation and technical problems have arisen.

Bank workflows are almost always determined by the flow of paper. To replace the paper while maintaining the workflow is like paving the cowpath.

Instead of a linear progression of work from one workstation to the next, imaged work can be broken up, stored, and accessed only when and where needed.

For example, doing item processing with imaging requires a very thorough workflow redesign. Encoding is done at the end – instead of the beginning – of the proof process. On-us checks do not have to be encoded.

The order in which items are sent to the amount-entry function does not depend at all on the order of the items themselves. Various software algorithms can now assist in balancing blocks of items that previously could only be done manually.

In file folder applications, would otherwise.

Unexpected technical issues are a fact of life. There are no standards yet for exchanging images within or between banks. Mainframe-based image systems may be at variance with some banks' plans for a more open, distributed approach. Some workflow software is relatively new and not suitable for banks' high volume needs. Especially in the payment system, the documents themselves (checks, deposit slips, cash-out tickets) are quite old in design and are simply unsuitable for an image-technology dominated world.

For example, there are no standards for checks. Yet if prioritizations and short-term work queue adjustments require new job descriptions and new clerical organization.

If proper controls are present, parallel actions can be taken by geographically dispersed production workers, speeding completion. Real-time tracking and measurement of workers can lead to productivity pay and/or real-time matching of workflows with job skills.

Workflow software that helps index, monitor, and retrieve images – and control the rate at which all employees work on them – is becoming an integral part of all banking image applications.

It is easy to be overly optimistic about workflow redesign. The best new workflows may not be discernible until well into the implementation process.

In the beginning, costs and time may actually go up due to conversion and adjustment problems. Improving productivity may depend upon extraneous events, like redesigning a bank's forms so that they support the new workflows.

In short, there is a generalized learning curve that the industry must follow to make effective use of image technology. It's not as easy as it looks.

Image technology is a back-office cost-cutting tool. But the technology will progress further and faster when images can contribute directly to revenue production. Many ideas have been proposed, but progress in this area to date has been very slow.

Some ideas we've heard include:

- Linking corporate account analysis customers to the image system to get back bulk or online transmissions of check images.
- Restructuring retail checking accounts to offer three tiers of service and price: no checks returned; images of checks returned; the real checks returned.
- Addition of data to retailers' proprietary payment documents that would then be captured with the image technology and sold back to the retailer.
- Credit card chargeback systems that capture images of paper sales drafts to resolve chargeback disputes without requiring direct merchant effort.

To date, however, the aggregate payoff from these ideas has been low. No outright sales of images to customers have occurred. Many wholesale and corporate customers are themselves not yet invested in this technology. Image interchange capabilities are still ahead.

Better customer service is a real enough but soft benefit, but is difficult to quantify. Moreover, too many of the potential ideas come from the payment system, while most banking image applications are of the back-office file folder type. While it very likely that additional value-added applications will be found, in the interim banks will continue to move more slowly than they

Most bank desks do not have image-equipped terminals or access to software applications that process images

there were, the speed of implementing end-to-end item processing would be improved substantially, along with the benefits and the ease of conversion. This one step could do more than anything else to make check image technology work better.

Some image applications remain expensive, especially those that require extensive transmission facilities. When very high levels of low-cost bandwidth become available, the industry may see a real uptick in the speed at which geographically dispersed branches or back-offices begin to make use of this technology.

The bottom line is that image moves more slowly than generally expected because paper displacement is such a new way to do business. Paper is literally ingrained in the way we think about everything. For example, most courts accept only a paper document as legal proof. This is only now beginning to change.

We are literally suffering from failure of the imagination – failure to really understand what to do to take advantage of this innovative approach.

We will undoubtedly improve in this area and image will yet become a commonplace technology on bankers' desks. Yet until that happens, bankers should be careful and search for only applications offering the highest payoff. As always, a thorough understanding of the business, the current workflow and the technology will be one of the keys to future success. □

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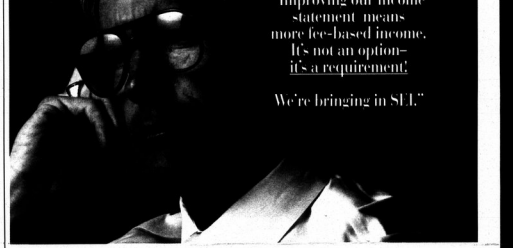

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The Back Office: Customer Service

Imaging System Saves Imperial Bank Space, Time, and Money

BY WILLIAM PESEK JR.

IT'S NO SECRET that most banks are highly protective of their public image.

But with the help of new technology, banks can use computer-generated images to make a better impression on their customers.



Chuck Porter

STORAGE STORY: Imperial Bank VP Richard J. Hatten shows how imaging diskette stacks up against the equivalent amount of data on paper.

Imperial Bank, Los Angeles, for example, is using a new PC-based document imaging and archival system that allows it to eliminate microfiche and paper-based filing systems.

But more important than reducing operating costs, the system allows the $3.3 billion-asset bank to reduce response time for client and internal information requests.

Like many commercial banks, Imperial has had to make some hard choices about the way it accesses vital information.

For most banks, the options are usually to hire additional staff and install extra phone lines, or to adopt new systems to do the job with existing employees.

Retrieving account information via paper or microfiche used to take several minutes and slow down the process of answering queries.

Imperial's new software has enabled the bank to improve productivity, eliminate paper and microfiche costs, and avoid hiring more operational staff.

"It now literally takes seconds to find information that used to take several minutes,"

By reducing costs of microfiche, paper, and storage, the system is expected to pay for itself within 12 months

said Richard J. Hatten, vice president and systems consultant at Imperial.

"The ability to retrieve data quickly, efficiently, and cost-effectively is crucial to both internal operations and customer service."

The system, called PCI/Reports Archival 4.0 and developed by Monroe, N.C.-based Protocorp International, creates the ability to interface with virtually all of the bank's computers.

"The ability to retrieve data quickly, efficiently, and cost-effectively is crucial to both internal operations and customer service."

The system, called PCI/Reports Archival 4.0 and developed by Monroe, N.C.-based Protocorp International, creates the ability to interface with the bank's computer system.

Now Imperial's employees can use the system to search a 200-page report for a specific dollar amount and find the desired information in five seconds or less.

Mr. Hatten said the rise of the "just-in-time purchasing" inventory strategy is a compelling example of the need for increased response time to customer inquiries.

"Optical storage systems drastically reduce the storage requirement and make banks drastically more efficient in the accessing of information," said William T. Gregor, who is senior vice president, financial service practice, at Cambridge, Mass.-based Gemini Consulting Inc.

Optical storage units drastically reduce a bank's storage space requirements, Mr. Gregor said, saving time formerly spent on transferring data to microfiche.

Another feature of the PCI/Report systems is software that uses the excess processing capacity on a personal computer network to perform data compression.

Imperial expects a quick turnaround on its initial investment.

Because the software has diminished the need for microfiche production, paper, file cabinets, supplies, and off-site storage space, Mr. Hatten expects the system to pay for itself within 12 months.

"We have found that the cost of implementing the system is offset by eliminating other costs," he said.

"It will be entirely paid for by the [productivity] and operating costs we're saving," Mr. Hatten added.

Since installing Protocorp's document imaging system in early July, Imperial has taken on a tall order: to reduce by 90% the amount of paper reports generated.

"Every major application we process that generates computer reports is going onto optical storage. That's the goal," Mr. Hatten said.

So far Imperial Bank has used the optical storage system only in its research departments. The next step, Mr. Hatten said, is to give the rest of the bank access to optically stored information.

"We want to give everyone in the bank who needs the information access to it through the system," he said.

Imperial's new system also safeguards against errors because information is extracted from the on-line data base and archived directly to the optical storage server.

As a result, auditing and accounting tasks can now be completed without much difficulty, Mr. Hatten said.

And because the software is run in a Windows environment, Imperial has found it to be easy to work with.

Once the data is found, the "cut and paste" function allows it to be moved from the body of a report or transaction directly to another application like spreadsheets or word processing.

Security is another feature. With the software, Imperial Bank can control report distribution with built-in security measures.

One reason why more banks of Imperial's size haven't embraced optical storage technology is the cost of the systems.

Expenses include purchasing or leasing the system, maintenance, supplies, cartridges, and application development.

Despite all its advantages, there are still some snags to be worked out of optical storage technology.

The bank's employees can now search a 200-page report for a specific dollar amount and find the desired information in five seconds or less

Perhaps the biggest question is one of legality. There has long been discussion in the industry over whether optically stored documents are an acceptable substitute for hard copy, especially in court proceedings.

But because Imperial's system is an optical storage type called write-once, read-many – in which a document cannot be altered after it has been transferred to the disk, the technology is gaining the legitimacy of formal documents, Mr. Hatten said.

The relative newness of the software has also been a barrier, experts say.

But Mr. Hatten said that as the technology evolves, huge storage volumes and quicker response times will make optical storage an increasingly viable choice in the 1990s.

"We'll also be ahead of the curve in the area of document storage," he said. □

At a Glance

Imperial Bank

Hardware:
IBM 486 personal computers

Software:
Protocorp International PCI/Reports Archival 4.0
Microsoft Corp. Windows

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Consumer Banking: Delivery Systems

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CATHERINE CORBY
Director of delivery systems
Barnett Banks Inc.
Jacksonville, Fla.

YOU HAVE TO REDEFINE SERVICE quality. For example, we pay a lot of attention to ATM downtime. This is an issue that gets our top executives' attention. We are striving for no downtime.

Another thing we watch is how many calls we lose over our telephone-banking lines because a customer was kept holding too long.

For every new delivery channel, we create a new level of service standards, measure them, and make sure we keep them. ■



GAYLON HOWE
Vice president
Wachovia Corp.
Winston-Salem, N.C.

YOU HAVE TO LOOK AT THE consumer's needs. If a consumer is using an ATM, he's doing so because he wants to. We don't believe that the electronic delivery methods take away at all from the customer's ability to call a person or visit the branch in person. But the need for convenience and lack of spare time are driving customers today to find quick, easy ways to do the things they need to do. They're discovering new ways to make their lives easier.

With Wachovia's personal banker strategy, we allow a customer to bank with us in whatever way is convenient for his lifestyle. We set the stage so our customers know that they have a relationship manager whom they can go to with problems or concerns.

But we've also positioned ourselves so that our customers would have more access to their accounts. That's what our research said the customers wanted. ■



JOHN RUSSELL
Vice president
Banc One Corp.
Columbus, Ohio

YOU HAVE TO DEVELOP A perceptible service difference. You can't implement electronic delivery successfully without upgrading the quality of your service people. You have to take your people's competence up to the next level. Bank employees will have to become less order takers and more financial planners. ■



RON BRACO
Vice president
Chemical Banking Corp.
New York

CHEMICAL WORKS REAL HARD AT that. Quality service, whether it's through the branch, an automated teller machine, or a personal computer delivering home banking, is of utmost importance to us.

We monitor customer satisfaction and we respond if things are not working the way they're supposed to. And we do lots of focus groups with our customers.

In some ways, electronic services like ATMs and PCs are easier to monitor because we can find out about it and respond to it quickly. We don't have to wait for customers to pick up the phone and let us know that they have a problem. ■



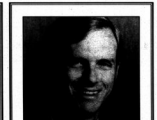
WILLIAM M. RANDLE
Senior vice president
Huntington Bancshares
Columbus, Ohio

OUR APPROACH HAS BEEN TO redefine banking as access to information, not access to a physical location.

In our customer focus groups, questions and concerns about service are more problematic to the bankers than to the consumers.

Consumers find access to bank products via the telephone a rewarding experience. They like using the voice response, because it allows them to do their banking at any hour.

That's how you improve service: by improving accessibility. That's how consumers define service. ■



FREDERICK A. WHITE
Principal
First Annapolis Consulting
Annapolis, Md.

THAT'S A CHALLENGE, ALREADY, with the ATMs, technology is depersonalizing service. Though consumers love the convenience, it's weakened consumer loyalty. Most consumers pay more attention to their regional network – whether it be NYCE or MAC or another – than to their bank.

Banks have done a lousy job so far. What they have to do is reinvent the relationship banking strategy. Wachovia has done a good job with this. Each of their customers has a personal banker. The customers may not talk to them every day, but when they have a problem, they know that person is there to help them. ■



FAITH B. POPCORN
Chairman
BrainReserve Inc.
New York

PEOPLE TODAY JUST DON'T HAVE the time. They're overworked and overburdened. Banks that offer 24 hour service – through interactive television perhaps – are offering an especially important service. People are getting more comfortable with technology, and I think banks have to offer these services for their customers. It's a new way of thinking about service. ■

New Products

EON-Intuit System to Let Viewer Do Finance Tasks

A system that will allow consumers to use personal computer financial programs through their television sets is being developed by EON Corp. of Reston, Va., and Intuit Inc., of Menlo Park, Calif.

Consumers will be able to use their televisions to perform tasks such as organizing personal finances, reconciling and updating accounts, checking outstanding transactions, and reviewing accounts. Pricing has not been determined yet, but services might be offered by banks as part of other home-banking packages.

Service is expected to be rolled out in the fall, once the Federal Communications Commission begins issuing licenses for interactive video and data services in New York, Los Angeles, Chicago, Philadelphia, Boston, San Francisco, Washington, Dallas, and Houston.

EON, formerly TV Answer Inc., is working on technology that would allow consumers to play along with television sports and quiz shows, respond to news polls, and conduct banking interactively.

Intuit develops personal finance software, including the Quicken finance program.

Platform Version For Lotus Systems

Responding to the bank downsizing trend, CyberResources Corp. made its loan collection and recovery software available on an IBM platform.

Many banks are switching from mainframe systems to a distributed computer environment. The company expects the move to different hardware will result in a demand for new systems.

The systems, CyberCredit and CyberRecovery, have been installed in institutions such as Bank of America, Citibank, Wells Fargo, National City Bank, and Liberty National Bank, Louisville.

CyberCredit is an automated on-line collections tracking system that generates reports and manages records. CyberRecovery is a debt-recovery application aimed at increasing charged-off debt recovery and reducing collection times. It lets the user track asset allocations and workers' costs.

CyberResources is based in Mountainside, N.J.

Pierce Unit Offers MICR Desk Printer

Troy, a division of Pierce Companies Inc., a manufacturer of magnetic ink character recognition printing systems, has introduced a desktop laser printer for branches or home offices. It produce new account checks, payment books, and any other document requiring MICR – complete with the customer's name and address.

In addition to the MICR coding, the system provides overlays, logos, graphics, fixed and variable text, and signatures. It prints at a rate of 10 pages a minute. It can trace the origin of unauthorized or fradulently issued documents, using proprietary technology.

Depending on the number of options selected, the printer costs about $5,000.

Troy is based in Santa Ana, Calif.

Voice Processor Available for PCs

Syntellect Inc. has introduced a PC-based voice processing system.

The system allows a bank customer using a touch-tone telephone to retrieve balances, pay bills, and transfer funds.

Named VocalPoint I, the system is based on an Intel-equipped PC running under the OS/2 operating system.

The system is completely modular and may be expanded from four to 24 lines. It is available immediately, starting at $17,000 per module.

Syntellect is based in Phoenix.

ACT Upgrades Citydesk System

ACT Financial Systems released a new version of its information integration and distribution system, Citydesk 2.1.

Most of the enhancements relate to the user interface, offering more flexibility and control in presenting and manipulating market data. A number of functions that provide a quick view of data without requiring costly feed capacity also have been added.

The program handles both digital and video feeds, and is used globally in more than 80 dealing rooms. It supports multiple workstation environments including MS-DOS, Windows 3.1, OS/2 Presentation Manager, and Motif under Unix. Clients can mix and match different operating environments on the same dealing room network, sharing a common set of data feeds.

The U.S. headquarters of ACT Financial Systems are in New York. □

How Fast Can You Stop Credit Fraud?

Trans Union
555 West Adams Street
Chicago, IL 60661-3601

Phone: 312/466-7773
Fax: 312/466-7990

It's time for action! Tell me how I can keep potential credit frauds off my books.

Name: _____
Company/Institution: _____
Address: _____
City/State/Zip: _____
Phone: _____

How Fast Can You Mail In This Coupon?

Almost every minute of every day, someone commits credit fraud. So before you approve anyone for credit, you need to know certain facts . . . fast!

Is the information in the application the same as that in the applicant's credit file? Is a creditor's inquiry just one of a recent flurry of credit activities? Has the address, phone number or social security number ever been used to receive a credit card or merchandise fraudulently? Is the location really a rental box, a vacant lot or a prison? Is the social security number valid?

A discrepancy in any of these areas could signal an intent to commit fraud. That's why this coupon can't wait. We will rush you the facts about the most powerful credit fraud preventatives available today. They're part of the security that comes with a Trans Union credit report . . . and the best protection you can have against credit fraud. The sooner you send for the facts, the sooner you can put these powerful fraud-fighters to work for you.

TRANS UNION
The Power of Quality & Service.

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Contracts

GE Credit Union in Ohio Signs Up for Jeanie ATMs

General Electric Evendale Employees Federal Credit Union and Midwest Payment Systems have signed a contract in which Midwest Payment will provide Jeanie automated teller machine services to the Cincinnati credit union's members.

Members will be able to use the more than 1,100 Jeanie machines and more than 4,500 Money Station ATMs.

Midwest Payment Systems is an affiliate of Fifth Third Bank, a unit of Fifth Third Bancorp, Cincinnati.

Systematics Inks Two Agreements

Orange County Bank of Paoli, Ind., signed a software agreement with Systematics Financial Services Inc., Little Rock, Ark. With $76 million of assets, Orange County Bank operates two branches in Indiana.

The bank will be leasing a relational data base geared to community banks. It runs on the IBM AS/400.

Fortune Bank of Clearwater, Fla., has signed a long-term outsourcing and software agreement with Systematics. Fortune Bank has assets of $2.7 billion and 46 branches in Florida.

Outech to Process For Union of Mo.

Union Bank, Kansas City, Mo., will hand over its data processing to Outsource Technology's service bureau. The conversion is scheduled for November.

Outech, a data processing service bureau headquartered in West Des Moines, Iowa, will assume data processing support for all deposit, lending, customer information, and financial management functions at Union Bank.

ABN Amro Unit Expands License

LaSalle National Bank, Chicago, has agreed to purchase a worldwide license for a bank planning, reporting, and analysis software system from Bancware, Braintree, Mass.

LaSalle, which currently uses the software for financial planning and asset/liability analyses, is purchasing the expanded license for use by its subsidiaries and parent corporation, ABN Amro Bank of the Netherlands. ABN Amro will use the software in various financial planning functions, including asset/liability management and forecasting.

U.S. Tennis Open To Use Hypercom

Hypercom Inc., a manufacturer of card-activated point-of-sale terminals, and NationalCard Processing Systems Inc., a third-party processor headquartered in Englewood, N.J., won the contract to provide hardware and services at concessionaire locations within the USTA National Tennis Center in Flushing Meadow, N.Y., during the 1993 U.S. Open Tennis Championships Aug. 24-Sept. 12.

Phoenix-based Hypercom will supply terminals and receipt printers for merchandise shops and stands.

Bisys Signs Up 2 Florida Banks

Florida's Independent Bank of Ocala signed a multi-year data processing contract with Houston-based Bisys Inc.

After investigating several systems, the $30 million-asset commercial bank chose Bisys for its ability to automate the bank's mortgage and lending services. About 65% of the bank's business is residential mortgage lending. The bank expects to have the new system completely implemented by late fall 1993.

In addition, Madison Savings and Loan Association, Palm Harbor, Fla., also signed a data processing services agreement with Bisys. Madison is a $140 million-asset community bank. The transition should be completed by fall 1993. □

MANAGEMENT STRATEGIES
A biweekly supplement to American Banker

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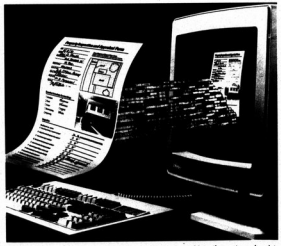

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Victory on Fees In California Could Backfire

By STEPHEN KLEEGE

Credit card issuers in California may soon win relief from a tough state law on late fees, but it could be a costly victory.

A plan to inoculate banks against a plague of fee-related class-action suits is reportedly being negotiated in the California Senate Judiciary Committee, where a deregulation bill had stalled earlier this year.

Banking lobbyists, who had previously insisted on letting the market set fees, have reportedly conceded that they could live with a $15 cap. The average late fee nationwide is $11.11, according to RAM Research Corp. of Frederick, Md.

NEWS ANALYSIS

California bankers figure a cap sanctioned by the state would at least keep them out of court. Though they have charged only $3 to $5 per delinquency, they have been forced in class actions to return millions of dollars under a state law that requires them to show that their penalties are comparable to the costs incurred.

Compromise Likely

Banking lobbyists are still trying to tie the deregulation bill to a less controversial measure, in hopes of moving it out of the judiciary committee and onto the floor of the Senate. It's more likely, however, that the industry will have to reach a compromise with state Sen. Bill Lockyer, the judiciary panel chairman, whose chief aide has suggested a cap of about $6.

The banking lobby also is submitting statistics from banks with multistate credit card operations to show that delinquencies are lower in states where banks are permitted to charge higher fees. Skeptics have noted that state-by-state figures by the American Bankers Association show no correlation.

But even a partial victory by California banks could be costly for the industry as a whole. Federal lawmakers who have watched fees rise as credit card rates have declined could take easing of California's rules as a further reason to impose some nationwide.

Job issue

In making their case, California bankers warned that existing law could cause thousands of card-related jobs to migrate to more lenient states. Their arguments echoed those that helped overturn late-fee laws in Vir-

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INSIDE NEWS

WASHINGTON

A FEDERAL APPEALS court in Houston ruled that banks cannot sell annuities in towns with populations greater than 5,000 in Texas, Louisiana, and Mississippi. *Page 2*

REGIONAL BANKING

BANK OF BOSTON is going after a bigger share of the market in Connecticut, a state still struggling with a battered economy. *Page 4*

COMMUNITY BANKING

MUTUAL SAVINGS banks should be allowed to sell stock to employees and depositors, says the CEO of Brooklyn's Independence Savings Bank. *Page 8*

MORTGAGES

THE PLUNGE of the 30-year fixed-rate loan to a 25-year low has the industry wondering just how low rates will fall. *Page 9*

INVESTMENT PRODUCTS

WALL STREET Investor Services, in an unusual move, is urging its bank clients to call thousands of customers back into branches to review the investment products they bought. *Page 12*

CREDIT, DEBIT, ATMs

THE SUCCESS of a credit card launch by Pacific Service Employees Credit Union shows there is still room for small issuers. The group has signed 7,000 cardholders, who have brought $10 million in outstanding balances. *Page 13*

TECHNOLOGY

THE NUMBER of corporate electronic payments transmitted along with data on what was being paid rose 30% in the first half from the year-earlier level. *Page 3*

FINANCE

BANCORP HAWAII, one of a handful of bank stocks that have fallen this year, lost its "buy" rating from Bear, Stearns & Co. *Back page*

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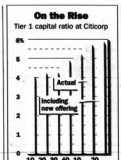

Citicorp Issues $350 Million Of Preferred

By DAVID SIEGEL

Citicorp issued $350 million of preferred stock on Monday, taking advantage of low interest rates to increase its capital.

The 14 million shares of noncumulative depositary perpetual preferred stock were offered through underwriters led by Merrill Lynch & Co.

The dividend yield is 7.50%, a half percentage point lower than Citicorp paid on a preferred stock issue in May.

The reduced borrowing cost was attributed to lower long-term interest rates, on which preferred stock dividend yields are based. Improved credit rat-

See **CAPITAL** *back page*

2 Ailing Florida Thrifts Bought by B of A Vet

By ROBYN MEREDITH

WASHINGTON — A company headed by former BankAmerica Corp. president Thomas A. Cooper took over two troubled Florida thrifts on Monday in a $108 million transaction.

Mr. Cooper's TAC Bancshares merged the two institutions into a $1.8 billion thrift based in Miami with 25 branches in southeast Florida.

Both of the troubled thrifts – Chase Federal Bank, in Miami, and Financial Federal Savings and Loan of Dade County, in Miami Lakes – had been mutuals, or depositor-owned, until Monday.

Because the thrifts were undercapitalized, federal regulators permitted them to convert to stock ownership without the participation of depositors and borrowers. All of the new stock was then sold to TAC Bancshares.

Gray Ousted

As a result of the deal, Edwin J. Gray, the former federal thrift regulator, lost his job as president and chief operating officer of Chase Federal Bank. Mr. Cooper's group ousted other top officers.

Mr. Gray, who was chairman of the Federal Home Loan Bank Board from 1983 to 1987, said that since he joined Chase in 1987 he has increased its capital levels and cut expenses, precluding the need for a federal bailout of the troubled thrift.

The New Chase Federal

Companies being combined	Chase Federal Bank Financial Federal Savings and Loan
Merger type	Supervisory stock conversion
Headquarters	Miami
Assets	$1.8 billion
Branches	25
Employees	400*
Chief executive	Thomas A. Cooper

*To be cut by 20%

Mr. Cooper will be the chairman and chief executive officer of the new thrift, called Chase Federal. It becomes the fifth-largest thrift based in Florida.

Rather than being a traditional full-service bank, Mr. Cooper's company will attempt to hold down operating costs by targeting "the mass consumer household – a very focused, traditional thrift kind of household," he said.

Its core business will be providing checking and savings accounts, certificates of deposits, and home and education financing for families with incomes under $60,000.

"We think that is the part of the market that is growing the fastest," he said.

Fifty-nine-year-old Chase had $1.15 billion in assets before the

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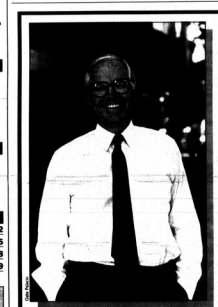

Mining Brooklyn's Ethnic Core

INDEPENDENCE SAVINGS BANK of Brooklyn, N.Y., has been revived by advertising executive-turned-banker Charles J. Hamm. One key strategy: small-business lending to immigrants.

See story on page 7

NEWS *briefs*

PNC Buys Deposits to Help Minority Bank

PITTSBURGH — PNC Bank Corp. said it has assumed approximately $35 million of deposit liabilities from United Bank of Philadelphia to help that bank acquire two branches of a failed thrift from the Resolution Trust Corp.

As a result of the transaction, one Philadelphia-area office of the failed Home Unity Federal Savings and Loan, with $35 million of deposits, became a PNC Bank branch. Two others, with $65 million of deposits, opened Monday as United Bank offices. Home Unity was based in Lafayette Hills, Pa., and had $500 million of assets.

The $100 million of assumed deposits went for a premium of $7,007.

PNC is an investor in the $40 million-asset United Bank, a minority-owned institution that opened last year. The novel RTC transaction followed discussions of ways PNC could provide further assistance to United.

Nine other Home Unity offices, with $263 million of deposits, went to Sovereign Bancorp of Wyomissing, Pa., and became part of the Sovereign Bank branch network. And a $23 million office in the Fishtown section of Philadelphia went to Prime Bank, a subsidiary of Prime Bancorp.

RTC Readies Big Sale of Nonperformers

WASHINGTON — In what may be its last jumbo sale for a while, the Resolution Trust Corp. said it expects to sell a $400 million to $500 million package of nonperforming assets in early November.

No other big asset sales are in the pipeline after this package, code named N-4, according to Larry Bloom, acting director of the office of securitization.

Mr. Bloom said the agency is funding an asset-sales program for smaller investors and reassessing the program for larger ones.

The RTC accepted bids for N-3, a $324 million portfolio of troubled assets, on Aug. 17. The results won't be public until the agency closes with the winning bidder at the end of September.

MasterCard Loses Round in Discover's Suit

NEW YORK — A federal district court has kept alive Dean Witter, Discover & Co.'s bid to issue credit cards through the MasterCard International system.

The decision was procedural, and the case is still to be decided.

MasterCard had asked the court to declare that it could refuse to grant membership to Dean Witter without violating antitrust laws. Dean Witter had filed a motion listing ways in which it said MasterCard had violated the rules. The judge, Louis J. Freeh, rejected MasterCard's bid to toss out that motion.

Dean Witter, the former Sears, Roebuck and Co. unit that issues the Discover Card, applied for permission to join both the MasterCard and Visa associations. The bank card groups said no, contending that it would be unfair to allow a competitor into their payment systems.

Dean Witter prevailed against Visa U.S.A. in a jury trial in Salt Lake City, and Visa will file briefs Wednesday in its appeal to the U.S. Circuit Court in Denver. MasterCard said it intends to continue to stand its ground.

Northeast Federal Completes Realty Sale

HARTFORD, Conn. — Northeast Federal Corp., the parent of Northeast Savings, said it has completed the previously announced sale of $30.4 million from its real-estate-owned portfolio.

The sale will reduce pretax earnings in the current quarter by about $750,000, Northeast said. The company had recorded a $6 million loss provision in the second quarter in anticipation of the sale.

The briefs were compiled from staff and wire reports.

Court Slams Lid on Annuity Sales In Texas, Louisiana, Mississippi

By ROBERT M. GARSSON

A federal appeals court in Houston ruled last week that banks cannot sell annuities in towns with populations greater than 5,000.

The decision, which came in a case involving a subsidiary of Charlotte, N.C.-based Nations-Bank Corp., affects banks only in the U.S. fifth circuit, which is made up of Texas, Louisiana, and Mississippi.

It would not reach beyond the fifth circuit unless the comptroller of the currency "decides to acquiesce nationwide," said Ronald Glancz, a Washington lawyer who has followed the case.

It was not possible to learn Monday whether either the comptroller or NationsBank would appeal the decision.

Key Points of Ruling

- **Annuities are** a type of insurance product.
- **National banks are** prohibited from selling insurance, including annuities, in towns of more than 5,000.
- **Annuity sales are not** an incidental power necessary to carry on the business of banking.

A Hot Product

Annuities are an increasingly profitable and popular product for banks, and the insurance industry has battled hard to keep banks out of the business. An effort to negotiate an agreement on interstate branching last year faltered in part because banks were unwilling to give up annuity powers.

The fifth circuit decision appears to conflict on key points with a ruling by the second circuit court of appeals, which held that banks can sell insurance anywhere from branches or offices located in towns of under 5,000. The conflict could open the door to an appeal to the Supreme Court.

In reaching its decision, the court concluded that annuities are a form of insurance, taking exception to a finding by the comptroller of the currency.

On March 21, 1990, Robert L. Clarke, who was then comptroller, authorized annuity sales for national banks, arguing that while "annuities have historically been a product of insurance companies, they are primarily financial investments."

However, the three-judge appellate panel described annuities as "the mirror image of life insurance."

Michael F. Crotty, who oversees litigation for the American Bankers Association, disagreed with the court's reasoning.

"Federal law talks about insurance but does not define it," he said. "The fact that it is regulated by state laws is not controlling."

In the absence of clear guidance in federal law on the subject, "it was not unreasonable for the comptroller to construe annuities as something other than insurance," he added.

Once the panel concluded that annuities are an insurance product, it went on to hold that national banks are prohibited from selling insurance in towns of more than 5,000 persons. Because Congress authorized bank insurance activities in smaller towns, the court reasoned, it barred them in larger ones.

The court also held that annuities are not one of the "incidental powers" that can be authorized because they are necessary to the business of banking.

Mr. Glancz noted that because the court had already struck down annuity powers because of the insurance argument, it was unnecessary to take up the incidental power issue.

Still, Mr. Crotty expressed surprise that the court took so "parsimonious a view of incidental powers." □

COMPANY *index*

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Opportunity is Spelled LDC DEBT REPORT

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Electronic Invoicing Up 30% in First Half

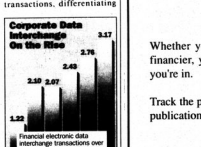
By MATT BARTHEL

The number of corporate electronic payments transmitted along with data on what was being paid rose 30% above the year-earlier level in the first half, according to the National Automated Clearing House Association.

Experts believe that the growing corporate interest in such so-called electronic data interchange services will spur more financial institutions to accept these types of transactions.

About 30 banks currently provide financial EDI services to their cash management clients.

The clearing house association, based in Herndon, Va., tracks three types of electronic transactions, differentiating them according to the amount of additional information that can be sent along with each type of transaction.



The most sophisticated of the payments, known as CTX transactions, grew in number by 126% in the first two quarters of 1993, according to the association. Less complex transactions, known as CCD+ and CTP, showed flattening growth rates of 25% and 21%%, respectively.

CTX, which uses a computer-to-computer communications standard known as X.12 that is rapidly becoming the accepted form for payment data, allows almost 10,000 characters of addenda information with each payment.

'The Format of Choice'

This compares with CCD+, which is by far the most accepted format for electronic payments, which allows only 80 characters per payment.

"CTX is moving from being a startup payment format to the format of choice for corporations engaging in electronic data interchange," said Stephen Lewis, director of network communications at the clearing house association, which has representatives from 40 automated clearing houses.

Mr. Lewis said the CTX format, which experts said is the format on which future EDI acceptance hinges, is expected to show active growth in the coming years because of the wealth of information that can be sent along each electronic payment.

"If a company were invoiced for 50 different items from another company, there can be a single payment accompanied by addenda records explaining what the payment covers" he said.

Easier Record Keeping

In addition, since CTX is in the X.12 format that most corporations' computers can automatically read, information about CTX payments credited or debited to the corporation's account can be downloaded directly from the bank's computers to those of the corporation. This can eliminate large amounts of a company's manual record keeping.

Although the total volume of of CTX transactions is still relatively small – about one-tenth of the quarterly traffic of 2.8 million CCD+ transactions – the increased interest in more standardized EDI products bodes well for bankers who have been hesitant to invest in technology that would be rendered obsolete as standards changed, experts said.

The financial benefits of electronic payment systems for companies are significant, experts said. According to the Denver-based EDI Group, it costs about $8.33 to make a per-based company-to-company payment versus about $3 for an electronic transaction over the clearing house network.

Although many banks offering EDI services have had trouble thus far making money from the business, many experts feel that profit opportunities will arise as CTX becomes more accepted and greater numbers of corporations begin to demand the service. □

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AUG 31 1993

Bank of Boston Seeking Bigger Piece of the Pie In Stagnant Connecticut

By YVETTE D. KANTROW

From the Regions

CONNECTICUT REMAINS mired in a recession, but R. Nelson Griebel is undaunted.

As chief executive of Bank of Boston Connecticut, Mr. Griebel is leading a beefed-up charge by New England's biggest bank company into a state where it has been a minor player.

In July, Bank of Boston completed its acquisition of Society for Savings Bancorp. in Hartford, and gave Mr. Griebel responsibility for what is now Connecticut's fourth-largest bank.

His position is not enviable, since the state remains in economic stasis. According to the Bureau of Labor Statistics, jobs are growing at a slower rate in Connecticut than in any other state.

Mr. Griebel, a 17-year Bank of Boston veteran, is the first to admit that there are not many short-term opportunities to build revenue. But he said he believes that Bank of Boston Corp. can be an agent of change not only in Connecticut but throughout New England.

Bank of Boston "has the capability in Connecticut and in other parts of the New England region to be a catalyst," he said, citing a $6 billion credit initiative that the company launched five quarters ago.

Bank of Boston Corp. already has generated some $4 billion in loan commitments to businesses across the region, including $1 billion in Connecticut.

The Connecticut number is likely to increase in October, when Bank of Boston imports its small-business banking program to the state. "We want to be a more aggressive provider to small-business needs," Mr. Griebel said.

Hi, Society

Bank of Boston's new Connecticut profile, after purchase of Society for Savings

Headquarters:	Hartford
CEO:	R. Nelson Griebel
Assets:	$4.8 billion
Deposits:	$3.4 billion
Branches:	59
Employees:	1,400

Source: Bank of Boston

For now, the executive is busy integrating Society, a $2.4 billion savings bank with a strong retail franchise, into Bank of Boston Connecticut. The merger creates a bank with $4.8 billion of assets, $3.4 billion of deposits, and 59 branches.

In Hartford County, home to Connecticut's state government and its major insurance companies, Bank of Boston almost tripled its branches to 29 from 10 – making it the county's third-largest bank.

Indeed, Bank of Boston Connecticut already has relocated its corporate headquarters from Waterbury to Hartford, the same town from which its Massachusetts rival, Shawmut National Corp., runs its Connecticut operation.

The Society for Savings name, however, will remain on the newly acquired branches until the end of the first quarter of 1994, Mr. Griebel said, noting that integration of the two institutions' systems won't be completed until then.

Mr. Griebel is particularly enthusiastic about the strong retail selling culture of Society, which he hopes to instill at other Bank of Boston Connecticut branches.

"Society has adopted a much richer and deeper sales culture than we have," Mr. Griebel said. "Our focus for so long in the branches has been to provide deposit services. We now have a great opportunity to be more sales-oriented."

The change also gibes with Bank of Boston Corp.'s efforts to alter its historical focus from corporate banking to one that also puts strong emphasis on consumer and small-business banking.

Mr. Griebel will be able to monitor the new approach closely, since Bank of Boston is adopting "The Exchange," a Society program that offers proprietary mutual funds through its Connecticut branches.

Mr. Griebel is simultaneously gunning for more growth in the Nutmeg State. Bank of Boston has only two branches in Fairfield County – an affluent area that borders New York's Westchester County – and the executive wants more.

"We clearly have stated our desire is to be better represented in Fairfield County than we are today," Mr. Griebel said, adding that Bank of Boston is examining "all of the potential steps" it can take to build there.

Shawmut Made Peoples Bancorp An Offer Too Good to Refuse

By YVETTE D. KANTROW

When Shawmut National Corp. approached Peoples Bancorp of Worcester with a buyout offer, the thrift's management was almost as surprised as Wall Street would prove to be when the deal was announced.

Woodbury C. Titcomb, president and chief executive of the Massachusetts thrift, said Monday that a sale was the last thing on his mind – until Shawmut approached him with a takeover offer less than two weeks ago.

Unlike many of its competitors, Peoples, which has $913 million of assets, was relatively unscathed by the New England downturn and was not seeking a rescuer.

"We were not in the business of selling this bank," Mr. Titcomb said in a telephone interview. "The proposal they made to us was out of the blue."

It also was too good to refuse. Shawmut agreed to pay $180 million in common stock for Peoples, or 1.76 times the thrift's book value.



Woodbury Titcomb
Deal came "out of the blue"

'Did Its Homework'

The thrift's stock soared $9 on the news last Thursday, to $47.50, and was trading at $48 Monday afternoon.

Several analysts said the price was high for a New England savings bank – even for an apparently healthy one.

"I'm mixed on whether or not it was a good deal" for Shawmut, said Gerard Cassidy, an analyst at Hancock Institutional Equity Services. "I think they overpaid for it."

But the fact that the deal was done quickly, Mr. Cassidy said, indicates that "Shawmut did its homework from outside and was comfortable with what it saw."

Peoples earned $5.65 million, or $1.67 a share, during the first six months of the year. Moreover, its ratio of nonperforming assets to total assets was a slim 50 basis points.

Because the deal is an in-market acquisition, Shawmut should be able to realize substantial savings, analysts said. Moshe Orenbuch, who follows Shawmut, New England's third-largest bank company, for Sanford C. Bernstein & Co., said in a recent report that Shawmut can cut annual expenses at Peoples by 45%, or $12 million.

He estimated that the thrift should contribute $13 million to $14 million to Shawmut's bottom line in 1994.

Mr. Orenbuch added that Shawmut can easily realize more savings by bringing Peoples' deposit prices in line with its own.

The company has been dropping its deposit rates more aggressively than its competitors. Mr. Orenbuch estimated Shawmut would save $1 million after taxes for every 20 basis points it shaves from Peoples' rates. □

AMERICAN BANKER/*Bank Rate Monitor's*™

Consumer Money Index

Personal loan rates and fees

Here are the personal loan rates and fees being charged by selected large banks and thrifts nationwide on August 24. The rates are those offered to the general public for a $3,000, unsecured personal loan, with a fixed rate and a 24-month term. During the past eight weeks, the trend of these rates has been declining. The eight week trend is based on the rates being charged by the ten largest banks and thrifts in the ten largest markets. The highest rate reported over the period was 15.59% on July 6-12. The lowest rate reported over the period was 15.54% on August 9-23.

Source: Gilbert Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

Banks

BANK	RATE %	FEES
Chase Manhattan Bank, New York	14.90	None
Harris Bank & Trust, Chicago	13.00	None
NationsBank, Wash., D.C.	15.50	None
Shawmut Bank of Boston, Boston	17.00	None
Wells Fargo Bank, Los Angeles	19.75	$60 fee

Thrifts

THRIFT	RATE %	FEES
American Federal Bank, Dallas	14.00	None
Beneficial Savings Bank, Philadelphia	12.40	None
Great Lakes Bancorp., Detroit	15.00	$50 application fee
Great Western Bank, San Francisco	16.89	$50 fee
Pacific Southwest Bank, Houston	18.00	None

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AUG 31 1993

Notion that Banks Are Overreserved Is Hard to Swallow

By LINDA STROMBERG
Director of bank equity research
Howe Barnes Investments Inc., Chicago

Comment

In what may later be termed the banking world's version of "Believe It or Not," it appears that the federal regulators, specifically the Comptroller of the Currency, are now concerned about banks' overreserving for loan losses.

Mind you, these are the same regulators that a few years ago mandated the massive reserve policies of the past. These guardians have put the industry and its auditors on notice to expect scrutiny of "excessive" reserves. Violators could be assessed a penalty if a bank continues to reserve without "good reason."

In our opinion, this is absolutely unbelievable. Are we to expect penalties for excess capital next?

We can think of two possible motivations behind this change. First, the Clinton administration would like this economy, which is supposedly out of recession, to start acting the part.



Peggy Turbett/American Banker

Linda Stromberg

In order to rev up our struggling economic engine, banks should be making loans. If financial institutions are reserving, that money is not out in the money supply where it can incrementally multiply.

Lending Can't Be Forced

Of course, the flaw in this theory is that the banks do not necessarily have to lend, especially if there aren't good credits to be booked.

Banks could stock away the excess cash in government securities, mortgage-backed securities or, heaven forbid, exotic new derivative products.

Second, who benefits from this policy reversal? For the most part, small and medium-size banks and thrifts have been building fortress balance sheets by adding to both capital and reserves.

Generally, the balance sheets of the money-center banks are far inferior to those of their smaller brethren in this regard.

Tonic for the Credit Crunch

If the money-center banks have been exercising their clout with the government to exact regulatory relief from "excessive" reserving, this change may dovetail nicely with the government's need to remove the supposed credit crunch and hopefully jump-start the economy.

Here too the theory is flawed. Doesn't anyone remember South America?

In our opinion, having a rainy-day fund in whatever form is not only conservative but prudent. Moreover, most financially sound banking institutions are finding it difficult to utilize their capital.

Loan Demand Lags Behind

The money is in the coffers, but loan demand is nonexistent. If there was loan demand, a financial institution with "excess" reserves could actually be in a position to make more loans.

We find it interesting that the regulators are getting involved in this issue, since excess reserving has traditionally been the province of the Internal Revenue Service (which generally feels every one is hiding money).

Although no economic benefit is derived from moving the excess reserves from the balance sheet to the income statement, we may see some upward price movement in those financial stocks when the move occurs. This would be due to higher earnings being reported. □

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TCF Buys Assets, Deposits from RTC

MINNEAPOLIS — TCF Financial Corp. said it bought the assets and deposits of First Federal Savings and Loan Association in Pontiac, Mich., from the Resolution Trust Corp.

TCF, which has $5.1 billion of assets and 130 banking offices in Minnesota, Illinois, Wisconsin, Michigan, and Iowa, said it paid a premium to the government of $14.5 million for First Federal's 15 offices and $231.5 million of insured deposits.

First Federal's loan portfolio and remaining four offices were acquired by other financial institutions.

The new offices will be operated as TCF Bank Michigan. Robert L. Orffeus, previously manager of First Federal, will manage TCF Bank Savings, and several former First Federal employees will join TCF.

Brooklyn Thrift Thrives Amid Ethnic Diversity

By PHIL ZAHODIAKIN

Independence Savings Bank, a $2.3 billion-asset mutual thrift, is preparing to open a new main office on a Brooklyn, N.Y., block that's packed with heavyweights.

Citicorp, Chemical, Chase, Marine Midland, National Westminster, and European American are just a few of the big New York City players already on Montague Street in trendy Brooklyn Heights.

Independence's base is a salad bowl of ethnic neighborhoods that stuck by it during difficult times in the early 1980s. However, it is the thrift's adaptation to modern urban banking, and not just neighborhood loyalty, that has enabled it to thrive in the 1990s.

'Spreads Had Dried Up'

In 1986, when director Charles J. Hamm, a career adman, was named president and chief executive, Independence had eight branches in New York City and on Long Island, held $1.1 billion in assets, and earned $18.7 million – not a bad return.

But "spreads had dried up, and we were below capital adequacy," says Mr. Hamm. "We were at 4%, and the FDIC asked us to develop a plan that would put us up to 5% or 6%."

Thus, former chief executive and current chairman William A. Levin spent his last years as CEO "defending the bank by shrinking it."

As worrisome as the capital ratio was the loss due to death or out-of-area retirement of up to 1,000 depositors annually at each mature branch.

But the bank last year added nearly $800 million in deposits by buying eight former branches of Long Island City Savings Bank and the State Savings Bank in Queens.

It earned $51 million in 1992, and its capital ratio stood at a healthy 13.1%.

"We had to grow the bank to position ourselves for the 21st century," says Mr. Hamm. But that's not easy "when you have to speak eight languages and your markets are growing at 0%."



Gabe Palacio

INDEPENDENCE SAVINGS BANK's Charles J. Hamm, center, with employees who speak the languages of its neighborhoods. "Our niche is new or 'middle' Americans," Mr. Hamm says.

Hired for his expertise in marketing and strategic planning, Mr. Hamm earmarked $5 million for capital outlays aimed at increasing productivity.

But growth was the goal, and aware that "inward growth in a mature, overbanked urban environment meant a long, long road," Mr. Hamm in 1987 priced up certificate and money market rates.

The result was 2% growth at a few branches – and a $5 million pretax loss. "At that time, there weren't any studies showing that the pricing strategy would fail," Mr. Hamm says.

Plenty of Competition

What was certain, however, was that Independence "had to expand its avenues of profitability, and that meant expanding our expertise in a wide range of services," Mr. Hamm said.

"We were in competition with finance companies, mortgage and insurance brokers, and commercial and savings banks – you name it.

"We had to be sensitive to what people need most of the time," he added. "We went into credit cards, doubled our ATMs, and started a commercial lending operation.

"Our niche is new or 'middle' Americans. They want banks to help them participate more fully in the pursuit of happiness."

This pursuit often means starting and running a small business. Mutuals traditionally are not small-business lenders, but Mr. Hamm persuaded his board to pursue the opportunity.

'Strong Profitability'

"If handled properly, small-business lending with variable rates offers strong profitability, and I felt it would significantly expand our lending expertise."

One way Independence pursues sole proprietors and other small businesses is by developing relationships with business brokers. The Russian community, for example, "tends to go through business brokers to find loans when they want to break into unfamiliar markets."

But there are many other immigrant groups in Brooklyn.

To bank this "mosaic," as Mayor David Dinkins describes New York's diverse population, Mr. Hamm developed merchant associations patterned after immigrant lending societies.

"We set up a $100,000 fund for lending to the associations, which are made up of businessmen in each community, like the Arab groups right here," he said, referring to the current Court Street headquarters, "and we rely on these associations to screen their borrowers for us."

Of course, Independence also screens borrowers, but Mr. Hamm admits that loans to immigrant merchants are slightly less-well backed than a typical business loan. However, "The borrower has a lot of peer group pressure on him, and that's a greater moral instrument than the note itself."

Such lending and strong support for the New York Mortgage Coalition and Community Preservation Corp. have led to an "outstanding" Community Reinvestment Act rating.

Lending Where Branches Are

Joseph Margano, executive vice president and mortgage officer, says Independence has been a CRA lender all along.

In Newkirk Plaza – a "mom and pop mall" – the Independence branch has been a significant lender to the Caribbean community. "You have to lend where your branches are, or the areas go down," Mr. Margano said. "That's why we're lending here and that's why we're spending infinite hours persuading the merchants to keep their storefronts neat."

Mr. Margano, like Mr. Hamm, is a Brooklyn native. He attended New Utrecht ("Welcome Back Kotter") High School, and rode the New Utrecht ("French Connection") Avenue elevated to his ushering job at the Loew's Oriental Theater on 86th Street.

Independence has two branches on 86th – the heart of Bensonhurst – where the elevated runs above bustling sidewalks and hundreds of storefronts. Which one of those paint stores employed that kid with "Saturday Night Fever"?

The Changing Scene

Mr. Margano shrugs as he points out a franchised audio outlet.

"There used to be a shop there that sold the best egg cream in Brooklyn," he says. "Best in the world, really. Sandy Koufax would stop in all the time. I think he'd be mad if he saw what happened to it."

In Bensonhurst, especially along Prospect Parkway, Independence holds millions in multifamily mortgages. In fact, Mr. Margano says, the thrift last year "was one of the top five multifamily lenders of any consequence in New York City."

'Hands-On Appraising'

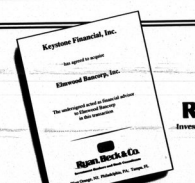
Among its multifamily assets, none are nonperforming. Of its $1.4 billion in mortgages – 55% of them multifamily – just 42 notes totalling $5 million are in foreclosure, with OREO valued at $1.2 million.

Warren Heller, president of Veribanc, a Wakefield, Mass., analysis firm, says this level of nonperformance is negligible. Mr. Morgano says hands-on appraising is the key.

"I don't just drive by a property," says Mr. Margano. "I take the elevator to the top, walk

See INDEPENDENCE next page

Accomplishments Through Creativity



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AUG 31 1993

CEO Urges Stock Sales to Staff, Depositors Only

By PHILIP ZAHORCHAKIN

Mutual savings banks should be allowed to sell stock to employees and depositors, says Charles J. Hamm, president and chief executive of Brooklyn's Independence Savings Bank.

Thanks to the promise of big profits for depositors, mutuals have been going public at a brisk rate. Mr. Hamm believes that selling stock only to employees and depositors – "modern mutuality," as he puts it – would preserve mutuals as community banks.

Once a mutual becomes public, shareholder profits become a far higher priority for the board, he says.

Dale A. Arnhood, a Wheaton, Ill.-based consultant to financial institutions, says the shareholder exclusivity proposed by Mr. Hamm "is advantageous when you have strong management, and there isn't any outside interference. But it requires a unique set of circumstances to work well.

Management Deficiencies

"For the most part, management at mutuals isn't as strong as it is at stock companies," Mr. Arnhood continues. "Mutual boards are more like boards of trustees. They don't really involve themselves in management. They're passive, they aren't critical, and that doesn't work anymore."

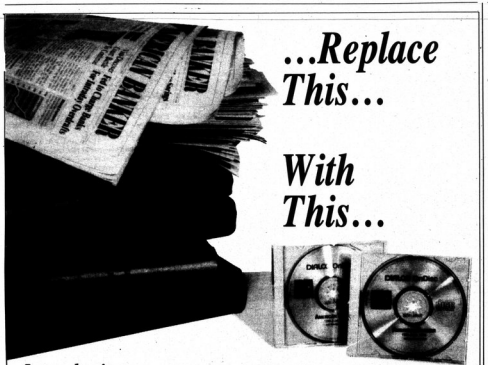
As a mutual holding company, Independence is allowed to issue stock to depositors – but only up to 49% of total equity, says Michael Schussler, assistant general counsel to the New York State Banking Department.

He argues that the "current arrangement for mutuals is imperfect because you have a valuable asset with no owner." To demonstrate that mutuals in New York do not have well-defined ownership, he notes New York law "says what happens when other kinds of banks are liquidated, but not if it will say, 'except in the case of a mutual.'"

Phil Calaco, senior thrift analyst for SNL Securities, Charlottesville, Va., says the stock prices of converted mutuals have not been increasing as fast as they were last year, but says the market for conversions is as hot as ever.

Just ask Mr. Hamm.

"We're one of the best mutuals around, and I've been offered $5 million, $10 million just to start the ball of conversion rolling. But our mission isn't making profits. It's providing profitable financial services to our communities."



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For Independence, Strength Lies in Ethnic Diversity

Continued from *page 7*

around the roof, and head back down, one floor at a time, knocking on doors. There's no substitute for old-fashioned appraisal methods."

'Infinite Patience'

Customers at Independence are sometimes old-fashioned themselves. At one Bensonhurst branch, for example, the teller lines "could easily, easily hold 200, 250 people.

"But they stand there with infinite patience, even when the Social Security checks come in. It's a happening. And the same thing happens with paychecks. We've tried telling working people that they have direct deposit available to them, but they just aren't interested."

Needless to say, there are plenty of Italian-speaking platform people, a fact noted on the door. At the other branches, instead of "Si parla Italiano," the promises of fluency are in Spanish, Greek, Yiddish, French, Korean, Japanese, Lebanese, and Croatian.

Playing to a Strength

Mr. Hamm, who developed the Mean Joe Greene ad for Coca-Cola, says he intends to keep playing up neighborhood ties. Not surprisingly, his marketing role at the bank is hands-on – and profits have been growing during his tenure.

At yearend 1991, Independence was returning 10.7% on capital; one year later, 17.87%. Its return on assets, 0.90% at yearend 1991, was 1.24% at yearend 1992 – and up to 1.28% at the end of the first quarter.

Though pleased with those numbers, Mr. Hamm singles out a couple of others to make a point. "In 1985, we paid $3.4 million in taxes. In 1992, we paid $23.8 million. That's a lot of money. We want people to know about our commitment to community banking. But people tend to forget the power of community banks in terms of the taxes they pay."

For a community bank that opened for business in 1850, that's a lot of commitments and a lot of taxes. □

PIPELINE/ *By Edward Kulkosky*

Originator Seeks Edge Through Speedy Service

There seems to be plenty of lending business for everybody these days. That doesn't mean mortgage originators are anything less than fiercely competitive. But price competition can only take you so far, and many lenders have been trying to find other ways to attract borrowers.

One way is through fast service, and Ryland Mortgage Co. of Columbia, Md., has taken that route with a fax-based service offered through real estate brokers.

The borrower fills out a short form and checks off several boxes. The form is faxed to Ryland, and a preliminary approval is returned within five minutes to those who qualify.

There's no charge to the broker or borrower.

Encouraging Response

Ryland achieves the high-speed response through a link with Equifax Inc., the Atlanta-based credit reporting agency. "We've just been offering the service for six weeks," a Ryland spokeswoman said. "The response so far has been very good."

Creative Solutions, an Atlanta-based software company, provides the product to Ryland. Charles Goetz, chairman of Creative Solutions, said the product is attractive to real estate agents because it weeds out people who do not qualify for loans.

* * *

Another competitive marketing angle: low-cost closings. Some lenders already have seized on the reduced up-front payments for mortgage insurance now being offered by General Electric and Mortgage Guaranty Insurance Corp. to drum up business.

Among them is Ross Mortgage Corp., Oak Park, Mich., which is promoting Mortgage Guaranty's plan in its service area.

"We predict that this innovation will open up home purchases to many more well-qualified individuals and families," said Tim Ross, president.

* * *

When the folks at Boston's Shawmut Bank announced last week that they would be kicking off a new marketing campaign soon, they meant it literally.

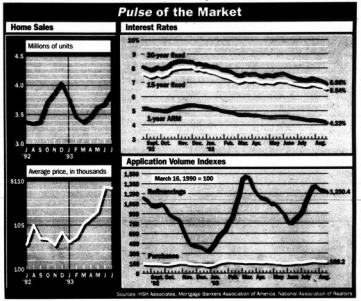
A charitable program it calls "Making Points for Homes" will begin with the kickoff of the New England Patriots football team's opening game next week.

The bank, a unit of Shawmut National Corp., Hartford, Conn., will be giving $100 for each point scored by the Patriots this season to Neighborhood Housing Services. The group is dedicated to improving housing in low-income and moderate-income neighborhoods.

The program will be trumpeted on radio, in newspaper and magazine ads, and in a fan newsletter. A spokesman said the bank hopes to stimulate awareness of Shawmut as a source of home loans and other types of consumer credit.

The price may be right. The bank expects to give away between $22,000 and $25,000 this season, which means it is guessing at a wimpy average of about 15 points a game.

Pulse of the Market



Sources: HSH Associates, Mortgage Bankers Association of America, National Association of Realtors

30-Year Rate's Plunge, to 6.96%, Has Industry Scratching Its Head

By CHRISTOPHER NOBLE

Like a lead weight in a vacuum, the national average interest rate on 30-year fixed-rate loan continued its plunge, dropping through 7% to its lowest level in 25 years.

Driven by the 30-year Treasury bond's remarkable rally, the rate fell to 6.96% last week, according to HSH Associates of Butler, N.J.

"This is as good as it's going to get, I think," said Terrance Hodel, president of North American Mortgage in Santa Rosa, Calif.

Indeed, nobody in the mortgage industry is sure just how low rates may fall. Certainly, no one expected them to get this low. After all, the last time interest rates were at this level was in the summer of 1968, and at the time they were at a post-World War II high.

In June 1968, the Federal Home Loan Bank board index for home sales listed the average rate on a 30-year fixed-rate mortgage at 6.97%. In July, it rose to 7.10%.

Paul Paquin, an economist at the Federal National Mortgage Association, said there was no way to know whether rates have bottomed out.

Driven by the bond rally, the rate fell to a 25-year low.

"I'm an economist. But I don't have the slightest idea what interest rates are going to do and neither does anybody else."

Mr. Paquin said that the economy in the 1960s was "an entirely different world."

Home Sales Jump

Meanwhile, the precipitous drop in interest rates fueled a big jump in July in sales of existing homes, according to the National Association of Realtors. The jump to 3.88 million for the year brings the sales to their highest annualized level in 1993. The rate for July was up 14.8%.

The 3.7% jump was much sharper than expected, and is one of the few bright signs in an otherwise flat national economy, experts said.

The combination of low interest rates and a slight decrease in the price of an average home helped spur the increase, officials of the Realtors association said.

"Summer generally is busy, but this is extraordinary," association president William S. Chee said in a written statement. "More and more 'sold' signs are going up."

The average price of a home in the United States in July was $109,200, down from $109,300 in June and up from $102,800 a year ago. □

Sadly for you, politicians in D.C. agree on one thing.

People who've made careers out of being contrary are declaring that the government's relationship with the secondary mortgage market is going to change drastically. They all know ab ut HUD plans to toughen enforcement, new pressures on Fannie and Freddie, and the revival of Ginnie Mae as a major player. And if you want more evidence, look to Capitol Hill, where Congress is toying with mortgage bankers subject to the same regs as commercial banks.

How to react? You could wax nostalgic—and get clobbered by the government and your competitors. Or you could read *The Mortgage Marketplace*.

Every Monday, in less time than it takes to finish your morning coffee, *The Mortgage Marketplace* tells you about the new rules and ideas that could keel haul your secondary operations. It names the biggest mortgage company participants in Ginnie, Fannie and Freddie issues. And it scans the horizon to determine what types of loans, and borrowers, that now are considered exotic could soon enter the pipeline of conforming loans.

There's no debate—new regs are coming. What's still at issue is whether you'll be ready for them.

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United Mortgage for Sale by Investors

By JAMES H. SAPT

United Mortgage Corp. of Minneapolis, Minn., is on the block, according to sources familiar with the company.

Bear, Stearns & Co. is believed to be representing the owners.

Active Originator

Miller & Schroeder Inc. and Marshall Financial Inc., Minneapolis-based investment companies, led the group that bought the company for about $100 million from the Resolution Trust Corp. in late 1991.

Unlike Foster Mortgage, another property sold by the RTC that was recently resold, United has been able to originate enough new loans to keep pace with servicing runoff, according to mortgage bankers familiar with the company.

As of July 31, United Mortgage had a servicing portfolio of $3.9 billion. The company originated $1.7 billion in 1992.

On Dec. 31, 1991, the day it was sold by the RTC, the company had a servicing portfolio of $3.8 billion.

First Tennessee National Corp. is paying $115.6 million for Maryland National Mortgage, which is virtually the same size as United. But First Tennessee says a strong balance sheet affected the pricing. One source said the same might not be true of United.

Calls to Miller & Schroeder and United Mortgage Corp. were not returned. Bear Stearns officials declined to comment.

Minn.'s Metropolitan Automates Underwriting

By JAMES H. SAPT

Metropolitan Federal Bank of Edina, Minn., has begun to use an automated home-loan underwriting system, according to Bell Trebilcock, vice president.

The system, which uses software from Cybertek-Cogensys Judgment Systems software, will use a "case based" form of artificial intelligence.

Case-based systems employ human mentors to train the system to make decisions in an attempt to replicate the thought processes of an experienced underwriter.

Covers More Loan Decisions

This type of system will allow mortgage originators to use automation to make decisions on a higher percentage of loans than systems which use "if . . . then" logic, according to Joseph Filoseta, president of Cybertek-Cogensys.

Metropolitan wants to use the system to underwrite and approve a substantial portion of its business. "Our goal is to automatically underwrite 65 to 70% of our total loan volume with the system," said Mr. Trebilcock. The bank will use the system for mortgages with loan-to-value's of less than 70%.

Mentor System

Software systems like Cybertek-Cogensys' are often called expert systems because they use a professional's experienced in the field as a mentor.

The program is fed examples by the mentor that illustrate his or her decision-making process.

The mentor lists questions considered significant in evaluating a mortgage application. The mentor then enters a long series of examples of responses to the questions and makes a decision for each.

These decisions for individual questions aggregate into situations that would mirror the situation of an actual mortgage applicant.

Prints an Explanation

Once a base of situations is entered, the program is able to make decisions on situations not encountered in its judgment base and evaluate them based on its "confidence" that the mentor would agree.

At the end of every mortgage application decision the system prints an explanation of how and why it arrived at its conclusion.

Users continue to update information into the judgment base so that the decisions reached can reflect changing market conditions. From an originator's standpoint, the main advantage of automation is an increase in efficiency.

10 Times or More Faster

Whereas an underwriter may take up to 45 minutes to evaluate a loan, the computer system will do the same work in three seconds to three minutes, according to Mr. Filoseta. The program may also be used as a tool by which beginning underwriters may become familiar with the way expert ones make decisions, Mr. Filoseta added.

Cybertek-Cogensys' artificial intelligence system is used by a number of other mortgage providers, including B.F. Saul Co., Chevy Chase, Md., Home Savings of America, Irwindale, Calif., and Great Western Bank, of Beverly Hills, Calif. □

Bankers are Bullish on Mutual Funds



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Core Customers May Flee If They Lose Principal

By PAUL H. ALLEN

Although banks are moving rapidly into the mutual funds market – and with greater success than ever – I hope the surge won't prove detrimental to the banking industry's greatest competitive edge: its core customer franchise.

Viewpoint

I also hope it doesn't lead to the creation of a supplemental (rather than complementary) cost structure that could involve a complex restructuring when the markets turn south.

Federal Reserve Chairman Alan Greenspan helped save the U.S. banking industry through management of short-term interest rates. There was, however, a price to be paid: Savers provided a massive subsidy for the cleanup of banks' problem assets.

Yet during the early 1980s, they were conditioned to rely on

Low savings rates have pushed consumers into riskier investments.

the cash flow associated with high interest rates to fund their day-to-day needs. In our current world of 2% to 3% savings rates, core customers have been forced to disintermediate from their traditional deposit home – the banks.

Long-Term Trend

This merely reflects an acceleration of a long-term trend. In 1983, bank time deposits and mutual fund assets totaled $1.8 trillion, with banks holding an 84% share. By March of this year, the market had grown to $3.75 trillion, but the banks controlled just a little over 50%.

Banks faced the dilemma of "getting on the boat" or losing the funds to outsiders and, because of low credit demand, were awash with liquidity from core deposits.

Working first with mutual fund companies as third-party providers and later through sales of proprietary funds, banks have amassed a 10% to 15% share of mutual fund holdings. In the year ended June 30, bank proprietary funds grew 36%, far outpacing the 23% for overall fund growth.

Do Customers Know the Risks?

There are, nonetheless, risks associated with this foray into fund sales.

Mr. Allen is chairman of Aston Limited Partners, a bank investment and operations restructuring firm in New York.



Paul H. Allen

Do bank customers truly understand the risk to their principal associated with their investments? However much bank sales staff insist they are explaining risk, I remain unconvinced.

Perhaps the strongest competitive advantage of banks has been customer inertia. Over 60% of small-business owners (sales less than $5 million) have similar long-term relationships. These relatively unsophisticated customers have always relied on the protection of principal (legal through Federal Deposit Insurance Corp. insurance, and de facto in bank failures).

In chasing current bond and stock fund yields, I believe that customers have implicitly – not consciously – taken on market and principal risk.

Chain Reaction

When rates rise, bond fund principal will be lost, and equity markets will drop from current high valuations. At that point, there are going to be a lot of angry bank consumers and small-business owners. They are a different type of investor than traditional mutual fund purchasers, being more reliant on cash flow from their savings.

It's true that bank funds are still dominated by less interest-sensitive money market funds (over two-thirds of bank-managed funds, as estimated by Lipper Analytical Services), yet that still leaves $29 billion in equities and $24 billion in fixed-income funds under bank management – a source of significant downside potential for customers.

Meanwhile, I am convinced that the banks are creating an incremental cost structure driven by the top of the market (in terms of trading/purchase volumes) that will be hard to dismantle in a downturn.

For example, there are three approaches to fund sales that banks have taken: (1) creating new, supplemental costs in a dedicated fund sales force for proprietary funds; (2) selling such funds through their traditional platform staff; and (3) retaining a "variablized" cost structure by selling through the staff of third-party providers.

Each approach has its pros and cons. The first maximizes returns from funds and keeps a distinct cost structure that can be taken down (a la brokerage houses) when volumes decline. The second takes the full return and can appear to achieve economies of marketing expense through "piggybacking" off existing sales resources – but at the expense of complexity in terms of future downsizing.

Dismantling the Structure

The third gives up return to the third-party supplier, but if the relationship is properly structured it is the easiest to unwind and may offer some protection against customer anger and franchise erosion.

Moreover, many banks are creating a new back-office cost structure to service fund sales and management. This may consist of distinct, severable expenses, or a "hand-aid" adjustment to existing systems. The concern about dismantling these costs in a market downturn also arises here.

While banks have faced the dilemma of either accepting core deposit runoff or jumping on the mutual fund bandwagon, I do not think they have properly weighed the risks I have outlined. I am nonetheless confident that there is a role for banks in these markets but that it must be properly structured:

- **Sales force management:** Many bank purchasers of mutual funds are unsophisticated market investors and need exceptional sales guidance in understanding core/incipal risk. If not properly structured, volume targets and incentives for sales staff may run counter to this responsibility.
- **Customer portfolio management:** Linked to sales force management is a premium that should be placed on helping customers with timing and stop-loss management.
- **Cost management:** Banks should be planning how to restructure the incremental costs

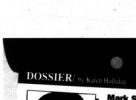
The downside potential has to be spelled out.

of mutual funds marketing, research, and back-office support in the event of a market pullback.

It would be fortunate if the new investment products' cost structures became another "loss leader" for the banks (perhaps like discount brokerage costs in the mid 1980s).

- **Proprietary/third-party fund balance:** To satisfy each of these points, an explicit decision on the tradeoffs of return/risk from the balance of proprietary and third-party funds needs to be made. □

DOSSIER On Karen Holliday



Mark S. Casady
Concord Financial Group

Mr. Casady joined Concord Financial Group this month as senior vice president and national sales manager. The company, headquartered in New York, sponsors and administers mutual funds for eight client banks, including Barnett Banks, Chase Manhattan Corp., and U.S. Trust Co. In his new post, Mr. Casady will lead efforts to expand sales of the banks' proprietary funds to institutional customers, such as corporations and pension plans.

Career track: Worked for past 11 years at Northern Trust Co. in global custody accounting and investment services. Created capital market portfolios for the Benchmark mutual fund family

Vital statistics:
Age: 32
Education: BS, Indiana University
MBA in finance, DePaul University

Family: Wife, Julia, and daughters Ellen, 10, Mary, 7, and Maggie, 3
Home: Winnetka, Ill.
Hobbies: Building furniture, playing golf and tennis
Favorite vacation spots: Galena, Ill., and Paris
Favorite new movie: "Jurassic Park"
Current reading: "Samurai Selling" by Chuck Laughlin and Karen Sage

Concord Hires Mark Casady To Run Institutional Sales

By KALEN HOLLIDAY

Concord Financial Group Inc. has hired Mark S. Casady away from Northern Trust Co. to manage its newly expanded institutional sales force.

The New York-based mutual fund company is building up its institutional sales force to include a new Mid-Atlantic regional office, based in Pittsburgh, and increased staff for its offices in Boston, Chicago, and Smyrna, Ga.

Richard E. Stierwalt, chief executive at Concord, praised Mr. Casady as "a proven sales executive."

Broadening Client Base

With Mr. Casady at the sales force's helm, "Concord will have one of the strongest institutional sales teams in history," Mr. Stierwalt said in announcing the appointment.

Mr. Casady plans to broaden Concord's client base. "They've done a great job with big banks like Northern Trust and second-tier banks like NBD and Bay-Banks," Mr. Casady said. Now, he plans to target smaller banks as well as other institutions, such as hospitals.

With more than $30 billion in mutual fund assets under administration, Concord is the largest administrator and distributor of bank-related mutual funds, according to company officials.

Seeking More Assets

Concord's institutional sales force has raised more than $16 billion of assets for its bank partners' mutual funds.

By expanding its sales force and hiring Mr. Casady, the company is gearing up to raise additional assets. "These changes reaffirm Concord's commitment to raising assets for our partners' mutual funds," Mr. Stierwalt said.

Mr. Casady, who was in charge of mutual fund strategy at Northern Trust, said he thrives on growth.

He plans to target smaller banks and institutions such as hospitals.

Fast-Paced Environment

At Northern, "I was always in a very fast-paced environment," he said. "You become addicted to that. I looked at Concord and said: 'Here's a chance to be in a business that's really growing fast.' "

Mr. Casady will continue to work in Chicago, although he did "toy with the idea of moving" to New York," where Concord has headquarters.

"Firms in New York are on the cutting edge," Mr. Casady said. "They have their ears to the ground as to what's happening in the market."

After Northern, which is in a "fairly protected environment," Mr. Casady said he likes "the whole sense of being caught up in the market" at Concord. □

Marketer Urges Reviews with Customers

By KAREN TALLEY

In an unusual move, Wall Street Investor Services is urging its bank clients to call thousands of customers back into branches to review the investment products they bought there.

The New York firm, which sets up mutual fund and annuity sales programs for banks, made the recommendation in letters last week to chief executives and investment program managers at the 60 banks it serves.

"It is essential that those who invest in mutual funds make informed choices and understand what they are buying and from whom," says the letter from chief executive Denis P. Kelleher.

Form of Education

In an interview, Mr. Kelleher emphasized that the request is not a "recall." Rather, it is a way for sales representatives to educate customers about how possible market shifts would affect their investments.

Banks have been under pressure from regulators to step up disclosures to customers about the risks of investing in mutual funds. Reviewing investments with customers, Mr. Kelleher said, is a way for banks to show regulators that they are equipping customers to deal with a possible market downturn.



Denis P. Kelleher
Says plan is not a recall

In its mailing, Wall Street Investor included a proposed letter that sales representatives at banks can send to investors.

An Investment 'Checkup'

The letter reminds customers that factors such as risk tolerance, financial goals, and investment expectations were discussed when they made their initial investments.

But, it adds, "Just as you go to the doctor periodically for a physical checkup, you need to review your mutual fund investment against these changing factors from time to time."

A banker who received one of the first letters said he was surprised by the request, but believes it makes sense. "It's unusual, but it's a good idea," said Mark Stevens, vice president of financial services at F&M Financial Corp., a $128 million-asset banking company in Granite Quarry, N.C.

In a separate letter, Wall Street Investor's compliance director, Richard Cumiskey, asked investment-program managers to revise disclosure forms and other information customers receive.

"It is essential that all our bank programs amend their materials," the memo stated.

Money Well Spent, Firm Feels

Wall Street Investor says the materials must incorporate specifics that regulators are calling for, including language stating that investors risk losing principal on mutual fund investments.

The outreach has already cost the firm about $15,000, including costs to reprint some of its own marketing literature, but directly comparable to Pacific Service's campaign.

The credit union was able to break even on its Visa program within 7½ months, rather than the year that had been forecast.

"We attribute its success to a clear focus on our target market, a better-than-market product, and attention-getting mailings," said Noelle Fischer-Herbert, senior vice president of marketing among credit unions that see a golden opportunity in credit cards.

By the end of 1992, 33% of the 13,000 credit unions were marketing credit cards to their members, up from 29% in 1991 and continuing a steady rise. But those offering credit cards tend to be larger and account for 80% of total U.S. credit union membership, according to Credit Union National Association spokesman Jerry Karbon.

In other words, eight out of every 10 of the 64 million credit union members can get a credit card from the institution they belong to.

RAM Research Corp. of Frederick, Md., said Digital Employees Credit Union in Massachusetts was the fastest-growing card issuer in the first half of the year. Its portfolio rose 85% to $49 million.

LMSC Federal Credit Union in California ranked second, increasing 82% to $28.3 million.

Ms. Fischer-Herbert at Pacific Service said pricing may have had more to do with its Visa program's success than the members' affinity through their workplace. Pacific Gas and Electric. The interest rates are 14.9% on standard cards and 13.9% on gold cards. There are no other fees if holders maintain a balance or purchase items monthly.

An Automatic Edge

Still, marketing experts say the high degree of loyalty among credit union members gives these institutions an automatic marketing advantage over bigger, more impersonal organizations.

"Credit unions are a natural affinity group," said Keith Floen, senior vice president and manager of card programs at the Credit Union National Association in Madison, Wis.

"One phenomenon of credit unions is that they have a very truncated process – they tend to have a very focused philosophy," said Bob Wilcox of Wilcox & Associates, the agency that worked with Pacific Service on the marketing plan. "We can run a project with as high a level of profitability because decisions are made quickly and cleanly."

$10 Billion Outstanding

Credit unions remain a relative small market force. Together they represent about $10 billion in outstanding balances, or about the equivalent of BankAmerica Corp.'s operation, which is the sixth largest in bank cards.

Credit unions' total consumer installment credit totaled $94 billion at yearend 1992, making up 13% of a $753 billion market. The credit unions were dwarfed by commercial banks' $332 billion, or 44% share. About half the credit union outstandings were in auto loans.

"Banks will argue that credit unions are taking a bite out of their business," said Mr. Karbon at the Credit Union National Association. "But in credit cards, nontraditional products like AT&T [Universal Card] and the Discover Card are making much bigger inroads."

Mr. Floen expects the popularity of credit unions' cards to grow, building on the institutions' close ties with members. There will also be increasingly attractive pricing and rate offers, he said. □

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California Credit Union Hits Pay Dirt with Cards

By KAREN EPPER

The credit card success of Pacific Service Employees Credit Union is the latest evidence that there is still room for small issuers.

Using the services of a San Francisco advertising agency and prescreening techniques similar to those available to the industry's biggest players, the credit union has signed 7,000 cardholders, who have brought $10 million in outstanding balances.

Not much by the standards of a Citicorp or BankAmerica, but a significant piece of new business for the $400 million-asset institution that is chartered to serve employees of Pacific Gas and Electric Co.

21% Sign-Up Rate

In a 16-month direct mail campaign, Pacific Service attracted 21% of the members it targeted. Ordinary credit-card mail solicitations generally solicit about a 5% monthly response, though this figure is not directly comparable to Pacific Service's campaign.

The credit union was able to break even on its Visa program within 7½ months, rather than the year that had been forecast.

"We attribute its success to a clear focus on our target market, a better-than-market product, and attention-getting mailings," said Noelle Fischer-Herbert, senior vice president of marketing for Pacific Service, which is based in Concord, Calif.

Pacific Service is not alone among credit unions that see a golden opportunity in credit cards.

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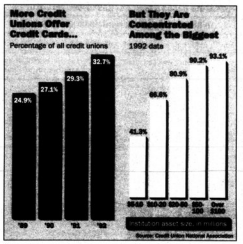

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Command Credit Buys Franklin Credit and Leasing

By KAREN EPPER

Command Credit Corp., a developer of secured credit card programs, said it has completed its acquisition of Franklin Credit and Leasing Corp.

Franklin, based in Plainview, N.Y., provides leases and serves as a loan broker in financing of heavy construction equipment, airliners, ships, barges, and other equipment.

Command, based in Rockville Centre, N.Y., said it hopes to use Franklin's credit and leasing expertise to broaden Command's range of services.

Command, based in Rockville Centre, N.Y., aims to broaden its range of services by tapping Franklin's credit and leasing expertise.

Incorporated in 1988, Command has struggled to enter the secured card business, in which cardholders leave a deposit as collateral for a line of credit. The company has accumulated capital, however.

Command chairman William G. Lucas and Franklin chairman Robert Pascuzzi issued a joint statement that said the acquisition will greatly enhance the capacity of both companies.

Mr. Lucas said Franklin will maintain "virtual autonomy" as a wholly owned subsidiary.

"There will be a great deal of cross-selling of services by the marketing groups of each company," Mr. Pascuzzi said. His company could offer Command's credit card services in addition to leasing options.

Change to Former Merger Deal

On another expansion front, Command said it will amend its Feb. 11 merger agreement with Suburban Bankshares, parent of the $170 million-asset Suburban Bank in Lake Worth, Fla.

Command plans to invest an additional $2 million, or $6 million in total, to purchase 85% of the Florida company.

Previously, the transaction was structured as a "50-50 swap." That approach did not require "change in control" filings with regulators but would have given Command firm control over management.

The added funds will provide Suburban with the capital it needs to meet demands of the Federal Deposit Insurance Corp. The agency has imposed a cease-and-desist order that requires it to raise capital, boost loan-loss provisions, and hire a new chief executive.

Command said it has informed regulators of its amended offer and is in the process of preparing a formal application for change of control with the Federal Reserve Board and state regulators. □

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Victory on Fees in California Could Backfire

Continued from page 1

ginia and Colorado.

Consumer advocates have long complained that the states are ratcheting regulations down to the "lowest common denominator."

NEWS ANALYSIS

An aide to Rep. Charles E. Schumer, D-N.Y., said that complaint is now certain to be raised in upcoming hearings on Mr. Schumer's proposal to require more prominent disclosure of credit card fees.

Consumer advocates argue that penalties of $5 to $6 are sufficient to keep potentially delinquent borrowers in line. They note that borrowers continue to pay interest on the delinquent balance in addition to the penalty. The critics accuse bankers of trying to turn penalty fees into a profit center.

"Our initial thinking is to focus on disclosure," the Schumer aide said. "If we see late fees are getting egregious, maybe that's something that needs legislation."

Interstate Rivalry

The bidding among states for card jobs has been going on for more than a decade. New York State has lost more than 20,000 jobs to states such as South Dakota, Nevada, and Delaware that had no usury laws and more favorable business climates.

Pressure could rise for national controls if the state eases a law that has forced return of millions of dollars in card delinqency fees.

More recently, Virginia accommodated Signet Banking Corp.'s expansion plans by lifting its late-fee restrictions. Colorado Gov. Roy Romer last year approved a $15 cap on late fees – a bill he had vetoed two years earlier – in hopes of attracting jobs to his state.

In California, it is unclear how much consumers benefit from the late-fee restriction, which is contained in a civil statute on unlawful liquidated damages. Bankers point out that about 50% of cards in the state are issued by out-of-state banks.

Bankers argue that stiff late fees on customers who abuse credit make it easier for out-of-state banks to offer low rates.

"The credit card industry was born in California in 1958, and it will die here unless the Legislature moves now to let the market, not judges, determine credit card pricing in California," the state bankers association declared earlier this summer after a judge ordered First Interstate Bank to refund $13.9 million to cardholders in the largest class-action award to date.

Such warnings carry considerable weight amid the Golden State's stubborn recession. Indeed, local newspapers' opinion columns have sympathized with the banks. And the banks' position has been endorsed by local economic development agencies and groups representing black and Hispanic bank employees.

But in the past, the bankers have sometimes exaggerated the threat of job migration. This could undercut their credibility as they try to negotiate a cap – or later when they try to convince Congress that no national consumer-protection standards are needed.

In one example, the California Bankers Association contradicted its own research in its response to the First Interstate court decision when it asserted that some 20,000 jobs were at stake. Only 4,500 of the 22,000 direct credit card jobs might be moved, according to the study, which was underwritten by Visa U.S.A.

'Nobody Knows for Sure'

James A.Clark, the association's vice president of state government relations, admitted that "nobody knows for sure" how many jobs might leave the state as a result of the unfavorable late-fee law. But he pointed out that New York State officials were skeptical of job losses, too, and didn't lift usury ceilings until it was late.

Critics accuse bankers of trying to turn penalty fees into a profit center.

Proponents of deregulation point out that San Francisco-based Bank of America Corp. is issuing all new cards from a facility in Phoenix that employs about 1,500. An operation less than one-third that size remains in Pasadena, Calif., servicing only older accounts.

While Robert B. Sznewajs, executive vice president of Bank of America's credit card division, argued forcefully for deregulation, he also said the late fee was just one element in the bank's location decision. "The legal environment is important, the work force environment is important, the quality of life is important," he said.

Philip G. Heasley, executive vice president of retail products at First Bank System Inc., Minneapolis, argued that the regulatory environment is "the No. 1 factor" in the competitiveness of a credit card operation. But he indicated that late fees were not much of a factor in the decision to move some jobs to Colorado. □

Kevin Calhoun

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Comment

By Edward G. Brown

How to Make Sales Training Pay Off for Your Bank

Bankers spend money on sales training because they expect a decent return on the expenditure. If the returns don't materialize, the bankers criticize the training and blame the trainer.

In the majority of cases, they're looking in the wrong place for the cause of failure. Most often, they should examine their own institutions, because without doubt the leading cause of disappointing sales results is the absence of an effective sales culture within the bank. Without the right kind of culture, even the best sales training won't help.

A Sales Quiz

Unfortunately, many bankers who say they have a sales culture do not really have an effective one. Where does your bank stand? Take a quiz. Confirmation of a productive sales culture

A PROCESS-DRIVEN *approach to sales management is the glue that holds a sales culture together.*

requires a "yes" answer to all of the following questions.

- Has the CEO delivered a sales-culture mission statement, delineating senior management's policies to foster interdivisional cooperation and customer-sharing?
- Have sales goals been assigned to every line manager?
- Have line managers assigned sales goals to the sales staff?
- Is everyone – managers and staff – required to track actions and revenue results daily.
- Along with positive reinforcement, is there consistent daily and weekly accountability?
- Are incentive compensation and recognition programs, tied to specific sales goals, in place?
- Have job descriptions been written in the expectation that sales-related responsibilities as prospecting, financial profiling, and cross-selling?
- Has the bank installed a time-management system to increase opportunities to sell?

The Process Approach

If all the answers are yes, you might have a valid sales culture. But whether your sales culture is successful depends on how the bank handles the sales-management process. A process-driven approach to sales management is the glue that holds a sales culture together, and here are the ingredients that make the glue sticky:

Vision. Every manager, from the CEO down to the branch managers, must set and internalize a vision for the manager's unit of responsibility. To internalize the vision means to make it a part of the everyday life of every banker; the vision must get bankers to think of achieving goals they normally would not consider and must set action and revenue goals with deadlines.

Mission statement. The mission statement specifies expected levels of actions and performance.

Goal management. A manager must set goals for his or her unit and for every banker in it. Goals specify actions, dollar volume of business, and deadlines. Managers must track results daily and follow this rule: Inspect what you expect.

Action planning and action goals. Managers at every level should have an action plan spelling out goals for specific actions, such as the daily number of prospective customer contacts, referrals, financial profiles, and the like.

Minimum daily action plan. Every banker, every day, must commit to a specific amount of time dedicated to business-development activities.

Individual sales and service plan. Every banker's daily plan includes a schedule of specific activities to develop business, and managers too should have their own daily action plans. Furthermore, managers should review plans and actions daily.

Sales and service management plan. The philosophy of the sales management plan is that you operate on a weekly sales cycle – you zre "born on Monday and die on Sunday," and are reborn the following Monday. Each Monday begins with a sales meeting throughout the week a manager holds daily debriefings, coaching sessions, and clinics for specific problems, and demands accountability. The following Monday's begins anew.

Sales meetings. Sales managers must hold a sales meeting every week, preferably on Monday. Set a 15-minute limit and restrict discussion to one hot, revenue-generating topic that will increase revenues within 48 hours.

Sales rounds. Managers hold workshops in which bankers assist each other in solving sales problems. They also cross-pollinate with their peers.

WITHOUT DOUBT, *the leading cause of disappointing sales results is the absence of an effective sales culture. Without the right kind of culture, even the best sales training won't help.*

nate their best practices.

Accountability and Reinforcement. Managers right up to the CEO must debrief their direct-reports on sales results and follow up quickly with the appropriate response – positive reinforcement or appropriate coaching and counseling.

Publishing results. Managers at every level should publish sales results to create positive peer pressure. Publicly praise the achievers but avoid publicly criticizing the nonachievers.

Look Outside for Help

This 11-point sales-management process ensures that bankers will alter their behavior and continuously practice what they learned in training. Without it, performance typically regresses to pre-training levels.

The emphasis on sales culture and on management does not minimize the importance of the training itself. To say that the training should be of the best quality is to say the obvious, but that doesn't help identify good sales training. Here are specific pointers that will help.

First, it's necessary to go to an outside specialist because most bankers don't know what constitutes an effective sales culture. Additionally, internal training too often is concerned with user-friendly training methods rather than bottom-line results. Typically the attitude of the internal training department is: "Results are not our responsibility. It's up to the line divisions to get results." The right training vendor will be as dedicated to getting results as to teaching techniques.

Hire a vendor who can customize a program for your bank and for your individual business lines.

The Curriculum

The trainer's syllabus for retail banking, commercial banking, trust banking, and investment management should include:

Current sales-culture research and evaluation, including compensation and recognition programs.

A sales-management culture-change process that extends from the top down and from the bottom up, with accountability at every level.

Individual sales plans and sales-management plans.

Motivation, time-management and, when necessary, even stress management.

Consultative relationship selling.

Consultative, service-driven telecounseling (as opposed to product-specific telemarketing).

Account segmentation to identify the 20% of customers who provide 80% of the revenues.

A needs-analysis, consultative profiling approach for the entire customer base in commercial banking, trust banking and upscale investment management. For retail accounts, however, the needs-analysis profiling approach typically applies to the top 20% only.

Consultative miniprofiling for the balance of accounts in retail banking.

Proactive and reactive cross-selling of all divisions' services.

Select a program with plenty of interaction built in, including real-world role playing by the trainees, realistic consultative scripting clinics, objections clinics, closing clinics, a hiatus during which the techniques are applied, and a debriefing.

The training should take the bankers to progressively higher levels of education as skills improve and experience grows.

And select a trainer whose presentations are entertaining as well as educational. A bored trainee learns little.

Attaining and maintaining an effective sales culture is not easy, but bankers must ask whether they have a choice in this era of diminished opportunities for loan and deposit profitability and of increased competition for fee business.

A return on investment of 1,000% on the cost of training is attainable if the training is done right and within the right culture. The cost of training in that case is not an expense; it is an investment with a worthwhile payoff. □

AMERICAN BANKER
Opinion

TRAINING *should take bankers to progressively higher levels.*

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European 'Universal Banks' Profiting with Narrower Focus

Reuters

AMSTERDAM — Europe's broad-based "universal banks," whose global ambitions were killed by the recession of the early 1990s, are reaping the rewards of refocused strategies.

Analysts point out that the soaring trading profits at the big Swiss banks, which followed months of European currency turmoil, are being repeated across the Continent.

Part of this success has come from a quiet redefinition of the meaning of the term "universal bank."

The designation used to imply a desire to be all things to all clients — a global institution offering retail banking, insurance, securities, and investment banking services.

But as the cost of taking on the competition in home markets has sunk in, banks have pulled in their horns and are streamlining their empires to match the needs of clients.

Deutsche Bank Stands Out

A classic example of the newly refocused universal bank is Deutsche Bank of Germany.

It makes no effort to duplicate its range of domestic services elsewhere and concentrates on employing its financial might in international capital markets where it can use its balance sheet and distribution network to win lucrative business.

Deutsche Bank still provides the full range of banking services for big corporate clients, but since the recession began to bite it has tailored its operations to make better use of resources and target products it can sell to clients, analysts said.

"You develop a niche you can sell worldwide," said Roel Gooskens, head of equity research at Van Meer James Capel.

Bonanza Days

For universal banks, with their big trading operations, the strategy meant bonanza profits when Europe's currency grid disintegrated, said Lehman Brothers analyst Alison Deschars.

"They took the proper view that they could not be in all markets, but focused on what they can do profitably," she said.

The only real exception to this rule has been HSBC Holdings PLC, the London-based parent of the Hongkong Bank Group, whose acquisition strategy in advance of the Chinese control of Hong Kong in 1997 has made it probably the only truly global bank in the world, analysts said.

Part of bankers' early reluctance to surrender the vision of a global one-stop shop for financial products was the belief that they could chain clients to their firms through sheer convenience.

No Mass Desertions

But when big banks have pulled out of a particular sector, they have not suffered the mass desertion by customers that was predicted by those opposed to the changes.

"You cannot deny that by pulling out of a business you reduce the number of products on offer, which can make it harder to attract new customers," said one senior British banker whose firm walked away from the Eurobond market in the late 1980s.

"You develop a niche you can sell worldwide."

Roel Gooskens
Van Meer James Capel

"But if you've got good relationship products, then the clients will stay."

In any case, big corporations often prefer to take advantage of the competitive market for financial services and shop around.

Organizational Hurdle

If there is a force for change within the universal banks, it is the organizational nightmare of melding the disparate cultures of commercial and investment banking.

Commercial and investment bankers don't think alike or look alike, and getting them to coexist is a supreme challenge.

Creating an "exploded" structure like Swiss giant CS Holdings — a holding company that embraces different independent firms that cross-sell products but retain their individual cultures – is a reasonable solution, analysts said.

This may have been what Spain had in mind when five state-owned financial institutions were merged into a single conglomerate, Argentaria.

"Argentaria is a good demonstration of the potential for creating an umbrella structure that maximizes the benefits of providing a range of services without getting tempted by an unwieldy organization," said another analyst. ❑

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Continued from page 1

merger, and 60-year-old Financial Federal had assets of $650 million. They have a combined 400 employees, and Mr. Cooper said he planned to pare that total by about 20%, mostly by consolidating back office operations.

Mr. Cooper brought his own management team to the new institution. Donald Baker, formerly of Bank of New England Corp., will be executive vice president and chief financial officer.

Also joining as executive vice presidents are Lawrence Trapp and Richard Hessinger, who formerly worked with Mr. Cooper at the failed Goldome Federal Savings Bank in Buffalo.

Mr. Hessinger will be responsible for asset management, consumer lending, and mortgage banking, while Mr. Trapp will be Chase's treasurer, Mr. Cooper said.

Among those who lost their positions in the merger, along with Mr. Gray, are Financial Federal's chief executive officer, Raymond Gussand, and Chase Federal's chairman and CEO, Charles L. Clements Jr., who is retiring after 41 years at the thrift.



Thomas A. Cooper

Merges Florida thrifts

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Rates Fall on Report Of Weak Home Sales

Interest rates fell on Monday, as a weak report on home sales caused government bond prices to rally.

At 4 p.m., the price of the 30-year Treasury bond was up more than ½, lowering the yield to 6.11% from 6.12%.

The Treasury's 10-year note was the flavor of the day, rising about ½ in price. The yield fell to 5.44% from 5.48% on Friday.

Five-year issues rose ¼, cutting the yield to 4.79% from 4.83%. Two-year notes were up about ⅛, reducing the yield to 3.84% from 3.87%.

T-Bill Yields Down

On the short end, the Treasury auctioned a total of $24 billion in three-month and six-month bills at respective average discount rates of 3.02% and 3.11%, down from 3.07% and 3.12% at last week's auction.

The bond market, which has been rallying for the past several weeks on mixed real world economic growth, benefited from a Commerce Department report showing that sales of new homes plunged last month.

The 3% decline to an annual rate of 629,000 sales was the biggest drop since March.

The yield on the 30-year Treasury bond fell to 6.11% from 6.12%.

In addition, the June gain, originally reported as an 11% increase, was reduced to a 3.3% rise.

Trade Deficit Worse

Adding to the bad economic news, the Commerce Department also reported that the U.S. merchandise trade deficit widened to $34.39 billion in the second quarter, the biggest trade gap in five years.

Market analysts expect the Commerce Department today to announce a reduction in the rate of growth in gross domestic product in the second quarter, originally reported at 1.6%.

Economists at Chemical Securities Inc. noting that the trade deficit was badly underestimated, are looking for a downward revision to 1.2%.

Strength in the bond market led stocks. The Dow Jones industrial average gained 3.36 points to 3,643.99. The Standard & Poor's 500 rose 1.36 to 461.90. And the Nasdaq composite index surged 3.31 to 737.38.

The dollar finished at 1.6715 German marks, up from 1.6635, and at 103.75 yen, unchanged.

— Bart Frueh

Chester Valley Sets 5% Stock Dividend

DOWNINGTOWN, Pa. — Chester Valley Bancorp declared a 5% stock dividend and its regular quarterly cash dividend of 8 cents, both payable Sept. 24 to shareholders of record on Sept. 10.

The company said the cash dividend was based on the $419,000 earnings of Chester Valley, parent company of First Financial Savings Bank, for the quarter ended June 30 and would be paid on shares held before issuance of the stock dividend.

Bank and Thrift Stocks

Highlights for Monday, August 30

TOP 10 GAINERS ⅛

National City Bancorporation	11.7
CFB Inc.	6.4
Cathay Bancorp	5.3
National Penn Bancshares, Inc.	5.0
Hancock Holding Company	5.0
Pacific Western Bancshares	4.8
Susquehanna Bancshares, Inc.	4.8
BOK Financial Corporation	4.7
Shawmut National Corporation	4.3
Security Capital Bancorp	3.6

TOP 10 LOSERS ⅛

City Holding Company	-8.9
First United Bancshares, Inc.	-7.0
Hibernia Corporation	-5.0
CBT Corporation	-4.3
NBT Bancorp	-4.3
WesBanco, Inc.	-3.8
Mid-State Bancshares, Inc.	-3.7
City National Corporation	-3.6
Deposit Guaranty Corp.	-3.3
Bank of Granite Corp.	-3.2

MOST SHARES TRADED

Chase Manhattan Corporation	837800
BankAmerica Corporation	706300
Citicorp	670000
Chemical Banking Corp.	654500
Bank of New York Company	532400

VOLUME AS % OF AVERAGE

Boulevard Bancorp, Inc.	1479.1
Old National Bancorp	1031.7
Farmers Capital Bank Corp.	915.0
BOK Financial Corporation	912.9
Independence Bancorp	617.1

Stock Index Trends



*Weighted averages of top 225 banks and 25 thrifts

1/3/89=100

Percentage Changes

Computed from the indexes reported one, five, and 21 days previous, respectively

Dow Jones Industrial Average			American Banker Index			American Banker Thrift Index		
Day	Week	Month	Day	Week	Month	Day	Week	Month
0.10	1.06	2.96	-0.12	1.06	0.46	0.15	0.94	2.15

Top 225 Banks

52 Wk Hi	Lo	Name	PE	Mkt to bk	Mkt Cap.	Chg.	Chg. YTD
26¾	20	1stSourceCorp-IN	11.3	153.8	244	-¼	4%
37¼	18¼	AMCORE Fin-IL	11.3	138.3	244	½	15%
27¾	20	AmSouthBncrp-AL	13.3	208.1	1,934	¼	4%
37¼	27¼	AmSouthBancorp-AL	10.8	148.8	3,116	-¼	4%
27¼	20	BB&T Fin Corp-NC	11.4	147.2	329	¼	4%
35¾	29¾	BB&T Fin Corp-NC	13.4	247.2	329	¼	4%
27	21¾	BT Fin Corp-PA	11.3	156.0	1,134	¼	4%
37¾	27¾	BancFirst Corp-OK	11.3	144.3	38	¼	4%
31¼	24¾	BancFirstCorp-OK	14.1	224.9	524	-¼	4%
35¾	40%	BancWest Corp-HI	13.3	208.1	1,934	¼	4%
40¾	27½	BancorpSouth-MS	11.3	144.3	38	¼	4%
54¾	41	BankAmerica-CA	10.8	148.8	3,116	-¼	4%
31½	26	BankGranite Corp-NC	17.6	276.0	304	-¼	4%
31¾	24¾	BankBoston Corp-MA	11.4	132.5	524	¼	4%
80	60¾	BankersTrust-NY	8.7	174.1	794	-¼	4%
39¾	12¾	BankAtlantic-A-FL	10.8	138.5	30	¼	4%
28¾	18¾	BankAtlantic-MA	8.6	108.4	344	¼	4%
28¾	40%	BankMaine-ME	13.3	208.1	1,934	¼	4%
50¾	34¾	BarnettBanks-FL	17.8	171.8	45%	¼	4%
52¾	28¾	BayBanks-MA	11.4	138.5	30	¼	4%
64¾	49¾	Boatmen'sBcshs-MO	12.0	157.2	814	-¼	4%
34¾	23¾	CBT Corporation-NY	11.3	144.3	38	¼	4%
34¾	23¾	CBT Corporation-NY	11.3	140.1	394	-¼	4%
34¾	23¾	CBT Corporation-NY	11.3	140.1	394	-¼	4%
34¾	23¾	CNB Bancshares-IN	16.2	189.3	324	-¼	4%
34¾	23¾	CNB Inc.-IL	9.0	131.3	29%	-¼	4%
19¾	7¼	CVB Fin Corp-CA	8.9	146.8	129	—	—
14	9¾	CalFed Inc-CA	13.9	186.0	1,134	¼	4%
24	13¾	CathayBancorp-CA	12.1	146.1	15	¼	4%
34¾	22¾	CentralBancorp-CA	11.3	178.2	394	-¼	4%
34¾	22¾	CentralFidelity-VA	11.9	177.1	394	-¼	4%
34¾	18¾	CentralBancorp-CA	11.3	188.3	394	-¼	4%
34¾	16¾	CenturaBanks-NC	11.4	157.2	21	-¼	4%
27¾	21	ChemicalBanking-NY	11.3	144.3	38	¼	4%
44	30¾	ChittendenCorp-VT	8.5	117.1	40%	-¼	4%
22¾	13¾	Citicorp-DE	11.3	144.3	38	¼	4%
22	13¾	Citicorp-NY	11.1	109.2	38	¼	4%
22¾	13¾	Citicorp-NY	11.3	144.3	38	¼	4%
22¾	13¾	Citicorp-NY	11.3	144.3	38	¼	4%
28¾	19¾	CitizensBcshs-GA	13.8	191.8	394	-¼	4%
7¾	3¾	CitizensBcshs-MO	7.9	39.2	394	-¼	4%
31	17¾	CityNatBcp-CA	14.8	175.4	27	¼	4%
11¾	4%	CoastFed Corp-WA	8.3	105.0	394	-¼	4%
23¾	17¾	ColonialBcp-GA	9.1	130.3	30%	-¼	4%
28¾	21¾	CommerceBancorp-NJ	20.1	188.3	394	-¼	4%
38¾	14¾	CommerceBncs-WV	16.5	191.8	394	-¼	4%
17¾	11¾	CommerceBncshs-NJ	13.3	208.1	1,934	¼	4%
33¾	25¾	CommercialBcshs-FL	11.6	140.7	30	¼	4%
46¾	25¾	CommunityBcshs-GA	11.3	144.3	38	¼	4%
30¾	19¾	CommunityBcshs-NY	8.8	137.2	20%	-¼	4%
15	11¾	CommunityTrBcp-KY	11.3	144.3	38	¼	4%
11	3¾	Constellation-NJ	NM	196.4	11	¼	4%
31¾	24¾	CoreStates-PA	11.3	144.3	38	¼	4%
40¾	47¼	CrestfieldFed-PA	11.6	189.0	30	¼	4%
40¾	47¼	CrestfieldFed-PA	11.6	189.0	30	¼	4%
40¾	27¾	CullenFrost-TX	9.3	105.0	30%	-¼	4%
27¾	20¾	DauphDeposit-PA	12.3	164.7	25	¼	4%
28¾	21	DeposBancshs-NY	8.4	145.8	20%	¼	4%
17¾	12¾	F & M Nat'l Corp-VA	12.1	158.7	15	-¼	4%
72	57¾	FNBBancorp-CA	12.3	163.3	21	¼	4%
19¾	9¾	FNB Corp-VA	16.8	118.4	13%	-¼	4%
30	24	FSNB Bancorp-NY	11.3	144.3	38	¼	4%
58¾	46¾	FifthThirdBncp-OH	17.5	208.2	53%	-¼	4%
42	28¾	FirstAmBncshs-NV	14.4	205.1	40%	-¼	4%
53¾	39¾	FirstTenNat'l-NJ	13.1	208.2	50%	¼	4%
25¾	20¼	FirstAlabama-AL	11.4	179.9	32%	¼	4%
20¼	11	FirstAmerBc-TX	8.2	202.0	26	—	—
25¾	20¾	FirstCmrcCorp-TN	12.1	218.3	30%	¼	4%
50¾	39¾	FirstBancorp-OH	11.5	184.6	49	—	—
23¾	18	FirstBancorp-PR	14.1	133.8	18%	¼	4%
40¾	29¾	FirstChicago-IL	13.1	124.1	45	-¼	4%
41¾	28	FirstCmrcBncp-LA	8.9	139.1	30	¼	4%
18¾	14¾	FirstCmrcInc-IL	17.1	197.4	18%	—	—
18¾	14¾	FirstCmrcInc-IL	17.1	197.4	18%	—	—
34¾	27¾	FirstCommerce-AR	10.1	154.5	30%	¼	4%
34¾	27¾	FirstCommerce-AR	11.3	196.4	33%	¼	4%
34¾	27¾	FirstCommerce-AR	11.3	196.4	33%	¼	4%
25¾	9¾	FirstEastern-PA	NM	183.5	24%	¼	4%
31¾	17¾	FirstFed Fin-CA	11.2	152.2	109%	¼	4%
51¼	34	FirstFidelity-NJ	11.0	163.8	47%	¼	4%
51¼	34	FirstFidelity-NJ	11.0	163.8	47%	¼	4%
56¼	36¾	FirstFinCorp-DE	11.8	151.3	58%	—	—
30¾	22¾	FirstFinBancp-OH	15.4	154.7	30%	¼	4%
65¾	36¾	FirstInterstate-CA	8.6	154.1	61%	¼	4%
27¾	20¾	FirstKentucky-KY	11.4	175.2	27	¼	4%
27¾	18	FirstMidAm-IL	18.0	178.4	27¼	¼	4%
28¾	20¾	FirstNBancorp-CA	13.7	167.4	25	¼	4%
30¾	21¾	FirstSecurity-UT	11.3	162.1	28	¼	4%
51¾	35¾	FirstTennessee-TN	12.7	208.2	50%	¼	4%
51¾	35¾	FirstTennessee-TN	12.7	208.2	50%	¼	4%
51¾	35¾	FirstTennessee-TN	12.7	208.2	50%	¼	4%
37	29¾	FirstUnionCp-NC	11.5	199.1	33%	¼	4%
39	34	FirstVirginia-VA	11.3	144.3	38	¼	4%
43¾	30¾	FirstWachovia-GA	11.4	170.1	40%	¼	4%
43¾	30¾	FirstWachovia-GA	12.8	142.4	40%	¼	4%
44¾	32¾	FortWayneNat'l-IN	13.2	168.3	40%	¼	4%
31¼	24	FourthFinancial-KS	13.3	208.1	1,934	¼	4%
38¾	30¾	FranklinBncp-MI	11.2	181.4	28%	—	—
38¾	30¾	FranklinBncp-MI	11.2	181.4	28%	—	—
30¾	24¾	FultonBancshp-PA	12.2	189.4	30%	¼	4%
30¾	24¾	FultonBancshp-PA	14.2	175.6	30%	¼	4%
17¾	13¾	GBC Bancorp-CA	8.4	132.3	18%	¼	4%
40¾	29¾	GeorgiaBcshs-GA	11.3	144.3	38	¼	4%
40¾	29¾	GeorgiaBcshs-GA	11.3	144.3	38	¼	4%
40¾	29¾	GeorgiaBcshs-GA	11.8	187.1	38	¼	4%
40¾	29¾	GeorgiaBcshs-GA	11.8	187.1	38	¼	4%
17	13¾	HarlngtnFin-CA	13.2	183.5	18%	¼	4%
17	13¾	HarlngtnFin-CA	NM	183.5	18%	¼	4%
25¾	11½	HiboroBc	13.4	208.1	24¼	¼	4%
25¾	11½	HiboroBcshs-NJ	13.5	173.2	24¼	¼	4%
15	6¾	HuntingtonBcshs-OH	18.8	86.6	13%	¼	4%
43¾	32¾	IBC Financial-MI	14.5	168.4	40%	¼	4%
49¾	33¾	IntegraBnk-IN	10.3	150.7	47%	¼	4%
49¾	33¾	IntercontBcshs-FL	10.3	150.7	47%	¼	4%
23¾	19	InvestBnkGrp-IN	10.9	125.5	23¾	¼	4%
23¾	19	InvestBnkGrp-IN	8.7	248.5	23¾	¼	4%
75¾	58¾	J.P. Morgan-NY	10.8	182.1	75¾	—	—
30¾	24¾	JacksonvilleBc-FL	11.3	144.3	38	¼	4%
30¾	24¾	JacksonvilleBc-FL	11.6	188.3	38	¼	4%
30¾	24¾	JacksonvilleBc-FL	12.3	183.7	29%	—	—
30¾	24¾	JacksonvilleBc-FL	12.3	183.7	29%	—	—
35¼	24¾	LibertyBancorp-OK	9.2	151.2	34¾	¼	4%
35¼	24¾	LibertyBancorp-OK	13.5	173.2	34¾	¼	4%
38¾	28¾	MBNACorp-DE	18.9	505.0	35¼	¼	4%
34¾	24¾	MNC Financial-MD	10.3	123.4	34¾	¼	4%
18¾	13¾	MagnaGroup-MD	12.1	134.3	17¾	¼	4%
25¾	20¾	MarshallBcshs-WI	13.6	208.2	25¾	¼	4%
25¾	20¾	MarshallBcshs-WI	13.7	198.4	25¾	¼	4%
25¾	20¾	MarshallBcshs-WI	13.7	198.4	25¾	¼	4%
25¾	20¾	MercantileBcshs-MO	11.9	145.9	49%	¼	4%
25¾	20¾	MercantileBcshs-MO	11.9	145.9	49%	¼	4%
62	44¾	MerchantsBncp-IN	18.4	178.1	54	—	—

Stock Standouts

Largest price and volume changes at banks and thrifts during the week ended August 27

LARGEST PRICE GAINERS*	% increase	8/13/93	8/27/93
Lake Shore Bancorp, NY	23.664%	$8.50	$10.50
Coast Savings Financial Inc.	12.174	14%	15%
Brenton Banks Inc.	7.407	27	29
Chemical Financial Corp.	6.140	44%	47%
Hawthorn Bancorp	5.556	18	19
LARGEST PRICE LOSERS*	**% decrease**	**8/13/93**	**8/27/93**
Riggs National Corp.	8.696%	$ 9%	$ 7%
Pacific Western Bancshares	5.061	8%	7%
Dime Savings Bank, FSB	4.000	25	24
CVB Financial Corp.	4.808	13	12%
Dimeks Financial Systems	4.710	21¼	20¼
LARGEST CHANGES IN VOLUME†	**Multiple**	**Average**	**Last week**
Lake Shore Bancorp, NY	9.467	23,300	70,700
Wesbanco Inc.	2.476	13,432	33,300
Boulevard Bancorp, Inc.	2.467	31,770	53,700
United Carolina Bancshares	2.000	7,000	14,000
First Financial Bancorp	2.000	12,040	26,400

*Stocks must be components of the 225 bank and thrift stocks listed above. The five indexes with the largest price gains and losses are listed. †Largest price dollar volume for the week compared with the five-week average. Stocks must be components of the 225 bank and thrift stocks listed above. Percentage change calculated by dividing last week's close by the previous week's close. (*)— The multiple of last week's trading volume to the average volume over the previous 10 months.

Data Source: Salomon Brothers Inc., New York.

Key Rates•

(August 30, 1993)

	8/30	8/27	8/24	8/31/92
Federal Funds domestic range:	3⅛–3⅜	2⅞–3	2⅞–3	3⅜–3½
Prime Rate - Top 25 Banks	6.00	6.00	6.00	6.00
Broker Loan Rate	5.00	5.00	5.00	5.25
Discount Rate - FRBNY	3.00	3.00	3.00	3.00
Certificates of Deposit†				
3 Month Posted	2.73	2.73	2.73	2.95
6 Month Posted	2.92	2.92	2.92	3.10
1 Year Posted	3.05	3.05	3.10	3.20
Eurodollar deposits‡				
3 Month	3⅛	3⅛	3⅛	3⅜
6 Month	3⅛	3⅛	3⅛	3½
1 Year	3⅛	3⅛	3⅛	3⅝
Dealer Commercial Paper‡				
1 Month	3.10	3.09	3.08	3.40
3 Month	3.15	3.15	3.17	3.40
6 Month	3.28	3.28	3.30	3.45

(•)— Late afternoon quotes, New York market. (†)— Highest offering rates (annual % yield) at selected NYC money center banks. (‡)— Late London bid. (*)— AR rating or the equivalent.

Bank Stock Table Explained: The table lists in alphabetical order daily composite stock prices at 4:30 p.m. (unless otherwise noted) for the 225 largest publicly traded commercial banks and thrifts and the 25 largest publicly traded thrifts as measured by the market capitalization of their outstanding stock as of June 30, 1993. To be included, companies must have a minimum of $15.00 per share, $240.24 and (c) $2 Wk Hi (a) the moving 52-week high and low stock prices adjusted for splits. (b) the price-earnings ratio, or the most recent stock price divided by the trailing four-quarter earnings per share adjusted for latest announced earnings. The ratio is annualized for companies with less than four quarters of data. MM, to bk (c) Mkt Cap. (d) Chg. (e) Chg. YTD. (f) the change in the stock price from the previous day's close. (g) the change in the stock price since announced earnings and dividends. Last: The price at which the last trade was made on the day. (h) the latest dividend. (i) Mkt Cap. (j) Vol 100s. (k) the number of shares traded in hundreds. (l) Yield. (m) A weighted average of the top 225 banks in market capitalization. (n) A weighted average of 25 thrifts in market capitalization. Highlights show largest percent gainers/losers in price and two volume leaders, based on dollar volume. Stocks must be components of the 225 bank and thrift stocks listed above.

Data sources: SNL Securities, Charlottesville, Va. 804-977-1600, provides prices for banks; Financial News Network, Vienna, Va., provides DNI, with the daily prices.

52 Wk Hi	Lo	Name	PE	Mkt to bk	Mkt Cap.	Chg.	Chg. YTD
25¾	18¾	UnitedCarolina-NC	11.4	151.4	29¾	-¼	4%
25¾	18¾	UnitedCarolina-NJ	11.6	151.4	29¾	-¼	4%
40¾	30¾	UnitedMissouri-MO	13.5	120.4	38¾	-¼	—
19¾	17¾	UnitedNJBncp-NJ	11.5	190.5	21¾	-¼	4%
30¾	23¾	ValleyNational-NJ	13.1	173.3	29¾	-¼	4%
30¾	24¾	WachoviaCorp-GA	11.4	170.1	40%	-¼	4%
27¾	20¾	WashingtonBcs-TX	8.8	127.7	25	—	—
40¾	29¾	WashmutualCp-WA	13.2	205.8	35	-¼	4%
120	61¾	WellsFargo-CA	22.5	191.7	116%	-¼	4%
28¾	19¾	WestCoastBncp-OR	11.7	171.5	25¾	-¼	4%
28¾	19¾	WestOneBancorp-ID	13.3	179.9	28¾	-¼	4%
28¾	19¾	WestOneBancorp-ID	13.3	179.9	28¾	-¼	4%
37¾	21¾	WhitmanCorp-CA	11.3	144.3	38	¼	4%
37¾	21¾	WhitmanHoldg-CA	5.5	148.8	38¾	—	—
27¾	20¾	WilmingtonTr-DE	11.3	144.3	38	¼	4%
27¾	20¾	WilmingtonTr-DE	10.5	163.8	24¾	¼	4%
30¾	24¾	WorthenBanking-AR	10.4	199.0	42¾	-¼	4%

TOP 25 THRIFTS

52 Wk Hi	Lo	Name	PE	Mkt to bk	Mkt Cap.	Chg.-
18¾	12¾	ALBANKFinancial-NY	11.7	96.4	18%	-¼
21¼	13¾	Almanson-CA	NM	101.4	19¾	-¼
18¾	12¾	BankUnited-FL	7.6	144.8	32	-¼
18¾	20¾	CharterOneFin-OH	7.6	144.8	32	-¼
18¾	12¾	CommercialFed-NE	9.1	198.7	29¾	-¼
23¾	11¾	CommercialFed-NE	9.1	198.7	29¾	-¼
27¾	11¾	CommercialFed-NE	10.7	118.0	25¾	-¼
35¾	19¾	CrossLandFed-FL	12.2	189.1	35¾	-¼
10¾	4¾	DimeSvgBk-NY	NM	83.8	6¾	-¼
24¾	11¾	FirstFederalCap-CA	13.8	189.4	24¾	-¼
15¾	7¾	FirstFedCapital-WI	9.2	160.9	14¾	-¼
34	17¾	FirstFinancial-WI	15.5	201.3	34	-¼
50	35¾	GoldenWestFin-CA	9.3	141.8	41¾	-¼
29¾	13	HomeFed-CA	10.3	98.2	29¾	-¼
28¾	18¾	JD FinancialNY	10.3	93.1	25¾	-¼
19¾	9¾	MAF Bancorp-IL	9.9	128.0	19¾	-¼
35¾	17¾	NBR Bancorp-MI	11.8	129.0	35¾	-¼
25¾	20¾	NorthSideFin-IL	8.5	111.7	25¾	-¼
48¾	18¾	ReliableFinHdg-MD	10.0	174.6	42¾	-¼
15¾	7¾	SIS Bancorp-MA	10.0	97.2	15¾	-¼
25¾	13¾	SecondFinancial-IN	10.0	174.6	25¾	-¼
29¾	18	StandardFedBk-MI	8.8	134.9	29¾	-¼
34¾	22¾	WashFedSvgLn-VA	9.6	143.3	34¾	-¼
27¾	15¾	WashMutual-WA	11.8	176.8	27¾	-¼
29	22¾	WestcoastBncp-OR	11.7	171.5	25¾	-¼

Bear Stearns Analyst Drops Bancorp Hawaii To a 'Neutral' Rating

By GORDON MATTHEWS

Bancorp Hawaii, one of a handful of bank stocks that have fallen this year, lost its "buy" rating from Bear, Stearns & Co.

Analyst Lawrence R. Vitale on Monday lowered the shares to "neutral," citing slower earnings growth and a modest rise in nonperforming loans in the sluggish Hawaiian economy.

Stocks

Bancorp Hawaii was ahead 25 cents to $42.75 in late trading but is 3.3% behind its yearend level. In contrast, the *American Banker* index of bank stocks is up 9.3% this year.

The stock trades at 135% of book value, versus an average of around 170% for regional banks.

Mr. Vitale said he cut the rating with reluctance.

"This is an excellent bank, and I still see growth in my [earnings] model, but [the state of] Hawaii right now has stopped in its tracks," he said.

Although Hawaii's jobless rate is relatively low at 5%, the crucial tourist business has been hurt by the economic recessions in both California and Japan, which usually provide large numbers of visitors.

Tourism accounts for 40% of the state's economic activity. Mr. Vitale said he is concerned that a slow economy would dampen balance-sheet growth for the bank.

Realty Market Has Cooled

Moreover, the real estate market has cooled, and some loan problems have resulted.

Nonperforming assets rose to 1.52% of loans and foreclosed real estate on June 30 from only 0.78% a year earlier.

"It appears that some of the California problems have finally reached Hawaii," the Bear Stearns analyst said.

Nonperformers are expected to rise only slowly, and the bank is equipped to deal with them, he said.

So far, most of the rise has been due to a few large credits, but he said he expected further chargeoffs in this area.

The loan-loss reserve equaled 127% of nonperformers at midyear, down from 280% a year earlier and 154% at yearend.

Earnings Estimates Cut

The analyst cut his earnings estimates to $4.70 per share from $4.85 for this year and to $4.90 from $5.25 for next year.

The bank earned $4.88 per share last year and $2.33 in the first six months of this year.

Annual earnings growth has slowed to 4% to 5%, Mr. Vitale said, compared with a 13% compound annual rate of earnings growth over the past 15 years. In that period, the dividend has grown at a 9% rate.

Bancorp Hawaii had assets of $12.7 billion on June 30. Its main subsidiary is Bank of Hawaii.

The company dominates Hawaii, with nearly 50% of the banking market. It has few in-state competitors and a growing Pacific Rim franchise, with offices in Tokyo, Seoul, Hong Kong, and Singapore, as well as Guam and other Pacific islands.



The shares trade at a below-average 135% of book value.

The economies of both Hawaii and Guam are underpinned by military bases, which have become more important as the United States has closed or reduced bases in other areas, notably the Philippines.

Bancorp Hawaii is among seven of 49 banks tracked by Bear Stearns that have posted stock-price declines this year.

The others are First Hawaiian Inc., NBD Bancorp, Comerica Inc., Bank of Boston Corp., U.S. Bancorp. of Oregon, and CoreStates Financial Corp.

MONDAY'S MARKET

Bank stocks were mostly mixed to lower.

Barnett Banks Inc. was down 62.5 cents to $46, Meridian Bancorp. was down 37.5 cents to $32, and First Union Corp. was down 50 cents to $44.625 in late trading.

The biggest gainer was MBNA Corp., the credit card issuer, ahead 87.5 cents to $35.125. Shawmut National Corp. rebounded by improving 87.5 cents to $23.75. BankAmerica Corp. rose 37.5 cents to $47, and Bankers Trust New York Corp. rose 62.5 cents to $79.50.

Citicorp Issues Preferred Stock, Taking Advantage of Low Rates

Continued from page 1

ings for Citicorp were also cited.

In July, Moody's Investors Service upgraded Citicorp's noncumulative preferred stock to an investment-grade Baa3 from a junk-rating of Ba2.

Capital raising has been an important part of Citicorp's blueprint for recovery. The bank has issued $675 million of preferred stock this year and $1.3 billion of subordinated debt, according to Securities Data Co.

Capital

Citicorp has mainly used proceeds from the subordinated debt offerings – which can be used to beef up Tier 2 capital – to refinance higher-cost issues.

The bank wants to increase its capital ratios to levels closer to those of its peers. Citicorp had a 5.63% Tier 1 capital ratio in the second quarter; the average for money-center banks tracked by First Boston Corp. was 8.91%.

Raising capital has been an important part of Citicorp's recovery plan.

Adding to Tier 1 Ratio

Monday's issue will add approximately 17 basis points to the Tier 1 capital ratio, said a Citicorp official. Chairman John Reed has said publicly that the bank wants the Tier 1 ratio to reach 6% by yearend, up from 4.90% at yearend 1992.

Management is also aiming to raise the debt ratings of the subsidiary Citibank into the double-A levels, from the current single-A levels.

The preferred stock issued Monday is not callable for five years and is rated BBB-minus by Standard & Poor's Corp.

CAPITAL MONITOR

First Bank, Minneapolis, hit the capital markets on Monday with a $100 million issue of subordinated bank notes.

Proceeds of the 10-year issue will be used to refinance outstanding intercompany debt, said David Grandstrand, senior vice president.

The issue was priced to yield 6.12%, or 65 basis points over 10-year Treasury notes, Donaldson, Lufkin & Jenrette Securities Corp. was lead manager.

Mr. Grandstrand said the bank entered a swap agreement to pay a rate of around 40 to 45 basis points over the three-month London interbank offered rate, now 3.25%. The $125 million of intercompany debt carries a floating rate, but has a minimum rate of around 5.25%, he said.

He added that the bank's issue of $100 million of subordinated "step-up" notes earlier this month was also to refinance the outstanding debt.

* * *

Elsewhere in the capital markets, Bank of Nova Scotia is expected to raise $250 million of 15-year subordinated debt today.

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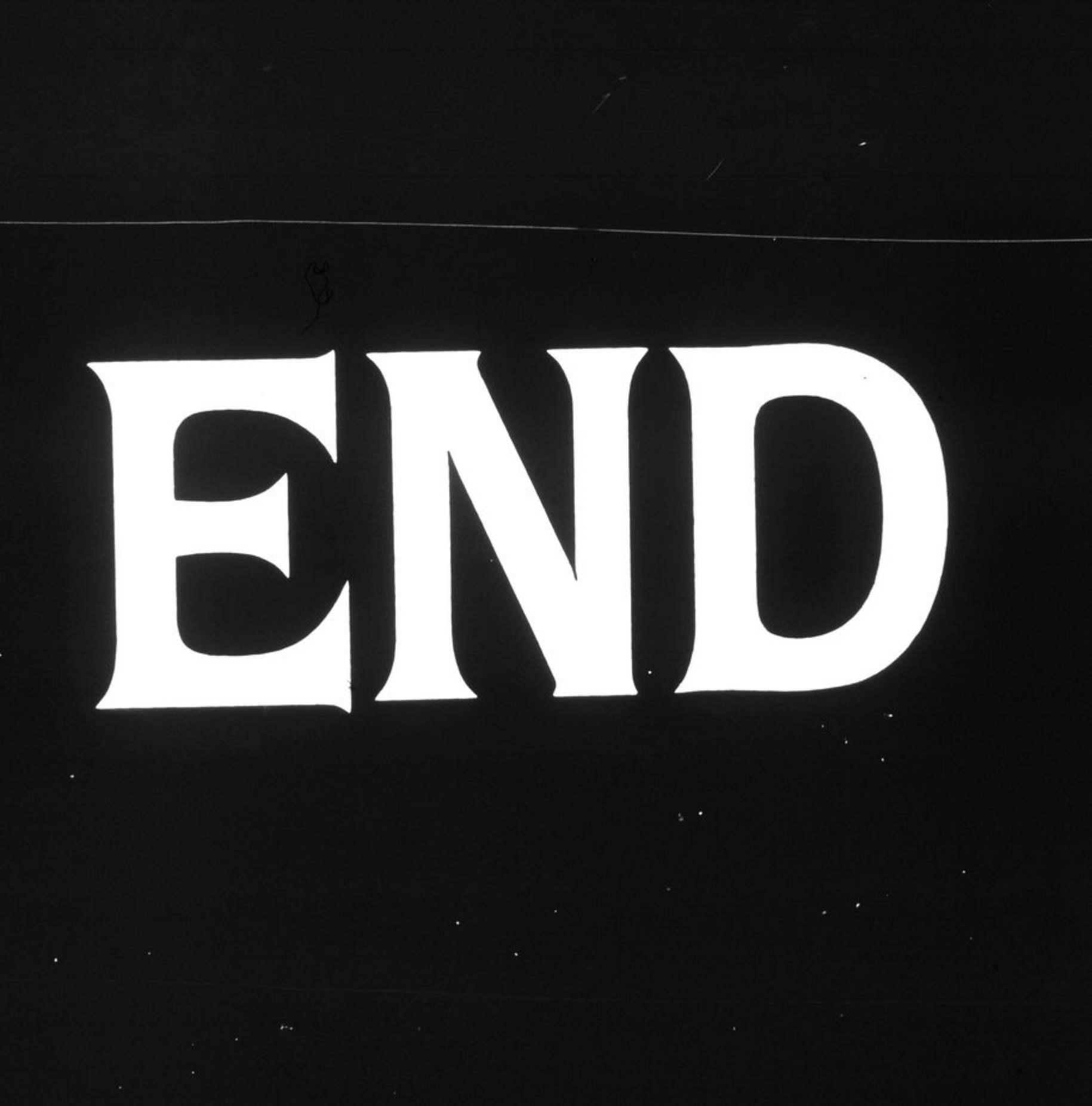
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